ANNUAL REPORT 2016

Ethias Group

Report produced in accordance with *International Financial Reporting Standards (IFRS)*

TABLE OF CONTENTS

INTRODUCTION

The Annual Report of the Ethias Group, hereafter "the Group", includes the management report, the consolidated financial statements prepared in accordance with the IFRS reference document (International Financial Reporting Standards) as adopted by the European Union as well as the financial statements of Ethias SA prepared in accordance with the legal and regulatory dispositions which are applicable in Belgium.

These consolidated financial statements were approved by the Board of Directors of Ethias SA on 25 April 2017.

Unless otherwise specified, the amounts in this report are stated in thousands of euros.

The registered office of the company Ethias SA is situated in Belgium at the following address: rue des Croisiers 24 in 4000 Liège.

KEY FIGURES

Essential data of the consolidated income statement

In thousands of EUR	31 December 2016	31 December 2015	Change during the year
Non-Life			
Public bodies and Companies	735,681	738,921	-0.44%
Private Individuals	574,403	561,357	2.32%
Premium collection Non-Life	**1,310,084**	**1,300,277**	**0.75%**
Life			
Public bodies and Companies	1,047,348	1,091,063	-4.01%
Private Individuals	48,361	52,792	-8.39%
Premium collection Life	**1,095,709**	**1,143,856**	**-4.21%**
Total premium collection Life and Non-Life	**2,405,792**	**2,444,133**	**-1.57%**
Consolidated revenues	**2,847,123**	**2,603,230**	**9.37%**
Net profit (loss) on current transactions after tax	424,261	636,904	
Share of the associates in the result	(4)	-	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	-	1,093	
Net consolidated profit (loss) attributable to:	**424,257**	**637,997**	
Owners of the parent	423,907	632,526	
Non-controlling interests	350	5,470	

Essential data of the consolidated financial position

In thousands of EUR	31 December 2016	31 December 2015	Change during the year
Total assets	19,498,621	19,847,455	-1.76%
Equity of the Group	**2,257,379**	**1,834,842**	**23.03%**
Non-controlling interests	47,502	34,578	37.38%

Regulatory coefficients

	31 December 2016	31 December 2015	Change during the year
Solvency ratio of the company Ethias SA	**144.9% (**)**	**224.06% (***)**	**-35.33%**

(*) The calculation of the SII margin is performed using the standard formula without taking into account the impact of the transitional measure on technical provisions.

(**) Not yet audited

(***) 2015 ratio calculated on the Solvency I basis

Other key figures

	31 December 2016	31 December 2015	Change during the year
Number of employees	**3,245**	**3,257**	**-0.35%**

GOVERNANCE REPORT

(ON 31 JANUARY 2017)

1. The Management Committee

Name	Function
Benoît Verwilghen	Chief financial officer - Chairman of the management committee ad interim
Brigite Buyle	Chief information officer
Frank Jeusette	Chief Risk Officer (CRO)
Luc Kranzen	Departments Private Individuals
Philippe Lallemand	Departments public sector / companies and human resources

2. The Board of Directors

Name	Function
Erik De Lembre	Chairman
Jacques Braggaar	Director
Claude Desseille	Independent director
Willy Duron	Independent director
Jean-Pierre Grafé	Director
Olivier Henin	Director
Philip Neyt	Director
Karl Van Brom	Director
Benoît Verwilghen	Director
Brigitte Buyle	Director
Frank Jeusette	Director
Luc Kranzen	Director
Philippe Lallemand	Director

3. The Audit and Risk Committee

Name	Function
Claude Desseille	Chairman
Erik De Lembre	Member
Willy Duron	Member
Jean-Pierre Grafé	Member

4. The Appointments and Remuneration Committee

Name	Function
Erik De Lembre	Chairman
Jacques Braggaar	Member
Olivier Henin	Member

5. The Statutory Auditor

PwC Réviseurs d’Entreprises SCCRL (B00009), with registered office in Woluwe Garden, Woluwedal 18,1932 Sint-Stevens-Woluwe, is represented by K. Cappoen (A01969), accredited auditor.

6. External offices exercised by the leaders of the Group

In accordance with the CBFA circular PPB-2006-13-CPB-CPA on the exercise of external functions by the leaders of insurance companies, we publish a list with the external offices exercised by the directors and the effective leaders of the Group in other companies than those with which the Group establishes a close relationship.

Are not included in the list of external offices exercised in collective investment undertakings: asset-holding companies and so-called "management companies".

6.1. Directors of Ethias SA

Name	Company	Registered office	Office exercised
Jacques Braggaar	Mutualité Solidaris Mons-Wallonie Picarde	Rue du Fort 48, 7800 Ath	Director
	Société wallonne des aéroports	avenue des Dessus-de-Lives 8 5101 Namur	Director
Erik De Lembre	C.L.U. Invest	rue des Chartreux 45 1000 Brussels	Chairman of the Board of Directors
	Partena Business Services	rue des Chartreux 45 1000 Brussels	Chairman of the Board of Directors
Claude Desseille	2 I Immo Invest	Bois Héros 15 1380 Lasne	Chairman of the Board of Directors
	Actualic	avenue des Myrtilles 56 1180 Uccle	Manager
	Moury Management	rue Sainte-Marie 24 4000 Liège	Independent director
	Warehouses Estates Belgium (Listed company)	avenue Jean Mermoz 29 6041 Gosselies	CEO - Director
Willy Duron	Agfa-Gevaert (Listed company)	Septestraat 27 2640 Mortsel	Director
	Tigenix (Listed company)	Romeinsestraat 12/2 3001 Leuven	Director
	Van Lanschot Bankiers (Credit institution) (Listed company)	Hoge Steenweg 29 NL-5200 HC ‘s Hertogenbosch	Commissioner
	Windvision	Parallelweg 42 NL-6221 BD Maastricht	Chairman of the Board of Directors
Jean-Pierre Grafé	Liège-Airport	Aéroport de Bierset, Bâtiment 44 4460 Grâce-Hollogne	Director
	Liège-Airport Security	Aéroport de Bierset, Bâtiment 44 4460 Grâce-Hollogne	Chairman of the Board of Directors
	Development company of Liège-Guillemins	rue Sainte-Marie 5 4000 Liège	Director
Olivier Henin	B-Logistics	Boulevard du roi Albert II 37, 1030 Brussels	Director
	Brussels Airport Company	Boulevard A. Reyers 80 1030 Brussels	Director
	Eurofima	Rittergasse 20 CH-4051 Basel	Director
	Eurogare	Place De Bronckaert 26 4000 Liège	Director
	Fedimmo	Chaussée de Wavre 1945 1160 Brussels	Chairman of the Board of Directors
	Sabena Aerospace Engineering	Avenue E. Mounier 2 1200 Brussels	Director
	Federal Shareholding and Investment Company (Financial Holding)	Avenue Louise 54/1 1050 Brussels	Vice-Chairman of the Board of Directors
	Thi Factory	Place Stéphanie 20 1050 Brussels	Director
Philip Neyt	Curalia (Insurance company)	rue Archimède 61 1000 Brussels	Director
	Ghelamco Invest (Listed company)	Zwaanhofweg 10 8900 Ieper	Director
	Leo Stevens and Co (Investment company)	Schildersstraat 33 2000 Antwerpen	Director
	Vladubel	avenue du Port 2 1080 Brussels	Director

6.2. Effective leaders of Ethias SA

Name	Company	Registered office	Office exercised
Philippe Lallemand	Techspace Aero	route de Liers 121 4041 Herstal	Director
	Wespavia (Financial holding)	avenue Maurice Destenay 13 4000 Liège	Director
Benoit Verwilghen	Fin.Co	Duboisstraat 48, 2060 Antwerp	Director

7. Justification for the independence and competence of the members of the Audit and Risk Committee of Ethias SA

The Audit and Risk Committee is composed of four non-executive directors, amongst whom two independent directors. To strengthen the efficiency of this committee, the chairman of the management committee a.i. and CFO, the internal auditor, the CRO and, where appropriate, the statutory auditor also attend these meetings, but without being member.

The Audit and Risk Committee is chaired by Mr Claude Desseille and also includes Mr De Lembre, Mr Duron and Mr Grafé.

Mr Desseille holds a master's degree in Actuarial Sciences, Mathematics and Astrophysics. He also has a rich experience within the field of insurance and finance. He was inter alia chairman and CEO of Winterthur Europe Insurances and member of the Board of Crédit Suisse Financial Services, director of the BBL and chairman of Assuralia. He meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

Mr. De Lembre is doctor in economic sciences. His professional career was dedicated to the auditing of enterprises and to university education in the fields of Belgian accounting rules, IFRS standards and internal and external audit. As a partner of Ernst & Young, he was an auditor, recognized by the CBFA, for banks and listed companies. He was also chairman of Ernst & Young Belgium and professor at the University of Gent and at the Vlerick Management School Leuven Gent. Mr De Lembre is furthermore chairman of the Board of Directors of Ethias SA and of Vitrufin SA.

Mr Duron holds a master's degree in Mathematics and in Actuarial Sciences. He has a rich experience in the financial sector as commissioner of the Bank Van Lanschot, as director of Van Breda Risk & Benefits, as Chairman of KBC Bank & Insurances Holding and, subsequently, as Chairman of the KBC Group. He meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

Mr Grafé is doctor in law and honorary lawyer specialized in trade matters and his political career spans many years. As a member of the monitoring committee and, subsequently, director of Ethias during many years, he was chairman of the Board of Directors between 2001 and 2007. Mr Grafé was inter alia chairman of the College of Commissioners of Intermosane, former chairman of the Board of Directors of the "Office Régional de l'Informatique" and of the Standing Committee "Commercial and Economic Law" of the Chamber of Deputies.

MANAGEMENT REPORT

1. The year 2016 in a number of dates and key facts

1.1. Switch V and Switch VI

The decision by the European Commission of 12 June 2014 compels Ethias to continue its policy of accelerating the run-down of the portfolio "Life Individuals", and this to strengthen its solvency. That is the reason why Ethias launched two "Switch" operations in 2016:

- The "Switch V" operation, launched in December 2015 and valid until February 19, 2016, offered the holders of a FIRST A an exit premium equal to 10 % of the mathematical reserve upon partial surrender (provided that the surrender rate is 50% or more of the mathematical reserve) or upon full surrender. Surrenders amounting to around EUR 66 million were recorded for a cost of EUR 6 million.
- The "Switch VI" operation, running from November 7, 2016 until December 23, 2016, offered the holders of a "FIRST Account" an exit premium equal to 25% of the mathematical reserve upon full surrender. Surrenders amounting to around EUR 785 million were recorded for a cost of EUR 196 million.

These operations resulted in a decrease of more than 57% in the FIRST A reserves that existed at end-2015. The number of contracts decreased from more than 26,000 to less than 13,000. The cost of the two transactions (EUR 202 million) directly impacts the 2016 result of Ethias, but these initiatives have allowed to significantly and recurrently improve the solvency margin under Solvency II, in force since 1 January 2016 (net impact of about 24 % on the Solvency II margin).

1.2. Terrorist attacks

Following the attacks in Brussels of 22 March 2016, many work accidents and civil liability claims were opened. The cost to Ethias amounts to about EUR 10 million after intervention of reinsurance and of the Terrorism Reinsurance and Insurance Pool (TRIP).

1.3. Tax dispute

There was a significant dispute between Ethias SA and the tax administration about the "pension insurances" of various public entities (provinces, municipalities, inter-community and other public institutions) so as to ensure the statutory pensions of their regular permanent staff and their dependants.

The administration namely took the view that these contracts did not strictly correspond to life insurance contracts but were investment contracts and that, consequently, the annual interest granted by Ethias SA to the reserves of these contracts were indeed movable income for the public entities / policyholders and therefore had to be subject to withholding tax.

Hence, the tax administration has successively enrolled the withholding tax on the interests paid during:

- the financial years 2002 to 2004;
- the financial years 1991 to 1994;
- the financial years 2005 to 2006;
- the financial year 2008.

These enrolments were the subject of a complaint addressed by Ethias to the tax administration. Ethias had, however, paid, on a purely precautionary basis, the amounts of withholding tax enrolled as well as the increases applied by the tax administration for a total amount of EUR 378 million.

Judicial proceedings were initiated, at the end of which the Liège Court of Appeal ruled in favour of the tax administration by its judgment of November 28, 2014. However, this judgment concerned only the enrolments for the financial years 2002 to 2004.

On January 9, 2015, and within the frame of a totally different case, the Court of Cassation issued a judgment in principle and established a case law which, applied in the frame of the dispute between Ethias and the tax administration, calls into question the foundations of the enrolments operated since 1993 chargeable to Ethias.

The findings of this judgment of the Court of Cassation of January 9, 2015 were transposed into a tax circular dated June 15, 2015 (AGFisc No. 27/2015 No. Ci.RH.233.486), which established a relief in favour of Ethias for the withholding taxes enrolled for the years not decided by the judgment of the Court of Appeal of November 28, 2014, namely the financial years 1993, 1994, 2005 and 2006.

On this basis, Ethias also lodged an appeal in cassation in early 2016 seeking the annulment of the judgment of the Liège Court of Appeal of November 28, 2014, the outcome of which should be rendered no earlier than 2018.

As regards the financial year 2008, the tax administration had proceeded in 2015 to the relief for an amount of EUR 44 million, considering more particularly and after verification that the conditions for a specific exemption applicable to this type of agreements since January 1, 2007 were met.

1.4. Reducing the duration gap

Ethias has continued its programme for reducing the duration gap (assets with an average maturity shorter than the maturity of liabilities), in particular through reinvestments in long-term OLO and the acquisition of derivative hedging instruments so as to limit its sensitivity to a decrease in interest rates. These measures have borne fruit since this gap in Life insurance portfolios has already been reduced from -3.23 at end-December 2015 to -2.81 at end-December 2016.

1.5. Solvency improvement programme

Given the volatility of the Solvency II margins within the current macroeconomic context, the National Bank of Belgium asked the company to provide:

- By 30 September 2016, pursuant to Article 510 of the Solvency II law, a realistic financial recovery programme aimed at re-establishing the level of eligible own funds covering the solvency capital requirement of the group;
- By 30 November 2016, pursuant to Articles 204 et seq. of the Solvency II law, a restoration plan providing for the measures that may be implemented in the event of a further significant deterioration in the situation of Ethias SA. The restoration plan must therefore include measures that should be implemented only when the level of SII margin becomes insufficient.

The financial recovery programme, submitted on 30 September, included in particular the introduction of a financial reinsurance program, the implementation of complementary "Switch" actions and the integration of Whestia with retroactive effect as of January 1, 2017.

The "Switch VI" action was achieved with the success described in Chapter 1.1. This has made it possible to fundamentally improve the solvency situation and the risk profile of the company. In fact, with a net impact of 24%, it contributed, in combination with other measures, to restoring the SII margin at a level of 144.9% (*) at end-December 2016 (level determined on the basis of the quarterly QRT at end-December, in accordance with the standard formula and without the transitional measure on technical provisions). In order to take into account the positive impact of Switch VI, the NBB asked us to complete the financial recovery programme by February 15, 2017 and the restoration plan by February 28, 2017.

The financial recovery programme was accepted by the NBB on March 29, 2017.

(*) not yet audited

1.6. Re-composition of the Management Committee

At its meeting of September 6, 2016, the Board of Directors of Ethias SA reviewed the composition of its Management Committee. Following the departure of Bernard Thiry, Benoît Verwilghen, Vice-CEO and CFO, was temporarily appointed as Chairman of the Management Committee, as CEO a.i. and CFO, until the appointment of Philippe Lallemand as CEO by the Board of Directors of Ethias SA of March 20, 2017.

1.7. 2016 in key dates

6 January: The year's start coincides with the endorsement of the social agreement, implemented through collective labour agreements that are ratified by the various trade union organizations within the company.

1 February: Ethias Young Drivers is elected "Product of The Year".

5 February: Ethias enjoys a high reputation in Belgium. The insurer ranks second in terms of unaided brand awareness (33 %), which means that one out of 3 Belgians spontaneously think of Ethias when asked for an insurance company he/she knows.

15 February: Ethias launches the "Ethias Pension Corner": an online platform specialized in pension-related information. The platform is free to policyholders. It is accessible 24/7.

19 February: The "Switch V" operation comes to an end (cf. 1.1. Switch V and Switch VI).

22 March: Following the Brussels attacks, many work accident and civil liability claims are recorded. The reinsurance mechanism and TRIP (Terrorism Reinsurance and Insurance Pool) allow Ethias to reduce the financial impact. (cf. 1.2 Terrorist attacks)

07 April: Acquisition (51%) of the company "Air Properties". The company "Air Properties" has as sole asset an office building located in the Grand Duchy of Luxembourg and is fully let to BDO.

27 April: Ethias wins 2 DECAVI Trophies: in the category "Civil Liability Car Insurance" and in the new category "Tenants Insurance".

24 May: The company M.I.M.S. is absorbed by Xperthis.

10 June: The Ethias website receives the BeCommerce label. This label is a proof of quality for the online purchase of goods and services. With the "BeCommerce" quality label, its members prove to consumers that they offer them a reliable and secure way to shop online.

20 June: The Ethias Trophy receives for the second time the “ATP Challenger Award 2015". This award recognizes the Mons tournament as the best in the world in the Challengers' category!

30 June: The company "Développement Cauchy" becomes Archeion and absorbs "Het Rijksarchief". Hence, the company "Archeion" is owner of two grounds, one in Namur and one in Ghent.

11 August: NRB participates for 50% in the setting-up of the company Belgium DC, whose object is to finance, realize, lease and operate a carrier-neutral data centre. This activity is necessary and complementary to the activities carried out by NRB. The company is integrated in the Group by means of the equity method.

6 September: The Board of Directors of September 6 considered it appropriate to reconfigure the Management Committee upon the departure of the CEO, Bernard Thiry, whose work carried out from 2008 to the present day was widely acknowledged by the Board of Directors. His departure does not impact in any way the strategy of Ethias nor the company's stand-alone vision, which was confirmed by the same Board. The chairmanship of the Management Committee was held ad interim by Benoît Verwilghen, as CEO a.i. and CFO, until the appointment of Philippe Lallemand as CEO by the Board of Directors on March 20, 2017.

12 September: Fitch places the BBB rating of Ethias in Rating Watch Positive.

End Sept.: Our innovative "Concept Office 3.0" office infrastructure won the Brussels Commerce Design Award for our office in the rue des Fripiers, which opened in December 2015. This competition encourages cooperation between companies and designers in the Brussels region. A great reward for the architects of Kalibre, creators of our Concept 3.0 offices.

27 October: Ethias once again wins the Decavi Award for Innovation. With Autonomia, Ariadne proves once more that it can anticipate the societal challenges of the years to come and propose an innovative product: an insurance that aims to promote the independence of senior citizens.

9 November: Ethias is the strongest insurance brand. The Benchmark Company, an independent research office, has drawn up a list of the 16 leading insurance brands in Belgium, and it is Ethias who finds itself on the winner's platform.

28 November: The office in Antwerp, built in the Concept Office 3.0 style, opens its doors at its new address (Mechelsesteenweg 271).

29 November: The Public Service of Wallonia - Mobility has awarded the 5-star label to Ethias as part of its biking initiatives ("Tous Vélos Actifs"). A great collective reward for all Ethias colleagues who come by bike to work.

23 December: Closing of the "Switch VI" operation (see item 1.1. Switch V and Switch VI).

2. Result of the financial year

The year 2016 records a consolidated profit of EUR 424 million, split between the Non-Life business (EUR 278 million), the Life business (EUR 62 million), the other activities of the Group (EUR 182 million) and taxes (EUR -98 million).

This consolidated result reflects the impact of the cost related to the "Switch V and VI" operation (EUR 202 million) and the recovery of the tax dispute (EUR 223 million).

The SII margin amounts to 144.9 % (*).

(*) not yet audited.

2.1. Analysis of the results of the financial year

Please refer to Annex 6.4 of the consolidated financial statements for details.

2.2. Finance and asset management

2.2.1 Investment policy

All the investments carried out by Ethias SA are to respect the various investment policies that describe the general framework in which the investments must fit as well as the roles and responsibilities of all interveners.

The so-called "general investment policy" covers the majority of the investments made and also aims at restricting and controlling the opaque products. In addition to this general policy, dedicated policies do exist for some specific asset classes such as real estate, alternative investments, strategic and financial investments and loans to individuals.

The different investment policies define the objectives in terms of risk and return, eligible investments, strategic asset allocation, and this in line with the internal and external constraints, the policy for assets and liabilities management policy, the company's regulatory and economic risk appetite and its medium- and long-term financial objectives. Their aim is, inter alia, to ensure the quality and the liquidity of the portfolio, to reduce its complexity and to optimize its diversification and risk profile, while respecting the legal and internal limits as well as the directives and obligations imposed by the European Commission. The diversification of the portfolio is continued per asset class, but also for all the asset classes together and on different levels: type of assets, sector, country, maturity, issuer/counterparty, etc.

Special attention is paid to the Solvency II regulation and its implications for the assets management. The processing under Solvency II is therefore an integral part of the investment and asset selection process, and more particularly at the level of performance objectives.

As in previous years, the majority of the investments in 2016 were made in government bonds and corporate bonds. The exposure to opaque products, such as structured, securitized and complex products, remained stable. Share exposure increased slightly over the year as well as loan allocation to private individuals. In order to mitigate the impact of negative remuneration on current accounts, alternative solutions such as monetary funds were used while ensuring the liquidity and diversification aspects.

In terms of bond investments, the year was marked by a continuous decline in interest rates until the end of September, with a rather pronounced rise thereafter. The weak visibility on the expected interest-rate movements and the fear that the interest rates will remain low for a longer period, prompted us over the year to invest gradually and particularly in Belgian and French sovereign bonds. We continued to extend the duration of our investments in government bonds, both via spot purchases and via forward purchases. The derivative programs for protecting against falling interest rates were adjusted with the objectives set by the ALM. Given the uncertainties associated with the constitutional referendum in Italy and anticipating a higher volatility on the Italian assets, the decision was taken to reduce our exposure, mainly to sovereign bonds of the country.

As for credit spreads, the first half of the year was quite volatile with some pronounced widenings and the year finally ended at lower levels than at the beginning of the year. The yield pick-up with regard to sovereign securities continued to offer investment opportunities even though these opportunities have become rarer due to the ECB's credit bond buyback program. Only bonds with an "investment grade" listing were eligible for purchase.

The real estate investments, in Belgium and in neighbouring countries, have also been continued in line with Ethias' intention to increase its exposure to this type of asset class through investments in nursing and care homes as well as in office buildings.

The "Switch VI" operation had a significant impact on the level of liquidities, which fell sharply, especially at the end of the year. An important cushion of liquidities had been created in anticipation of the operation but in view of its great success, sales of bonds as well as repo transactions had to be made.

As a responsible financial partner, Ethias also ensures to promote the compliance of its fundamental values through an ethical investment code. A blacklist of prohibited investments is annually updated. The last version of this investment code was approved by the Management Committee on 05 December 2016. In its investment property, Ethias also prefers investments which strengthen its social role, such as investments in nursing and care homes.

2.2.2 The market conditions in 2016

European macroeconomic data did not show any strong trend in the course of 2016. The focus has been mainly on inflation, which has once again moved into negative territory, moving away from the target of the European Central Bank (ECB), before rising again in the second half of the year.

While on the other side of the Atlantic, the US Federal Reserve raised its rates at the end of 2015 and finally reiterated this movement at the end of 2016, the European monetary institution intensified the asset repurchases that began in March 2015. From 60 billion in monthly bond purchases, the amount rose to 80 billion while the eligible assets, initially government bonds and covered bonds, were expanded to corporate bonds. The ECB also lowered its key rate from 0.05 to 0.00% in March. At the end of December, the ECB decided to extend the bond purchase program beyond March 2017, but to reduce the monthly purchases to 60 billion.

In addition, 2016 experienced many political uncertainties. First of all, Spain remained without a government until 29 October. In June, the referendum in England saw the population vote in favour of an exit from the European Union. In November, investors were again surprised by the election of D. Trump to the US presidency while in December the Italian Prime Minister resigned following the rejection, in a referendum, of the constitutional reform which aimed to change the composition and role of the Senate.

As for the financial markets, the context of very low inflation, political uncertainties and additional measures of the European Central Bank weighed on the yields of bonds until the end of September. The 10-year OLO rate went from 0.97% at the beginning of January to 0.10% at the end of September and then rose sharply following the election of D. Trump and the rise in inflation. It finally closed the year at 0.53%. The 10-year German Bund also broke a historic record with a negative yield of -0.19% before ending the year at 0.21%.

For the peripheral countries, the performances were disparate. Italy suffered from the referendum and weakness of its banks. Hence, it saw its 10-year rate rise by 22 bps over the year and finish at 1.82%. Spain, for its part, suffered little from its absence of government, its rate even decreased by 39 bps and finished the year at 1.38%.

On the corporate bonds markets, the 5-year iTraxx index - representing the risk premium related to the financing of businesses across all sectors - started the year at 77 bps to end around 72 bps. The first half of the year was rather volatile with a first widening above 120 bps in February and a second widening close to 100 bps that was reached in late June. The second part of the year was less volatile; the credit index moved in a range of 70 to 80 bps. Among the factors that have increased risk premiums, there were the fears about China's growth and the stability of the banking system in Italy, as well as the surprise vote in favour of the Brexit and, lastly, the election of D. Trump as President of the United States. On the other hand, the ECB's actions have supported the credit spreads.

Since the announcement of the purchase programme for corporate bonds (CSPP - Corporate Sector Purchase Program), demand has remained firm for corporate bonds, which has inevitably pushed the risk premiums downwards. Indeed, corporate bonds proved a tremendous success given the demand for yield and the lack of alternatives, in particular for government bonds.

As for equity markets, after a rather difficult start to the year (up to -18% for the Eurostoxx50 over the first 6 weeks), which was marked by fears about a strong slowdown in China's economy and a significant decline in oil prices, equity indices recovered during the second half of the year despite political uncertainties. In the course of the year, it was essentially the improvement in macroeconomic data that helped to improve market sentiment: the market moved from a "risk-off" mode to a "risk-on" mode.

Finally, the Eurostoxx50 closed the year slightly up (+ 0.70%) while the S&P500 ended on historical highs (+ 9.54%).

At the level of the European sectors, the dispersion of performances was extreme: there was a sharp recovery in cyclicals (raw materials + 50.95%, oil and gas + 19.40%) and an underperformance of defensives (food and beverages -8.45%, telecoms -8.13%). Although the banking sector recovered strongly in the second half, it ended the year with a decrease of -7.98%.

Throughout the year, oil remained highly volatile (fluctuating between $26.39 and $55.57 per barrel) and its final increase was +54.99% after the agreements between producing countries to reduce supply.

3. Profit sharing and refunds

The following profit sharing and refunds are proposed:

Life Activities

- **Group Insurances**

  No profit sharing "death" is proposed.

  For 1st pillar life insurance contracts, with the exception of those of which the assets are managed in dedicated asset funds, the granted net yield amounts to the guaranteed interest. For contracts whose asset management is carried out in dedicated asset funds, profit sharing is granted in accordance with the regulations of this fund, subject to a favourable response from the National Bank of Belgium to our request for derogation that was introduced on the basis of the provisions laid down in Chapter II, Section II of the Royal Decree of 14 September 2016, published in the Belgian Official Journal of 31 October 2016 on the distribution of profit sharing and the granting of insurance refunds.

  For life insurance contracts of the 2nd pillar, the granted net yield amounts to the guaranteed interest rate.

- **Individual Insurances**

  No profit sharing "death" is offered, with the exception of a possible decrease in the periodic premium of old "outstanding balance contracts".

  For the contracts FIRST, FIRST Invest, FIRST Junior and Top FIRST, the granted net interest rate amounts to the guaranteed interest rate and no profit sharings are offered.

  For traditional life insurance contracts, the granted net yield amounts to the guaranteed interest rate.

- **Interest rate contracts**

  No profit sharings are provided for these contracts.

- **Capitalization contracts (Branch 26)**

  No profit sharings are provided for these contracts.

Life Activities

No refunds are granted.

4. Assessment of Internal Control

The preparation of the report on the assessment of the internal control system is in conformity with the BNB circular 2015_21 on internal control as well as with the COSO 2013 standards (Committee of Sponsoring Organizations of the Treadway Commission).

In terms of control environment, Ethias:

- Ethias pays attention to the respect of the integrity and the ethical values it enshrines;
- Ethias aims at reaching its objectives through a clear definition of its organic structures and of the appropriate competences and responsibilities.
- Ethias shows its commitment to attract, train and hold competent co-workers in accordance with the objectives of its three-year plan;
- compels all its co-workers to assume their responsibilities regarding internal control.

In terms of risk assessment:

- Ethias ensures a clear definition of the objectives assuring the identification and assessment of risks linked to its objectives.
- Ethias identifies the risks linked to the achievement of its objectives within the scope of its responsibilities and regularly analyses these risks in order to determine the appropriate management modalities for its risks.
- Ethias integrates the internal and external fraud risk in the assessment of risks that can compromise the achievement of its objectives.
- identifies and regularly assesses the changes that could have a significant impact on its internal control system.

In terms of controlling activities:

- Ethias develops and/or reviews its controlling activities by means of guidelines which specify the objectives and procedures implementing these directives.
- selects and develops the controlling activities - including information technology general controls - that contribute to the maintenance or decrease of risks linked to the achievement of its objectives at acceptable levels.

In terms of information and communication:

- Ethias communicates internally the information which is required for proper functioning of the other internal control components, more specifically by obtaining relevant and qualitative information.
- communicates with third parties on the points that may affect the functioning of other components of the internal control.

In terms of steering:

- Ethias realizes permanent and/or punctual assessments to check if the internal control components have been developed and are operable.
- communicates, in due time, an assessment of the internal control's deficiencies to the persons responsible for corrective measures, in particular to the Management Committee and the Audit and Risk Committee.

As with any internal control system, the system implemented by Ethias can only provide an absolute guarantee when the risks are completely excluded. Therefore, the system only provides a reasonable assurance with respect to the realization of its objectives. The system constantly evolves and was strengthened in 2016 through:

- The regular review of the internal policies tailored to the risk appetite;
- The definition of a policy on commercial gestures;
- The continuation of the Solvency II project and, in particular, the implementation of data governance, improved documentation of processes
- Employee awareness for the tasks of the independent monitoring functions.

However, the internal control system of Ethias can still be improved on certain points and leads us to continue our efforts of improvement.

5. Risk Governance

We refer to note 9 of the consolidated financial statements.

6. Reinsurance

Reinsurance lies within the control process of the insurance risks. It also contributes to the improvement of the solvency ratio.

The main insurance risks of Ethias SA concern damage and civil liability insurances, liability of motor vehicles and catastrophe risks (natural or human) on people and/or goods.

These risks are covered by means of reinsurance treaties and facultative reinsurance contracts for the risks outside the treaties' scope. The majority of these contracts are concluded on a non-proportional basis.

The reinsurance programs are divided into four major parts: non-life insurance, liability insurance, motor vehicle insurance and personal insurance (accidents at work and death/disability insurances). Each year, they are reassessed to meet the needs of production taking into account the reinsurance market and to hedge the capacities required in the frame of Solvency II.

Reinsurance premium rates on the market are on the whole trending downwards given the absence of major disasters worldwide and the substantial spare capacities.

There has been little change in reinsurance programs between 2015 and 2016. We benefited from the favourable reinsurance context to continue purchasing additional capacities in Catastrophe Claims. On the whole, our reinsurance cost is stable.

Ethias SA reinsures 95 % of the activities of Ethias Droit Commun aam (mutual insurance association).

7. Information regarding environmental and staffing matters

The aspects relating to the employees are treated in the management reports of Ethias SA and its various subsidiaries.

8. Information on circumstances which may significantly impact the company's development

8.1. Macroeconomic environment

Ethias suffers, just as all insurers with a Life activity, from the effects of a difficult macroeconomic environment. The low interest rates heavily penalize the profitability of the Life products with a guaranteed interest rate that is higher than the interest rates on government bonds. If the interest rates would remain at this level or even continue to fall, this would have a negative impact on the profitability of the company. Consequently, the company has implemented and will continue to implement actions allowing it to limit its sensitivity to changes in interest rates. The success of the "Switch VI" operation has reduced Ethias' sensitivity to interest rate developments.

8.2. Regulatory developments

The standard methods, assumptions and parameters used in the calculation of the solvency capital required under the standard formula will be reviewed at the end of 2018. The purpose of this review is to adapt the Solvency II regime to the market developments and to incorporate the practical experience gained during the first years of its application. The European Insurance and Occupational Pensions Authority (EIOPA) launched a consultation with stakeholders in the sector in late 2016 in order to identify the adjustments to be made in the calibration of the SCR in standard formula.

The regulatory uncertainty associated with this revision and the potential recognition of an SCR spread on government bonds could significantly impact the solvency II ratios of the companies.

8.3. Technological developments

Ethias has embarked on a major technological transformation program to support its ambitions.

This includes the acquisition of new IT tools to meet the future needs of our customers and to improve overall performance. These tools will particularly support the deployment of the omnichannel strategy (e-commerce, social media, etc.). This program also includes the modernization of the IT architecture supporting the Non-Life business through the Guidewire application.

To prepare for the integration and use of Guidewire within Ethias, an implementation program called "Century" has started in December 2015. The aim of Century is to make every effort so that Guidewire will be fully operational in 2019. The program also focuses on accompanying measures and training needed to facilitate this transformation. The target is to ensure the first operational roll-out in the course of the 4th quarter of 2017.

9. Research & Development

Ethias aims to differentiate itself from its competitors by offering its customers insurance services characterized by their values of availability, responsiveness, ease-of-use and expertise.

This approach requires ongoing development and optimization of quantitative risk models, particularly to comply with the European Solvency II legislation.

To that end, Ethias has undertaken since 2008 a major R&D project to produce new actuarial models for managing financial, operational and life/non-life insurance risks, as well as new tools for mapping these risks and various possible incidents. This work will lead to a complete overhaul of the company's risk models and to the development of IT tools that go well beyond the current state of art.

From 2015 onwards, Ethias has also undertaken a complete transformation of its IT landscape, motivated by its intention to obtain a 360 ° view of its customers through the use of powerful and centralized tools. Hence, the IT Department initiated a series of innovative programs and projects aimed at replacing the company's architecture and its security framework while satisfying the constraints related to Solvency II in terms of data quality, traceability, data classification, etc.

Thus, the Ethias R&D engineers have started an ambitious ERP renewal program for the management of Non-Life activities. As a result, engineers are led to create a new enterprise data warehouse centrally at the Solvency II chain, combining the Life and Non-Life activities, while ensuring the continuity and expansion of the reporting activities to help the decision-making process. These architectural changes lead to an irremediable need to rewrite the company's entire security architecture, including the implementation of new solutions for dynamic enrolment, self-signing or strong authentication processes. The R&D engineers are also introducing new CRM solutions supported by real-time databases, covering the various heterogeneous mainframe databases inherited from the past, and develop innovative electronic document management mechanisms to reduce the production of material documents.

10. Other activities of the Group

The net profit (loss) of the other activities of the Group is mainly generated by the company Ethias Sustainable Investment Fund SA, by the NRB group and by its real estate subsidiaries.

This year, despite the improvement in the result of the "Global Equities" sub-fund, EUR 440 thousand (EUR -761 thousand in 2015), the company's result fell by 89.3% to EUR 2,971 thousand (EUR 27,772 thousand in 2015). The "Global Equities" sub-fund was created in March 2015, when the markets were at their peak, and only included 9 months of results in 2015. This explains the evolution of the result between 2015 and 2016.
The "High Yield" sub-fund experienced a 91.13% decline in its result and reached EUR 2,532 thousand (EUR 28,533 thousand in 2015). Indeed, the activity on the "High Yield" portfolio was much less significant than in 2015. With the volatility of the markets being lower in 2016, they have performed less well. (+ 3.85% for the Eurostoxx50 in 2015, + 0.70% in 2016).

The assets under management of the two sub-funds are mainly invested in European equities. More specifically, the new sub-fund aims at an investment policy that is more dynamic than the initial compartment and therefore has a short-medium holding term. It has been created inter alia to allow investments in insurance products of branch 23.

As for NRB, thanks to the acquisition of all the shares of Trasys Group SA, it intends to become the number one Belgian provider of ICT services. This allows NRB to strengthen itself in the field of consultancy services and application development, as well as to get access to new markets such as the European Institutions.

As of 1 January 2016, the NRB/TRASYS entity worked as a single operating entity headed by a single Management Team. Throughout 2016, several working groups, coordinated by an Integration Program Office, conducted and monitored the integration, adapted the processes and prepared the legal merger of both entities, which took place on January 1, 2017.

The year 2016 was marked by the setting up of a strategic plan "B1" within the Xperthis Group. This marks a turning point in the history of Xperthis thanks to the technological change that has been adopted for the computerized patient record (CARE), but also thanks to the redesign of the organization based on three platforms, viz. "Smart Care Delivery", "Smart Care Management" and "Smart Care Consulting".

Despite significant price-cutting pressure by some of their largest customers, the growth recorded in several sectors has allowed NRB to end the year with a higher turnover than in 2015.

In addition, a number of important decisions were taken with regard to the reorganization of the Group: the first being the merger between the companies Xperthis and MIMS (with effect from 1 January 2016) as well as the preparation of the merger with the company Ciges (with effect from 1 January 2017); the second being to invest in the construction of a new Datacenter with a specialized partner in the matter, which led to the creation of the company Belgium DC in August 2016, owned for 50 % by NRB. The year 2016 also saw the creation of a European Economic Interest Grouping under the name "Trasys International GEIE" composed of the Belgian entity NRB and the Luxembourg entity "Trasys Luxembourg PSF" in order to keep the "Trasys" brand, which enjoys a strong presence and a strong reputation in the markets of International Organizations. Finally, the resale of the "Printshop" activities was finalized in December 2016.

The NRB subgroup submits consolidated financial statements in Belgian standards. The data below include the main figures resulting from this sub-consolidation.

NRB's consolidated revenues amounted to EUR 317 million compared to EUR 246 million in 2015, an increase of 29%. This increase is mainly due to the turnover generated by the new acquisitions carried out in 2015 and for which a full year of activity can be found in the consolidated figures for 2016.
The consolidated operating income represents 7.8% of this figure.

The financial result is EUR -6.3 million as a result of booking depreciation on positive consolidation differences on financial charges.

In the balance, we note the following headings:

Fixed assets reach an amount of EUR 102.4 million including tangible assets for EUR 40.4 million and positive consolidation differences for EUR 42.6 million.

Receivables within one year up to EUR 68.1 million.

Cash investments and available values amount to EUR 45.1 million.

After allocation of the result of NRB, the consolidated equity reaches EUR 85.9 million.

Interests of third parties amount to EUR 22.3 million.

Debts within one year reach EUR 115.2 million.

Owing to the activities of the financial year 2016, a consolidated profit of EUR 4.3 million could be generated, of which EUR 4.8 million as Group share and EUR -0.5 million as third party share.

11. Events occurring after the financial year was closed

11.1. Fitch Rating

Following the success of the "Switch VI" operation, the rating agency Fitch placed on 10 January 2017 the rating for financial strength of Ethias SA at BBB, with positive outlook. Fitch welcomes the improvement in our capital position and the reduction in our sensitivity to interest rates following the success of the "Switch VI" operation.

11.2. Solvency improvement programme

The major efforts made by the company as a whole have borne fruit and have greatly improved the solvency II margin, which is close to the minimum target of 150% at the end of December 2016.

In order to take into account the positive impact of Switch VI on its risk profile, Ethias SA has transmitted to the National Bank of Belgium:

- By mid-February 2017, the update of the financial recovery programme, initially submitted to the regulator on September 30, 2016;
- By end-February 2017, the restoration plan providing for the measures likely to be implemented in the event of a new significant deterioration in the situation of Ethias SA.

The financial recovery programme was accepted by the NBB on March 29, 2017. The regulator has confirmed to us that, given the result of the "Switch VI" operation and its impact on the solvency ratio, there is no more any indication that Ethias would no longer be able to meet the regulatory requirements in terms of required capital. On this basis, the Bank has considered that the implemented financial recovery programme has borne fruit and can be considered as closed. Furthermore, considering the changes made to the company's risk profile following the "Switch VI" operation, the Bank is asking Ethias SA to provide an updated version of the restoration plan by November 30, 2017.

11.3. Closing of the commitments towards to the European Commission

The commitments of Ethias towards the European Commission in the frame of the state aid file following the recapitalization of the company by the public authorities at the end of 2008 expired on 31 December 2016. The circumstances in which the commitments were extended until 31 December 2017 are not met. These related to the achievement of a significant level of loss and insufficient coverage of the SCR that would have resulted from the court's unfavourable decision on the tax dispute.

The closing of the commitments will be officially confirmed by the Commission after examination of the situation at end-2016

11.4. Appointment of a new CEO

As of March 20, 2017, the Board of Directors of Ethias SA appointed Mr Philippe Lallemand as CEO of the company.

11.5. Integration of Whestia

In the course of March 2017, The NBB agreed on the disposal of the shares of the company Whestia to Ethias, which already holds 25.10% of the company's capital and becomes the sole shareholder of Whestia at the end of the transaction. The closing involving the transfer of the shares and the payment of the transfer price took place on 3 April. The objective is to carry out, by the end of June 2017, the merger between Whestia and Ethias.

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

In thousands of EUR	Notes	31 December 2016	31 December 2015
Assets			
Goodwill	11.1	**44,762**	**44,762**
Other intangible assets	11.2	**93,797**	**45,965**
Operational buildings and other tangible fixed assets	11.6	**139,648**	**136,517**
Investment in associates	11.3	**496**	**-**
Investment properties	11.6	**495,366**	**432,640**
Financial assets available for sale	11.4	13,988,362	13,822,390
Financial assets at fair value through profit and loss	11.4	823,867	862,395
Loans, deposits and other financial investments recognized at amortized cost	11.4	651,976	845,705
Derivative financial instruments	11.5	75,346	22,986
Investments belonging to unit-linked insurance contracts	11.4	408,389	359,078
Financial investments		**15,947,941**	**15,912,555**
Reinsurers' share of technical provisions	11.13	**121,543**	**134,123**
Deferred tax assets	11.10	**73,764**	**170,096**
Receivables arising from insurance operations or accepted reinsurance	11.7	**1,344,241**	**1,291,136**
Receivables arising from ceded reinsurance operations	11.7	**64,359**	**57,001**
Other receivables	11.7	**178,872**	**277,527**
Other assets	11.8	**242,495**	**258,369**
Cash and cash equivalents	11.9	**751,336**	**1,086,763**
Assets available for sale including assets from discontinued operations	11.11	**-**	**-**
Total assets		**19,498,621**	**19,847,455**
Liabilities			
Share capital		1,000,000	1,000,000
Reserves and retained earnings		556,801	(30,726)
Net profit (loss) of the period		423,907	632,526
Other items of comprehensive income		276,671	233,041
Equity of the Group		**2,257,379**	**1,834,842**
Non-controlling interests		**47,502**	**34,578**
Total equity	11.12	**2,304,881**	**1,869,420**
Insurance contract liabilities		8,540,857	8,606,896
Investment contract liabilities with discretionary participation features		6,196,708	7,351,547
Investment contract liabilities without discretionary participation features		3,894	3,904
Liabilities belonging to unit-linked insurance contracts		408,389	359,078
Profit sharing liabilities		24,070	37,796
Insurance and investment contract liabilities	11.13	**15,173,917**	**16,359,222**
Subordinated debts	11.14	**453,903**	**454,372**
Other financial debts	11.14	**387,147**	**56,096**
Employee benefits	11.16	**534,863**	**502,129**
Provisions	11.15	**29,796**	**62,799**
Derivative financial instruments	11.5	**8,014**	**19,958**
Tax payables	11.17	**52,168**	**49,168**
Deferred tax liabilities	11.10	**21,534**	**59**
Liabilities from operating activities	11.17	**226,556**	**215,463**
Other payables	11.17	**305,841**	**258,769**
Liabilities related to assets available for sale and discontinued operations	11.11	**-**	**-**
Total other liabilities		**17,193,740**	**17,978,035**
Total liabilities		**19,498,621**	**19,847,455**

The statements and notes 1 to 14 form an integral part of the consolidated financial IFRS statements as at 31 December 2016.

2. Consolidated income statement

In thousands of EUR	Notes	31 December 2016	31 December 2015
Gross premiums	12.1	2,405,792	2,444,133
Premiums ceded to reinsurers	12.3	(36,798)	(37,746)
Change in the provision for unearned premiums and outstanding risks [a]		(17,226)	(7,424)
Other income from insurance activities		5,590	5,520
Revenues from insurance activities [a]	12.1	**2,357,359**	**2,404,483**
Revenues from other activities	12.4	489,765	198,746
Revenues		**2,847,123**	**2,603,230**
Net revenues from investments		539,250	623,694
Net realized gains or losses on investments		62,462	34,787
Change in fair value of investments through profit and loss [b]		(1,715)	25,753
Net financial income	12.5	**599,997**	**684,234**
NET REVENUES		**3,447,120**	**3,287,464**
Insurance service expenses		2,326,341	2,137,411
Net expenses or revenues ceded to reinsurers	12.3	(15,127)	(48,167)
Management costs [c]		273,655	257,595
Technical expenses for insurance activities	12.2	**2,584,869**	**2,346,838**
Expenses for other activities	12.4	305,725	200,744
Operating expenses		**2,890,594**	**2,547,582**
Change in depreciation and amortization on investments (net)	12.5	(9,645)	41,281
Other investment financial expenses	12.5	13,674	(45,382)
Finance costs	12.6	30,314	19,894
Financial expenses		**34,344**	**15,793**
NET EXPENSES		**2,924,938**	**2,563,376**
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		**522,183**	**724,088**
Income taxes	12.9	(97,922)	(87,185)
NET PROFIT (LOSS) AFTER TAX		**424,261**	**636,904**
Share of the associates in the result		(4)	-
Net profit (loss) from discontinued operations		-	1,093
Net consolidated profit (loss) attributable to:		**424,257**	**637,997**
Owners of the parent		423,907	632,526
Non-controlling interests		350	5,470

a) *Net of reinsurance*

b) *Including change in fair value of investments of which the financial risk is supported by the insured.*

c) *Including contract acquisition costs, administration costs, internal claim handling costs and other technical expenses.*

3. Statement of consolidated comprehensive income

In thousands of EUR	31 December 2016	31 December 2015
NET CONSOLIDATED PROFIT (LOSS)	**424,257**	**637,997**
Actuarial gains and losses on defined benefit pension liabilities	2,538	103,847
Tax on other items that will not be subsequently reclassified to the net profit (loss)	(863)	(35,297)
Items that will not be subsequently reclassified to the net profit (loss)	**1,675**	**68,549**
Change in fair value of financial assets available for sale	(47,382)	(1,359)
Change in fair value of derivative instruments designated as cash flow hedges	118,431	(19,580)
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	(29,094)	8,640
Items that could be subsequently reclassified to the net profit (loss)	**41,955**	**(12,299)**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**43,630**	**56,250**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**467,887**	**694,247**
Owners of the parent	467,537	688,776
Non-controlling interests	350	5,470

4. Consolidated cash flows statement

In thousands of EUR	Notes	31 December 2016	31 December 2015
Net profit (loss) before tax (Total 1)		**522,183**	**724,088**
Depreciations and impairments on intangible and tangible assets	11.2, 11.6	27,347	18,633
Change in depreciations on financial instruments and investment properties	11.4, 11.6, 12.5	(9,645)	41,281
Change in fair value on investments through profit or loss	11.4, 12.5	1,715	(25,753)
Provisions for risks and expenses, and other liabilities	11.15, 12.8	26,955	(26,339)
Change in provisions of insurance and investments contracts	11.13	(1,213,723)	(2,510,987)
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(503,647)	(547,437)
Corrections of the amounts that do not impact cash flows (Total 2)		**(1,670,999)**	**(3,050,602)**
Dividends and instalments on earned dividends		29,385	27,599
Earned financial income	12.5	472,890	529,356
Use of provision for employee benefits		(28,411)	(26,102)
Change in current receivables and debts	11.7, 11.17	45,002	48,517
Change in liabilities from insurance and investments contracts		(31,649)	(112,028)
Tax paid		36,666	(54,017)
Other changes (Total 3)		**523,883**	**413,325**
Net cash flows from operating activities (Total 1+2+3)		**(624,933)**	**(1,913,188)**
Shares in subsidiaries, net of acquired cash in hand	6.5.1	(24,333)	(27,620)
Acquisition of financial assets and investment properties	11.4, 11.6	(3,062,408)	(2,389,827)
Acquisition of intangible and tangible fixed assets	11.2, 11.6	(85,688)	(52,490)
Disposals of shares in subsidiaries, net of transferred cash	6.5.2	-	-
Disposals of financial assets and investment properties	11.4, 11.6	3,226,124	3,515,862
Disposals of intangible and tangible fixed assets	11.2, 11.6	4,711	116
Net cash flows from investing activities		**58,406**	**1,046,041**
Subscription to capital increase		-	-
Capital refund		(6,631)	(29,206)
Dividends paid by the parent company		(45,000)	-
Dividends paid to third parties		(4,954)	(5,207)
Issues of financial liabilities	11.14	157,476	382,892
Refund of financial liabilities	11.14	(168,703)	(277,937)
Interests paid on financial liabilities	12.6	(17,917)	(10,605)
Net cash flows from financing activities		**(85,729)**	**59,936**
Total cash flows		**(652,256)**	**(807,211)**
Cash or cash equivalents at the beginning of the period	11.9	**1,067,203**	**1,868,800**
Cash or cash equivalents at the end of the period	11.9	**414,967**	**1,067,203**
Change in the cash accounts		(652,256)	(807,211)
Impacts of exchange rate differences of foreign currency and of other transactions		21	5,614
Change in cash		**(652,235)**	**(801,597)**

5. Consolidated statement of changes in equity

	2016						
In thousands of EUR	Subscribed capital	Result carried forward	Financial assets available for sale	Others	Equity of the Group	Non-controlling interests	Total equity
Equity as of 1 January	**1,000,000**	**601,801**	**247,307**	**(14,265)**	**1,834,842**	**34,578**	**1,869,420**
Net consolidated profit (loss) attributable to:	-	423,907	-	-	423,907	350	424,257
Total of other items of comprehensive income	-	-	(36,221)	79,851	43,630	-	43,630
Net consolidated comprehensive income	**-**	**423,907**	**(36,221)**	**79,851**	**467,537**	**350**	**467,887**
Capital movements	-	-	-	-	-	-	-
Dividends	-	(45,000)	-	-	(45,000)	(4,954)	(49,954)
Change in the consolidation scope	-	-	-	-	-	17,572	17,572
Other movements	-	-	-	-	-	(44)	(44)
Equity as of 31 December	**1,000,000**	**980,708**	**211,085**	**65,586**	**2,257,379**	**47,502**	**2,304,881**

	2015						
In thousands of EUR	Subscribed capital	Result carried forward	Financial assets available for sale	Others	Equity of the Group	Non-controlling interests	Total equity
Equity as of 1 January	**1,000,000**	**(30,726)**	**246,681**	**(69,890)**	**1,146,066**	**51,869**	**1,197,934**
Net consolidated profit (loss) attributable to:	-	632,526	-	-	632,526	5,470	637,997
Total of other items of comprehensive income	-	-	626	55,625	56,250	-	56,250
Net consolidated comprehensive income	**-**	**632,526**	**626**	**55,625**	**688,777**	**5,470**	**694,247**
Capital movements	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(5,207)	(5,207)
Change in the consolidation scope	-	-	-	-	-	(17,554)	(17,554)
Other movements	-	-	-	-	-	-	-
Equity as of 31 December	**1,000,000**	**601,801**	**247,307**	**(14,265)**	**1,834,842**	**34,578**	**1,869,420**

Amounts are disclosed net of taxes.

The column "Financial assets available for sale" shows the change in unrealized gains or losses less the shadow accounting adjustments recognized in the other comprehensive income taxes.

The column "Others" mainly includes the reserve for actuarial gains and losses on pension obligations, net of tax. Since 2014, revaluations of hedging derivatives can also be found here.

In 2016, Ethias paid out an amount of EUR 45 million to the parent company Vitrufin. The dividends distributed for an amount of EUR 4,954 thousand (compared to EUR 5,207 thousand on 31 December 2015) mainly consist of dividends distributed outside of the Group by the NRB subgroup.

6. General information

6.1 The Group

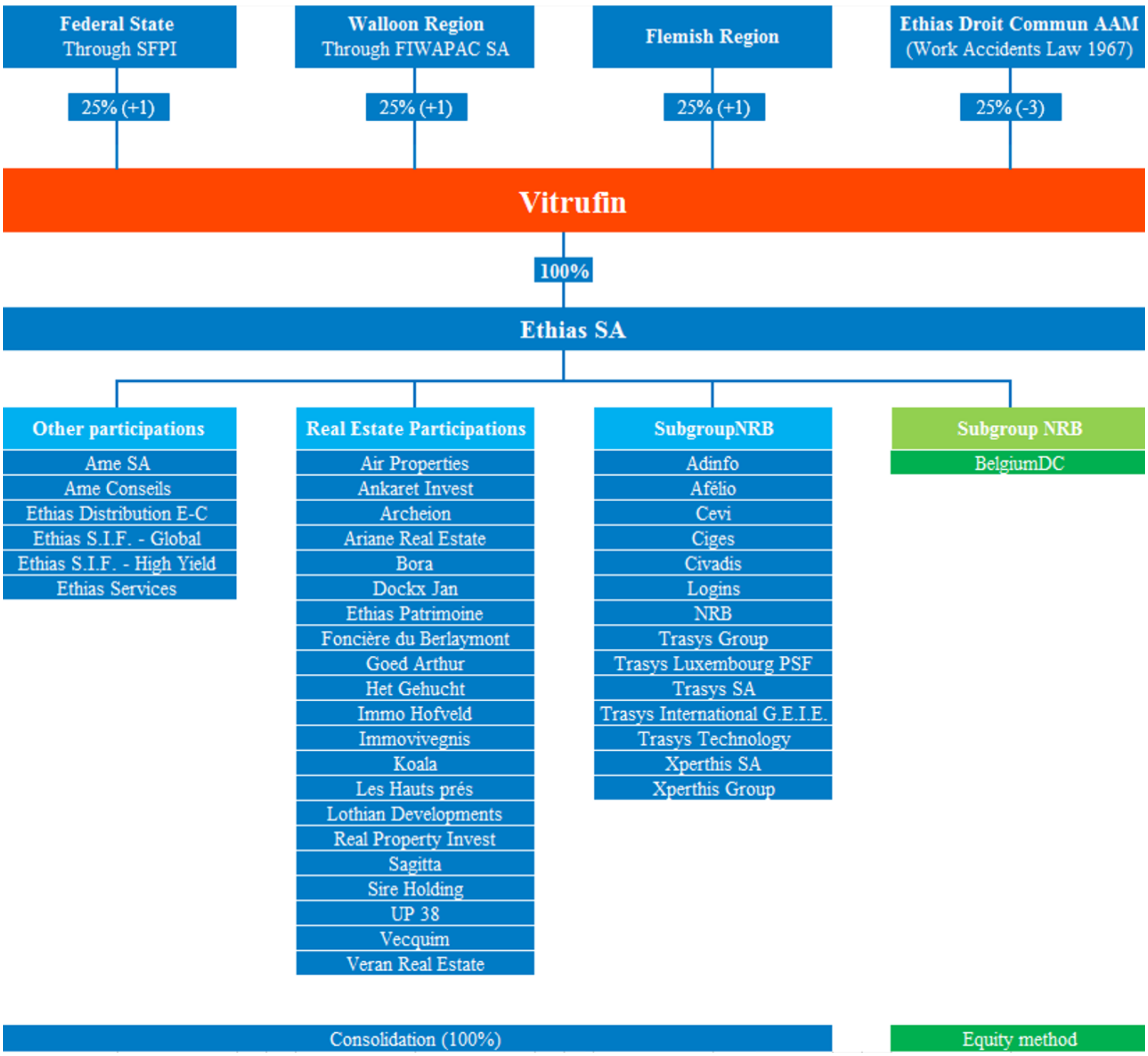
Ethias SA is the consolidating company of the Ethias Group.

Ethias SA is an insurance company licensed under number 0196 to practise all non-life insurance branches, life insurances, dowry and birth insurances (Royal Decree of 4 and 13 July 1979, Belgian Statue Book of 14 July 1979) as well as capitalisation activities (Belgian Statue Book of 16 January 2007).

Ethias SA is a limited liability company founded in Belgium with corporate registration number 0404.484.654. Its registered office is located in 4000 Liège, rue des Croisiers 24.

The Group employs 3.245 people on 31 December 2016 compared to 3.257 on 31 December 2015.

Its legal structure is as follows:



6.2 Consolidation scope

6.2.1 List of consolidated subsidiaries

	31 December 2016					31 December 2015		
	Country	Sector	Currency	Integration percentage	Control percentage	Integration percentage	Control percentage	Change in scope
Consolidating company:								
Ethias SA	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	
Consolidated companies with 100 % consolidation:								
Ame SA	Belgium	Holding	EUR	100.00%	100.00%	100.00%	100.00%	
Ame Conseils	Luxembourg	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Distribution E-C	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Sustainable Invest. Fund - Global Equities	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Sustainable Invest. Fund - High Yield	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Services	Belgium	Other	EUR	99.90%	99.90%	99.90%	99.90%	
Air Properties	Belgium	Real Estate	EUR	51.00%	51.00%	0.00%	0.00%	Acquired in 2016
Ankaret Invest	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ariane Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Bora	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Archeion (former Développement Cauchy)	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	Change of name
Dockx Jan	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Patrimoine	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Foncière du Berlaymont	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Goed Arthur	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Het Gehucht	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Het Rijksarchief	Belgium	Real Estate	EUR	0.00%	0.00%	100.00%	100.00%	Absorbed by Archeion SA
Immo Hofveld	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Immovivegnis	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Koala	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Les Hauts prés	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Lothian Developments IV	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Real Property Invest	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sagitta	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sire Holding	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
UP 38	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Vecquim	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Veran Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Adinfo	Belgium	IT	EUR	34.88%	51.00%	34.88%	51.00%	
Afelio	Belgium	IT	EUR	51.36%	75.10%	51.36%	75.10%	
Cevi	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Ciges	Belgium	IT	EUR	37.61%	100.00%	37.61%	100.00%	
Civadis	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Logins	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
MIMS	Belgium	IT	EUR	0.00%	0.00%	37.61%	100.00%	Absorbed by Xperthis SA
NRB	Belgium	IT	EUR	68.39%	68.39%	68.39%	68.39%	
Trasys Group	Belgium	IT	EUR	68.39%	100.00%	68.39%	100.00%	

Trasys SA	Belgium	IT	EUR	68.39%	100.00%	68.39%	100.00%	
Trasys International G.E.I.E.	Belgium	IT	EUR	68.39%	100.00%	0.00%	0.00%	
Trasys Luxembourg PSF	Luxembourg	IT	EUR	68.39%	100.00%	68.39%	100.00%	
Trasys Technology	Belgium	IT	EUR	68.39%	100.00%	68.39%	100.00%	Setting-up 2016
Xperthis (former Xtenso)	Belgium	IT	EUR	37.61%	100.00%	37.61%	100.00%	
Xperthis Group	Belgium	IT	EUR	37.61%	55.00%	37.61%	55.00%	
Associates and equity method:								
BelgiumDC	Belgium	IT	EUR	34.19%	50.00%	0.00%	0.00%	Setting-up 2016

6.2.2 List of non-consolidated subsidiaries

	31 December 2016				31 December 2015	
	Country	**Sector**	**Currency**	**Percentage of ownership**	**Percentage of ownership**	**Change in scope**
Assurcard	Belgium	Insurance	EUR	20.00%	20.00%	
Aviabel	Belgium	Insurance	EUR	24.70%	24.70%	
Whestia	Belgium	Insurance	EUR	25.10%	25.10%	
BC Meetjesland-Maldegem	Belgium	Other	EUR	27.58%	27.58%	
BC Regio Geraardsbergen	Belgium	Other	EUR	27.12%	27.12%	
Epimède	Belgium	Other	EUR	20.00%	25.49%	
Hotel Wellness	Belgium	Other	EUR	0.00%	100.00%	Liquidated in 2016
L'Ouvrier Chez Lui	Belgium	Other	EUR	63.58%	63.58%	
Palais des Expositions de Charleroi s.c.	Belgium	Other	EUR	23.04%	23.04%	
NEB Participations	Belgium	Other	EUR	29.43%	29.43%	Change of name
Ariane Building	Belgium	Real Estate	EUR	25.00%	25.00%	
Cerep Loi 1	Belgium	Real Estate	EUR	35.00%	35.00%	
NEB Foncière	Belgium	Real Estate	EUR	29.41%	29.41%	Change of name
Thier sur la Fontaine	Belgium	Real Estate	EUR	45.00%	45.00%	
Vital Building	Belgium	Real Estate	EUR	50.00%	50.00%	
Skarabee	Belgium	IT	EUR	31.25%	31.25%	

The subsidiaries with a negligible interest towards the consolidated equity of the Group are excluded from the scope. Hence, these entities are not consolidated from the moment that they, collectively or separately, represent less than one percent of the consolidated net assets of the Group.

6.3 Presentation of the NRB subgroup

In accordance with IFRS 12 we present the sub-conso NRB below. This does not take into account certain IFRS adjustments recorded at the level of the parent company (e.g. those related to employee benefits). The part of the NRB subgroup held outside the Ethias Group represents the major part of the non-controlling interests.

6.3.1 Consolidated balance sheet

In thousands of EUR	31 December 2016	31 December 2015
Assets		
Goodwill	**59,313**	**51,740**
Other intangible assets	**17,938**	**15,132**
Operational buildings and other tangible fixed assets	**43,058**	**41,603**
Investment in associates	**496**	**-**
Investment properties	**1,637**	**2,047**
Financial assets available for sale	232	27
Financial assets at fair value through profit and loss	26,402	28,580
Loans, deposits and other financial investments recognized at amortized cost	1,897	3,899
Financial investments	**28,532**	**32,506**
Reinsurers' share of technical provisions	**-**	**-**
Deferred tax assets	**324**	**989**
Receivables arising from insurance operations or accepted reinsurance	**-**	**-**
Receivables arising from ceded reinsurance operations	**-**	**-**
Other receivables	**80,441**	**86,041**
Other assets	**13,205**	**10,549**
Cash and cash equivalents	**18,666**	**21,738**
Assets available for sale including assets from discontinued operations	**-**	**-**
Total assets	**263,612**	**262,345**
Liabilities		
Share capital	16,837	16,837
Reserves and retained earnings	84,372	76,877
Net profit (loss) of the period	13,674	9,922
Other items of comprehensive income	2	2
Equity of the Group	**114,884**	**103,637**
Non-controlling interests	**16,488**	**16,845**
Total equity	**131,372**	**120,482**
Insurance and investment contract liabilities	**-**	**-**
Subordinated debts	**-**	**-**
Other financial debts	**29,951**	**36,530**
Employee benefits	**6,679**	**7,801**
Provisions	**1,072**	**1,003**
Derivative financial instruments	**-**	**-**
Tax payables	**8,569**	**11,926**
Deferred tax liabilities	**748**	**35**
Liabilities from operating activities	**-**	**-**
Other payables	**85,221**	**84,569**
Liabilities related to assets available for sale and discontinued operations	**-**	**-**
Total other liabilities	**132,240**	**141,863**
Total liabilities	**263,612**	**262,345**

In 2016, the goodwill did not undergo any evolution related to new acquisitions. However, several of them were recalculated based on their percentage of integration in the subgroup NRB and no longer, as before, in the Ethias group.

6.3.2 Consolidated income statement

In thousands of EUR	31 December 2016	31 December 2015
Revenues from insurance activities [a]	**-**	**-**
Revenues from other activities	294,054	210,775
Revenues	**294,054**	**210,775**
Net revenues from investments	743	2,772
Net realized gains or losses on investments	(179)	2,311
Change in fair value of investments through profit and loss [b]	614	(3,182)
Net financial income	**1,178**	**1,902**
NET REVENUES	**295,233**	**212,677**
Insurance service expenses	-	
Management costs [c]	-	-
Technical expenses for insurance activities	**-**	**-**
Expenses for other activities	270,332	193,506
Operating expenses	**270,332**	**193,506**
Change in depreciation and amortization on investments (net)	410	397
Other investment financial expenses	547	590
Finance costs	315	413
Financial expenses	**1,273**	**1,401**
NET EXPENSES	**271,605**	**194,907**
Goodwill impairment	-	-
NET PROFIT (LOSS) BEFORE TAX	**23,628**	**17,769**
Income taxes	(8,482)	(5,513)
NET PROFIT (LOSS) AFTER TAX	**15,146**	**12,256**
Share of the associates in the result	(4)	
Net consolidated profit (loss) attributable to:	**15,142**	**12,256**
Owners of the parent	13,674	9,922
Non-controlling interests	1,468	2,334

a) Net of reinsurance

b) Including change in fair value of investments of which the financial risk is supported by the insured.

c) Including contract acquisition costs, administration costs, internal claim handling costs and other technical expenses.

6.3.3 Statement of consolidated comprehensive income

In thousands of EUR	31 December 2016	31 December 2015
NET CONSOLIDATED PROFIT (LOSS)	**15,142**	**12,256**
Actuarial gains and losses on defined benefit pension liabilities	-	-
Other items that will not be subsequently reclassified to the net profit (loss)	-	-
Other items of comprehensive income from companies accounted for using the equity method that will not be subsequently reclassified to the net profit (loss)	-	-
Change in fair value of assets/liabilities available for sale	-	-
Tax on other items that will not be subsequently reclassified to the net profit (loss)	-	-
Items that will not be subsequently reclassified to the net profit (loss)	**-**	**-**
Change in fair value of financial assets available for sale	-	-
Change in fair value of derivative instruments designated as cash flow hedges	-	-
Currency translation adjustments related to foreign activities	-	-
Gains and losses related to associates	-	-
Other gains and losses recognized in other items of comprehensive income	-	-
Other items that will not be subsequently reclassified to the net profit (loss)	-	-
Other items of comprehensive income from companies accounted for using the equity method that will be subsequently reclassified to the net (profit) loss	-	-
Change in fair value of assets/liabilities available for sale	-	-
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	-	-
Items that could be subsequently reclassified to the net profit (loss)	**-**	**-**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**-**	**-**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**15,142**	**12,256**
Owners of the parent	13,674	9,922
Non-controlling interests	1,468	2,334

6.4 Sector information

In accordance with IFRS 8 "Operating Segments", an entity shall disclose information that enables users of financial statements to evaluate the nature and financial effects of the activities in which the entity engages and the economic environments in which it operates.

The information provided per operating segment is based on internal information regularly used by the management to make decisions for allocating resources and assessing the performance of the segments. The allocation of resources and the performance assessment are made for the various products that the Group offers to public bodies, companies and individuals, in the form of a complete, tailor-made and innovative range of risk management solutions and insurances, both in Life and Non-Life. These segments and their operations are as follows:

- Segment "Individuals Non-Life": the income of this segment primarily comes from premiums received for coverage against damage to vehicles and homes, for family insurance as well as assistance insurance.
- Segment "Individuals Life": this segment is gradually put into run-off following the decision of the European Commission taken on 20 May 2010 and extended on 12 June 2014. Nevertheless, the Group wishing to offer its customers a comprehensive range of financial products, continues to market the insurance products of Branch 21 - CertiFlex-8 and Rent - in partnership with the insurance company "Integrale". In this context, the Group also launched in 2015 the range "Boost Invest" of branch 23.
- Segment "Public Sector & Companies Non-Life": this segment mainly covers the risks for public services and their staff members for whom the Group offers since long guarantees, such as civil liability, health care, work accidents, sporting accidents, vehicle, assistance, etc. The Group also covers the damage to or destruction of material, buildings and installations.
- Segment "Public Sector & Companies Life": this segment covers pension and contribution insurances, group insurances, individual pension commitments, director's insurances, annuity contracts, etc. This segment also covers the supplementary pension for contractual staff members of the public sector.
- The segment "Other" includes the Non-Technical activity of Ethias SA and other activities of the Group which primarily come from IT activities, including the design, development and marketing of IT solutions, real estate activities through the Group's real estate SPVs and, finally, financial activities through the SICAV "Ethias Sustainable Investment Fund".

The results of the segments for the years ended on 31 December 2016 and 2015 respectively are detailed below:

In thousands of EUR	Notes	PUBLIC SECTOR & COMPANIES NON-LIFE	PUBLIC SECTOR & COMPANIES LIFE	INDIVIDUALS NON-LIFE	INDIVIDUALS LIFE	OTHER NON-TECHNICAL	Statutory income statement B-Gaap 31 December 2016	ADJUSTMENTS Total Adjustments	Consolidated income statement IFRS 31 December 2016
Gross premiums	12.1	735,681	1,094,908	574,403	48,832	-	2,453,823	(48,031)	2,405,792
Premiums ceded to reinsurers	12.3	(26,787)	(2,867)	(6,907)	-	-	(36,561)	(237)	(36,798)
Change in the provision for unearned premiums and outstanding risks [(a)]		(12,678)	-	(4,785)	-	-	(17,463)	237	(17,226)
Other income from insurance activities		547	920	939	4,044	-	6,451	(861)	5,590
Revenues from insurance activities [(a)]	12.1	**696,763**	**1,092,961**	**563,651**	**52,876**	**-**	**2,406,250**	**(48,892)**	**2,357,359**
Revenues from other activities	12.4	-	-	-	-	615,738	615,738	(125,974)	489,765
Revenues		**696,763**	**1,092,961**	**563,651**	**52,876**	**615,738**	**3,021,989**	**(174,865)**	**2,847,123**
Net revenues from investments		107,067	333,801	45,178	79,222	19,006	584,275	(45,025)	539,250
Net realized gains or losses on investments		-	-	-	-	968	968	61,494	62,462
Change in fair value of investments through profit and loss [(b)]		-	-	-	-	(2,020)	(2,020)	305	(1,715)
Net financial income	12.5	**107,067**	**333,801**	**45,178**	**79,222**	**17,955**	**583,223**	**16,774**	**599,997**
NET REVENUES		**803,830**	**1,426,762**	**608,829**	**132,098**	**633,693**	**3,605,212**	**(158,091)**	**3,447,120**
Insurance service expenses		602,974	1,414,830	328,996	399,003	-	2,745,803	(419,463)	2,326,341
Net expenses or revenues ceded to reinsurers	12.3	(10,993)	(2,004)	(2,196)	-	-	(15,193)	67	(15,127)
Management costs [(c)]		119,936	53,768	119,381	12,873	-	305,958	(32,303)	273,655
Technical expenses for insurance activities	12.2	**711,917**	**1,466,594**	**446,181**	**411,877**	**-**	**3,036,568**	**(451,699)**	**2,584,869**
Expenses for other activities	12.4	-	-	-	-	437,989	437,989	(132,264)	305,725
Operating expenses		**711,917**	**1,466,594**	**446,181**	**411,877**	**437,989**	**3,474,557**	**(583,963)**	**2,890,594**
Change in depreciation and amortization on investments (net)	12.5	-	-	-	-	8,097	8,097	(17,742)	(9,645)
Other investment financial expenses	12.5	-	-	-	-	3,686	3,686	9,988	13,674
Finance costs	12.6	-	-	-	-	8,573	8,573	21,741	30,314
Financial expenses		**-**	**-**	**-**	**-**	**20,357**	**20,357**	**13,987**	**34,344**
NET EXPENSES		**711,917**	**1,466,594**	**446,181**	**411,877**	**458,346**	**3,494,914**	**(569,976)**	**2,924,938**
Goodwill impairment		-	-	-	-	-	-	-	-
NET PROFIT (LOSS) BEFORE TAX		**91,913**	**(39,832)**	**162,648**	**(279,779)**	**175,348**	**110,298**	**411,885**	**522,183**
Income taxes	12.9	-	-	-	-	(10,188)	(10,188)	(87,734)	(97,922)
Transfer/Charge to untaxed reserves		-	-	-	-	(239)	(239)	239	-
NET PROFIT (LOSS) AFTER TAX		**91,913**	**(39,832)**	**162,648**	**(279,779)**	**164,920**	**99,871**	**324,390**	**424,261**
Share of the associates in the result		-	-	-	-	-	-	(4)	(4)
Net profit (loss) from discontinued operations		-	-	-	-	-	-	-	-
Net consolidated profit (loss) attributable to:		**91,913**	**(39,832)**	**162,648**	**(279,779)**	**164,920**	**99,871**	**324,386**	**424,257**
Owners of the parent							99,871	324,036	423,907
Non-controlling interests								350	350

		PUBLIC SECTOR & COMPANIES	PUBLIC SECTOR & COMPANIES	INDIVIDUALS	INDIVIDUALS	OTHER	Statutory income statement B-Gaap	ADJUSTMENTS	Consolidated income statement IFRS
In thousands of EUR	Notes	NON-LIFE	LIFE	NON-LIFE	LIFE	NON-TECHNICAL	31 December 2015	Total Adjustments	31 December 2015
Gross premiums	12.1	738,921	1,115,539	561,357	55,018	-	2,470,834	(26,701)	2,444,133
Premiums ceded to reinsurers	12.3	(27,370)	(3,142)	(7,234)	-	-	(37,746)	-	(37,746)
Change in the provision for unearned premiums and outstanding risks [(a)]		(5,261)	-	(2,163)	-	-	(7,424)	-	(7,424)
Other income from insurance activities		370	1,903	669	2,579	-	5,521	(1)	5,520
Revenues from insurance activities [(a)]	12.1	**706,659**	**1,114,300**	**552,629**	**57,597**	**-**	**2,431,185**	**(26,702)**	**2,404,483**
Revenues from other activities	12.4	-	-	-	-	338,534	338,534	(139,788)	198,746
Revenues		**706,659**	**1,114,300**	**552,629**	**57,597**	**338,534**	**2,769,719**	**(166,489)**	**2,603,230**
Net revenues from investments		91,551	375,298	41,045	121,613	45,777	675,285	(51,591)	623,694
Net realized gains or losses on investments		-	-	-	-	21,513	21,513	13,273	34,787
Change in fair value of investments through profit and loss [(b)]		-	-	-	-	3,962	3,962	21,792	25,753
Net financial income	12.5	**91,551**	**375,298**	**41,045**	**121,613**	**71,252**	**700,760**	**(16,525)**	**684,234**
NET REVENUES		**798,211**	**1,489,598**	**593,674**	**179,210**	**409,786**	**3,470,479**	**(183,015)**	**3,287,464**
Insurance service expenses		578,270	1,442,809	336,289	486,224	-	2,843,592	(706,182)	2,137,411
Net expenses or revenues ceded to reinsurers	12.3	(46,305)	(2,092)	122	-	-	(48,274)	107	(48,167)
Management costs [(c)]		111,121	24,095	114,396	17,673	-	267,285	(9,691)	257,595
Technical expenses for insurance activities	12.2	**643,086**	**1,464,813**	**450,808**	**503,897**	**-**	**3,062,604**	**(715,765)**	**2,346,838**
Expenses for other activities	12.4	-	-	-	-	278,308	278,308	(77,564)	200,744
Operating expenses		**643,086**	**1,464,813**	**450,808**	**503,897**	**278,308**	**3,340,912**	**(793,330)**	**2,547,582**
Change in depreciation and amortization on investments (net)	12.5	-	-	-	-	5,835	5,835	35,446	41,281
Other investment financial expenses	12.5	-	-	-	-	1,942	1,942	(47,325)	(45,382)
Finance costs	12.6	-	-	-	-	7,293	7,293	12,601	19,894
Financial expenses		**-**	**-**	**-**	**-**	**15,071**	**15,071**	**722**	**15,793**
NET EXPENSES		**643,086**	**1,464,813**	**450,808**	**503,897**	**293,379**	**3,355,983**	**(792,607)**	**2,563,376**
Goodwill impairment		-	-	-	-	-	-	-	-
NET PROFIT (LOSS) BEFORE TAX		**155,124**	**24,785**	**142,866**	**(324,687)**	**116,407**	**114,496**	**609,593**	**724,088**
Income taxes	12.9	-	-	-	-	(8,519)	(8,519)	(78,666)	(87,185)
Transfer/Charge to untaxed reserves		-	-	-	-	(540)	(540)	540	-
NET PROFIT (LOSS) AFTER TAX		**155,124**	**24,785**	**142,866**	**(324,687)**	**107,347**	**105,437**	**531,467**	**636,904**
Share of the associates in the result		-	-	-	-	-	-	-	-
Net profit (loss) from discontinued operations		-	-	-	-	(11)	(11)	1,104	1,093
Net consolidated profit (loss) attributable to:		**155,124**	**24,785**	**142,866**	**(324,687)**	**107,336**	**105,425**	**532,571**	**637,997**
Owners of the parent							105,425	527,101	632,526
Non-controlling interests								5,470	5,470

Each activity has a segment manager responsible for the implementation of decisions on the allocation of resources and the assessment of performance. The data by segment are prepared and evaluated based upon the Belgian accounting standards (BGAAP) and therefore do not follow the same valuation rules as those used for the IFRS consolidated financial statements as described in the notes to the financial statements. Hence, a column was added in the tables above, reconciling the BGAAP statutory financial statements and the IFRS consolidated financial statements.

The measurement used by management for each segment's performance is the result by segment. The result per segment includes all revenues and expenses that are directly attributable as well as the revenues and expenses that can be reasonably attributed.

However, information on the segment's assets and liabilities is not provided because this information is not included in the BGAAP reporting, regularly reviewed by the management in view of allocating resources and assessing performance.

Transfers or transactions between segments are made at usual market conditions identical to those that would be applied with unrelated third parties.

Since the Group's activities are mainly carried out in Belgium, there is no geographical distribution to give.

We have no customers representing a significant part of our income.

6.4.1. Private Individuals

Non-Life

The income in Non-Life Private Individuals amounts to EUR 574 million at end-December 2016 and grows compared to end 2015 (EUR 561 million) thanks to the increase in the income realized in Car Insurance, Civil Liability Private Life and Assistance. The main part of the income is realized through our 42 regional offices spread over the Belgian territory and through our call centre.

In order to support the continued growth of our Internet sales, Ethias obtained in 2016 the BeCommerce certification, guaranteeing the reliability and security of online purchases.

The individual insurance activities in Non-Life showed a positive net technical-financial balance of EUR 163 million, compared to EUR 143 million at end-2015. This historic favourable result was recorded despite two important events: the horrific attacks in our country on 22 March and the climate conditions in May and June, for which we have opened more than 5,000 files. The programme of operational excellence and the implementation of the authorized repairer project have contributed to the achievement of this result.

This favourable evolution confirms the relevance of the strategic plan for restarting the commercial activity that is based on three key components: a unique multi-channel approach that allows Ethias to be closer to its insurants, innovation focused on the customers' needs and giving priority to digital solutions and finally, operational excellence.

The strength of the Ethias brand remains an asset for attracting new customers. Based on an analysis of 16 insurance brands, carried out by the independent consultancy agency "The Benchmark Company", it stands out that Ethias is the strongest insurance brand in Belgium.

The quality of our products and the relevance of our marketing approach were again highlighted. In 2016, Ethias won the Decavi trophy for Best Tenant Insurance and, for the second year in a row, the trophy for best Civil Liability Car Insurance with the "Ethias Young Drivers", the very successful insurance for young drivers..

This double reward for our insurance products, specially designed to attract a young audience (starters), helps to rejuvenate our portfolio of customers.

Standing on their own feet, all young people dream about it! However, when the time comes, lots of questions pop up. In order to support young people who are entering working life, Ethias launched in 2016 "startlife.be", a fully innovative digital content platform specially designed for young people. Useful and relevant articles, fun facts, practical tips and contests: in short, a lot of useful answers for people who start to stand on their own feet. This platform quickly enabled us to generate significant traffic to our Ethias.be website.

Following the success of the 2013 opening of its 'Concept Store', Ethias further intensified its local network in 2016 by rebuilding its regional office in Namur and by relocating its Antwerp office, both situated in the heart of the city. Ethias intends to pursue the expansion of its concept stores that combine the human interaction favoured by our insureds with digital innovation and interaction. Further proof of this dynamism: our new Flagship Store in the centre of Brussels has recently been awarded the Brussels Commerce Design Award.

By introducing the "Pay Direct" process, we have been able to significantly reduce payment delays and this for the benefit of our customers. This procedure allows us to immediately indemnify our client as soon as the settlement paper is signed.

Life

The income in Life Private Individuals amounts to EUR 49 million at end-December 2016.

The Life business for Private Individuals was again centred on the organization of operations aimed at reducing the reserves of the First A accounts (having been concluded before September 2003). Faced with the deterioration of the market conditions during the year 2016, we set up a "Switch VI" operation, running from 7 November to 23 December. It offered a premium equivalent to 25% of the reserve to all customers who would definitely close their First A contract. The action was a major success. Of the 25,300 contracts of this generation, not less than 12,900 were surrendered for a total of EUR 785 million (excluding premium). The balance of this portfolio represent no more than EUR 608 million on January 1, 2017.

The net technical-financial balance amounts to EUR -280 million compared to EUR -325 million at end-2015, the negative result being essentially explained by the cost of the "Switch VI" operation of EUR 196 million and the flashing-light provision of EUR 68 million.

In the margin of these operations, our distribution activities for the branch 21 products of the CertiFlex range (for the account of Intégrale) have generated an overall income of EUR 71 million.

6.4.2. Public bodies and Companies

Our affiliates

Public Bodies are and remain at the heart of Ethias' activities. In a constantly changing economic market, the concept of 'partnership' remains of great importance, both in terms of safety and protection and in terms of prevention and support. This is why Ethias reinforces, day after day, year after year, the links with its historical insured bodies:

- the Federal State, the Regions and the Communities;
- Chamber, Senate, the parliaments of Regions and Communities;
- the 10 provinces;
- More than 580 cities and municipalities;
- Hundreds of social welfare centres and social housing companies;
- Thousands of inter-municipal companies and semi-public bodies, civic services, police districts and associations of all sorts.
- Private companies in different sectors and sizes.

2016 Surveys

End-2016, Ethias conducted surveys, through an independent specialized office, amongst a representative sample of its clients in the Public and Social Profit Sectors. The results show that 98% of these clients are satisfied with our services. The majority of the respondents consider us to be an easily accessible, solution-oriented insurer offering an efficient service.

The results:

- 98% are generally satisfied with Ethias.
- 92% have a positive or very positive opinion of Ethias as a company.
- 94% consider Ethias as their preferred insurance partner.
- The relational aspect, thanks to the network of inspectors, is a major asset.
- Finally, the company's Belgian identity and anchoring are highly appreciated.

Innovation forever at the heart of our concerns

In 2016, Ethias continued on the path of innovation by launching new products and by providing access to new services.

Ethias Pension Corner: THE online platform specialized in pension information.

- Constantly updated.
- Accessible 24/7.
- The most comprehensive source of information on the subject of statutory pension (1st pillar) and supplementary pension (2nd pillar).
- Our reference works, our newsletter "InfoPensions".
- Legislation updated daily - our Codex, news flashes, etc.

Autonomia:

As part of a its drive for innovation, firmly rooted in its commercial strategy, Ethias was once again recognized by the industry when receiving the Decavi Innovation Trophy in Life Insurance for its new "Autonomia" product. It is an innovative and flexible product of branch 21, meeting the needs of people aged 50 to 70 by enabling them to benefit from a life annuity at a later age in order to make the most of their lives and their independence. With this product, Ethias plays its role of societal insurer in search of a solution to the problem of an ageing population.

Assurpharma:

Ethias was one of the first three insurers to set up the Assurpharma system. This system, which the result of a partnership between insurers and pharmacists, aims to facilitate the reimbursement of pharmaceutical costs by allowing the transmission of BVAC certificates by electronic means. The Assurpharma system is a new step in Ethias' approach to reduce paperwork and facilitating access to the reimbursement of medical expenses.

Close to its affiliates

Ethias wants to be close to its affiliates and provides itself with the means to achieve this goal by organizing an event around one of the themes at the heart of their main concerns, by organizing seminars or training sessions and by participating in the most important fairs/exhibitions dealing with these topics.

Ethias Prevention Awards

Ethias has continued to strive for the maintenance of a genuine prevention culture among its policyholders by promoting exchange and sharing of best practices. Thus, Ethias launched the third edition of the "Ethias Prevention Awards", addressing several thousand insurants amongst the Public and Social Profit Sector. In partnership with the Belgian Federal Public Service for Employment, Labour & Social Dialogue, the Flemish Foundation for Transport Studies (VSV), the Walloon Agency for Road Safety (AWSR) and Wolters Kluwer, this third edition enjoyed unequalled success with 102 nominations, 17 finalists and 8 laureates.

Trainings and seminars

Ethias also stands for training through our "Ethias Members' Academy" and for the organization of seminars on topical subjects such as public sector pensions. For example, close to 400 employees of our affiliates attended a seminar in 2016 on changes in legislation relating to pensions in the public sector. It was a great success: 88% of the participants found that the training totally or almost totally met their expectations!

Fairs and exhibitions

Ethias participated or supported 5 major fairs in 2016: "Salon des mandataires", "Trefdagsociaal", "Publica", "SportVakbeurs" and "Smart City Wallonia".

Dynamics that are bearing fruit

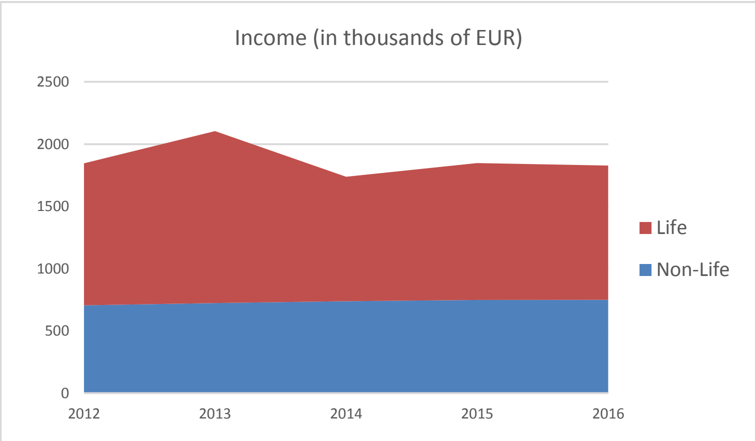
At the end of the financial year 2016, the results of the Departments Public Bodies & Companies are once again positive, both in terms of profitability as in terms of growth.

The income of all insurance activities of the Public Sector & Companies exceeds EUR 1.8 billion.

The income in **Non-Life** for Public Bodies and Companies totals EUR 736 million and is stable compared to the income at end-2015, which is a good performance given the difficult economic situation for the public and private sectors and given the increased competition. This Non-Life portfolio represents a net result of 92 million.

The income in **Life** for Public Bodies and Companies exceeds EUR 1 billion and mainly results from the commercialization of Life Insurance products of the 1st pillar (pension insurance) and 2nd pillar (group insurance), with an income of respectively EUR 831 million (growing) and EUR 248 million (decreasing). This Life portfolio represents a net result of -40 million, including a flashing-light provision of 96 million.

The Life reserves in Public Bodies and Companies amount to nearly EUR 8 billion. It has to be noted that the average guaranteed interest rate regarding the 1st pillar is adjusted annually in order to take account of the changes in the interest rates of the OLO 10 years.



6.4.3. Adjustments

Are included In terms of adjustments: accounting entries relating to IFRS, eliminations of intercompany transactions and consolidation adjustments.

6.4.3.1. IFRS adjustments

The recognition of IAS 19 decreases Life income by EUR 48 million, insurance payments by EUR 29 million and Life technical provisions by 78 million; overheads related to the 4 processes and expenses for other activities increase by EUR 10 million. The total impact from IAS 19 thus amounts to EUR 49 million.

The recognition of Life technical provisions under IFRS 4 positively impacts the result of EUR 349 million. This result is mainly due to the cancellation of the flashing-light provision for EUR 165 million and to reversals of provisions recognized in 2015 for EUR 160 million following the update of the adequacy test for Life technical provisions.

The application of IAS 39 increases the result of the financial instruments by EUR 38 million. This increase is mainly due to the recognition of the stock regarding the arbitrage transaction on Greek securities in BGAAP (pursuant to article 27bis §4, Royal Decree of 17 October 1994), the non-recognition in IFRS of a general provision and the recognition of the derivative financial instruments. This increase is offset by the recognition, on a LOCOM basis, of the perpetual bonds in BGAAP (according to article 31, Royal Decree of 17 October 1994).

IFRS adjustments of subsidiaries amount to EUR -1 million and mainly relate to adjustments on formation expenses and revaluations of stocks, funds and bonds

Deferred taxes related to IFRS adjustments impact the income statement by EUR -87 million.

The sum of the IFRS adjustments represents a revenue of EUR 348 million.

6.4.3.2. Consolidation adjustments

Consolidation adjustments consist primarily of the elimination of dividends (EUR -38 million), the reversal of value adjustments (EUR 8 million), the cancellation of provisions not accepted under IFRS (EUR 3 million), the differences in opening (EUR 3 million) and the impact of the change in the holding percentage of the SICAV "Ethias Sustainable Investment Fund" for EUR 1 million.

All consolidation adjustments represent an expense of EUR 23 million.

6.4.3.3. Eliminations of intercompany transactions

These eliminations are intended to exclude transactions that exist between the different companies of the Group. These eliminations have no impact on the result of the Group.

6.5 Acquisitions and disposals of subsidiaries

6.5.1 Acquisitions

In thousands of EUR	2016	2015
Intangible assets	-	542
Investment properties	76,009	37,551
Financial investments	-	27
Reinsurers' share of technical provisions	-	-
Other assets and tangible fixed assets	1,178	41,531
Cash and cash equivalents	-	21,445
Insurance and investment contract liabilities	-	-
Financial debts	(25,470)	(41,986)
Provisions for risks and expenses	-	(15)
Other liabilities	(4,304)	(36,925)
Identifiable net assets and liabilities acquired	**47,414**	**22,169**
Goodwill on acquisitions	-	14,909
Change in cash related to acquisitions from previous financial years	622	4,360
Non-controlling interests	(23,703)	7,627
Consideration paid in cash	**24,333**	**49,065**
Acquired cash in hand	-	21,445
Net cash flows	**24,333**	**27,620**

Given its confirmed willingness to invest more in real estate assets, the Group has acquired since 2009 a series of real estate subsidiaries. The Group pursued its real estate policy in 2016 by acquiring 51% of the shares of the company "Air Properties".

For its part, NRB, which aims to become the number one "ICT services provider" for hospitals in Belgium, has started since 2010 a strategy of expansion and growth through the acquisition of various companies. In August 2016, NRB participated for 50% in the setting-up of the company Belgium DC.

On December 6, 2016, the companies NRB, Trasys SA and Trasys Luxembourg formed the European Economic Interest Grouping: Trasys International.

The given goodwill represents the remaining part of the purchase price that could not be allocated to the acquired assets.

6.5.2 Disposals

In thousands of EUR	2016	2015
Intangible assets	-	-
Financial investments	-	-
Reinsurers' share of technical provisions	-	-
Other assets	-	-
Cash and cash equivalents	-	-
Insurance and investment contract liabilities	-	-
Financial debts	-	-
Provisions for risks and expenses	-	-
Other liabilities	-	-
Identifiable net assets and liabilities	**-**	**-**
Gain/(loss) on disposals, net of tax	-	(1,128)
Net cash received related to disposals without loss of control	-	1,128
Transferred cash	-	-
Net cash flows	**-**	**-**

7. Summary of significant accounting principles

7.1 Basis of preparation of the consolidated financial statements

7.1.1 General principles

The consolidated financial statements of the Group are established on the basis of the IFRS reference document (International Financial Reporting Standards), as definitive, in force on 31 December 2016, and adopted by the European Union with effect as of that date.

The consolidated financial statements are prepared on a basis of business continuity. They give an accurate image of the financial situation, the financial performances and the cash flows of the Group, based on relevant, reliable, comparable and understandable information. The accounts are presented in thousands of euros and are rounded to the nearest thousand.

The financial statements are established on the basis of a historical cost approach, except for, in particular, insurance contract assets and liabilities, which are estimated according to methods already applied by the Group in Belgian standards, and for financial instruments estimated at fair value (financial instruments at fair value through profit or loss and available-for-sale financial instruments).

7.1.2 New standards, amendments and interpretations published and adopted since 1 January 2016

The IFRIC 21 interpretation applies to taxes owed by an entity to a public authority in application of the legislation and accounted for using IAS 37 and, in particular, to the recognition date of a liability related to the payment of taxes other than the income tax. The impact is not material for the Group.

The yearly improvements to IFRS (2011-2013) (Official Journal of the European Union of 19 December 2014) enter into force for annual periods beginning on or after 1 January 2015. The following new standards and interpretations, applicable as from 1 January 2016, had no incidence on the consolidated accounts of the Group:

- The amendment to IFRS 1 clarifies the notion of "IFRS in effect". It was clarified that when a new IFRS is not yet mandatory, but that its anticipated application is authorized, the entity can apply it in its first IFRS financial statements, but it is not obliged to do so. This standard does not apply to the Group.
- The amendment IFRS 3 clarifies certain accounting aspects in business combinations. Exclusion from the application scope for all types of partnerships, in the sense of IFRS 11, i.e. joint ventures and joint undertakings.
- IFRS 13 clarifies the scope of exceptions with regard to the portfolios defined in paragraph 52 of the standard.
- Clarification of the correlation between IFRS 3 and IAS 40 within the framework of the classification of a property as an investment property or as an owner-occupied property. These modifications specify that both standards are not mutually exclusive and that therefore their application cannot be required. This clarification has no impact for the Group.

7.1.3 Future standards and interpretations

The Group has chosen to apply none of the new, revised or amended standards for which the IFRS leave the choice to anticipate or not their coming into force, with the exception of the amendments to IAS 1 "Presentation of Financial Statements". These amendments are intended to clarify the application of the concept of materiality, by specifying that it applies to financial statements including the notes and that the inclusion of immaterial information can be detrimental to their understanding. In addition, the amendments recommend the application of professional judgment when an entity determines the order in which it presents the information in the notes.

Furthermore, the Group has made an analysis of the standards and interpretations that will come into effect from 1 January 2017 onwards. The potential impact of these future provisions is currently being assessed.

IFRS 15 sets out the principles for recognition of revenue from contracts concluded with clients. Contracts that are subject to specific standards are excluded: leases, insurance contracts and financial instruments. Given that the revenue from insurance contracts represents more than 89% (EUR 2.4 billion compared to EUR 264 million), we consider on the basis of the principle of IAS 1 that IFRS 15 has no significant impact on the accounts of Ethias SA.

It follows from the application of IFRS 16 that most leases must be recognized in the balance sheet, eliminating the current distinction between finance leases and operating leases for the lessee. The new standard requires the recognition of an asset (the right to use the leased asset) and a lease obligation. The only exemptions apply to contracts with a duration of 12 months or less and contracts for which the underlying asset has a low value. At the balance sheet date, Ethias SA has EUR 21 million in operating lease commitments (see Note 13.1.2.). Based on the principle of IAS 1, we consider that IFRS 16 does not have a significant impact on the accounts of Ethias SA.

To conclude, the Group follows the elaboration by the IASB of the main standards and interpretations that can have a significant impact on the accounts. As such, it mainly follows the evolution of the future standards IFRS 17 "insurance contracts" and IFRS 9 "financial instruments". The deferral option was chosen for the latter.

7.2 Sector information

IFRS 8 - Operating Segments - requires the presentation of data relating to the Group's operating segments taken from internal reporting and used by the Management in its investment decisions and performance assessment. For the Group, the operating segments that meet the criteria of the standard correspond to the following segments: Individuals - Non-life, Individuals - Life, Public Sector & Companies - Non-Life, Public Sector & Companies - Life and Others.

7.3 Consolidation principles and methods

The Group consolidates the entities of its scope by using the consolidation method according to the type of control it has on the entity.

The subsidiaries are the entities controlled by the Group.

The new definition of control implies that an investor can have authority over another entity in various ways, not only through the power to direct the financial and operational policies. The investor has to evaluate if he has or not the rights allowing to direct the relevant activities of the other entity. Even if the exposure to risks and advantages is a control indicator, this is not the only element that is taken into account for the consolidation of all kinds of entities.

An investor controls an issuing entity if and only if all the elements below are combined:

(a) The investor has authority over the issuing entity.
(b) He is exposed or is entitled to variable yields because of his links with the issuing entity.
(c) He has the capacity to exert his authority over the issuing entity so as to influence the amount of the yields which he obtains.

The accounts of a subsidiary are integrated into the consolidated accounts of the Group as of the date on which the parent company acquires control over the subsidiary until the date on which it ceases to have this control.

Intragroup transactions, balances and gains and losses on transactions between the companies of the Group have been eliminated. Investments without control over the net assets and net income are shown separately in the balance sheet and the income statement. After the acquisition date, non-controlling investments include the amount estimated at the acquisition date and the share in equity changes since the acquisition date attributable to non-controlling investments.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Interests in joint ventures are recognized in the consolidated accounts via the equity method.

Associates are entities over which the Group exerts a significant influence on the financial and operational policies without having control over these policies. The consolidated accounts incorporate the Group's share of the results of such companies using the equity method from the date on which the parent company acquires a significant influence until the date on which it ceases to have such influence. When the Group's share in losses of an associate equals or exceeds its interest in the associate, the Group's book value is reduced to nil and the Group's recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The amount of the Group's interests in associates includes any goodwill (net of accumulated impairment) identified at the time of the acquisition.

7.4 Business combinations

Business acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed (including possible costs) at the date of transaction. The excess of the cost of acquisition over the fair value of the Group's share in the identifiable net assets acquired is recognized as goodwill. Acquisition-related costs are generally recognized through profit or loss when incurred.

The identifiable assets acquired and liabilities assumed are recognized at fair value at the acquisition date.

Non-controlling interests can be initially measured either at fair value or at the proportionate share of the minority interest in the acquiree’s identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and income statement respectively.

When the consideration which the Group transfers in exchange for the acquiree includes a variable part, the consideration is measured at fair value at the date of acquisition and is included as part of the consideration transferred in exchange for the acquiree within the frame of a business combination. Subsequent changes in the value of the consideration, if any, are recognized in profit or loss.

For associates, the goodwill is not separately recognized but integrated into the amount of investments in the associates. If the acquisition price is less than the fair value of the Group's share in the net assets of the subsidiary acquired, the difference is directly recognized through profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree that prior to the acquisition date have been recognized in the equity are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When the Group conducts a business combination involving entities under joint control, the assets acquired and liabilities assumed are measured at book value such as existing in the accounts of the subsidiary prior to the business combination.

On the basis of the contractual rights and obligations of the parties involved, the Group has concluded that there are no joint undertakings as defined in IFRS 11 and that all the joint agreements concluded by the Group can be classified as joint ventures.

7.5 Foreign currency translation and transactions

7.5.1 Functional and reporting currency

The functional currency of all consolidated companies within the Group is the euro. The euro is also the Group's reporting currency.

7.5.2 Conversion

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through profit or loss.

Translation differences on non-monetary items measured at fair value through profit and loss are reported as part of the fair value gain or loss. Non-monetary items are translated when their fair value is determined. Translation differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

7.6 Intangible assets

7.6.1 Goodwill

7.6.1.1 Measurement

The goodwill, initially estimated at purchase price, represents the surplus part of the fair value of the consideration transferred with regard to:

- the Group's share in the identifiable net assets acquired and liabilities assumed, and
- the fair value of each interest previously held by the acquiree.

A negative revaluation (negative goodwill) is recognized directly through profit or loss.

Variations in the percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore neither fair value adjustments nor goodwill adjustments are made whenever the percentage increases or decreases take place without any change in the consolidation method.

7.6.1.2 Impairment

The carrying amount of goodwill is systematically reviewed each year. For this purpose, the Group allocates goodwill to cash generating units or groups of such units

Goodwill is written down for impairment when the recoverable amount of the cash generating unit or group to which it has been allocated is lower than the book value.

The recoverable amount is the highest amount between the fair value net of the selling costs and the value in use.

The value in use is the sum of the future cash flows that are expected to be derived from a cash generating unit. The expected future cash flows which the Group takes into account are derived from the financial multi-annual plan approved by the management.

The calculation of the value in use shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate. The discount rate which the Group takes into account is the average cost of capital.

7.6.2 Other intangible assets

Computer software and licences that have been purchased or internally generated for own use are stated at historical cost, less depreciation and any impairment losses.

Internally generated software and licence developments are only recognized as intangible fixed assets when the following conditions are met: identifiability criterion for the asset, control over the resource, likelihood of future economic profits and ability to reliably measure the cost.

Other intangible fixed assets with a definite life, including software programmes and licences, are amortized over their estimated useful lives, i.e. between 2 and 5 years.

Intangible fixed assets with an indefinite life are not amortized and are assessed for impairment in the same way as goodwill.

7.7 Property and investment property

The Group recognizes property (held for investment or operating purposes) in accordance with the cost method.

Land and properties are recorded at acquisition value including purchase costs and taxes. This value is increased with further capitalizable expenses, net of depreciation and any impairment losses.

The properties and their various components are depreciated separately over their estimated useful life. The depreciable amount is net of their residual value if it can be reliably estimated.

When a building is made up of components with different useful lives, each component is depreciated separately over its estimated useful life. The Group has adopted the following components:

Components	Useful life
Land	Unrestricted
Structural work	Between 80 and 100 years
Roof	> 25 years
External woodwork	Between 30 and 40 years
Special techniques	> 20 years
Finishing	Between 10 and 15 years

The average useful life can be different depending on the type of property, the degree of completion or the construction period. The Group defines useful lives that generally should be used depending on the category to which the building belongs.

Borrowing costs directly attributable to the acquisition or construction of a property qualified under IAS 23 are part of the cost of that asset.

7.8 Other tangible fixed assets

Tangible fixed assets include facilities, machinery and equipment, computer equipment, furniture and office equipment, as well as rolling stock. They are capitalized at their purchase or cost price, including incidental expenses. Depreciation is calculated on a straight line basis over their estimated useful lives, i.e. between 2 and 10 years. Furniture and office equipment whose acquisition value is negligible are supported.

7.9 Financial investments

7.9.1 Classification

Financial instruments are classified into the following categories:

- Financial assets available for sale at fair value, with changes in fair value recognized in equity. This category includes by default all other fixed maturity investments, shares, loans and receivables, which are not included in another class;
- Financial assets at fair value with changes in fair value recorded through profit or loss. These assets are of two types: (i) investments held for trading are investments for which the management intention is to earn short-term profits; and (ii) financial assets designated optionally.
- Loans, deposits and receivables carried at amortized cost. This relates to assets for fixed or determinable payments that are not quoted in an active market; and
- Financial assets held to maturity, recorded at amortized cost. These assets include fixed-term investments for which the company has the explicit intention and capacity to hold them to maturity.

The fair value option of designating, upon entry, financial assets and liabilities at their fair value with changes in fair value through profit or loss, is used by the Group primarily in the following cases:

- financial assets for which the choice of the fair value option allows to reduce the accounting disparity;
- managed groups of financial assets whose performance is evaluated on a fair value basis; and
- hybrid instruments, for which the Group has opted not to separate the embedded derivative from the host contract.

7.9.2 Reclassifications

Only the following reclassifications are allowed:

- A financial asset may, in exceptional circumstances, be reclassified out of the category of investments held for trading.
- A financial asset classified as available for sale may be reclassified out of the category of assets available for sale to: (i) the category of investments held to maturity when the intent or ability has changed or when the entity no longer has a reliable measurement of fair value; and (ii) the category of loans and receivables when the financial asset meets the definition of loans and receivables at the date of reclassification and when the entity has the intention and ability to hold the financial asset for a foreseeable period or until maturity.
- A financial asset classified as investments held to maturity may be reclassified as available for sale if the intention or ability of the entity has changed. If, within the two preceding years, the Group has reclassified or sold a substantial portion of its investment portfolio originally held to maturity, the Group can no longer classify investment into instruments held to maturity. Furthermore, in the case of sale or reclassification of a portion of these investments, the entire category of financial instruments held to maturity must be reclassified.

7.9.3 Initial recognition

The Group recognizes financial assets when the contractual obligations of the contract are met. Purchases and sales of financial assets are recorded on the trade date.

Financial assets are initially designated at fair value plus, in the case of an asset that is not designated at fair value through profit or loss, transaction costs directly attributable to the acquisition. However, transaction costs are not included in the acquisition cost of financial assets since they are not significant.

Securities given under repurchases are maintained in assets in the balance sheet. Hence, the Group conducts repurchase transactions and securities lending.

These correspond to disposals of financial assets to a counterparty, accompanied by a simultaneous repurchase commitment for these financial assets on a set date and at a set price. To the extent that virtually all the risks and benefits related to financial assets are retained by the Group over the life of the transaction, the Group will continue to recognize the financial assets. The cash consideration received for the sale is recorded separately. Interest expense on repurchase agreements and securities lending transactions is recognized over the term of the contracts.

7.9.4 Measurement

Financial assets available for sale, those held for trading, assets optionally designated at fair value through profit or loss and all derivative instruments are measured at fair value.

The fair value is the price at which an asset could be exchanged between knowledgeable negotiators against competitive market conditions. The Group applies the hierarchy for determining fair value under IAS 39 as explained in more detail in the note relating to the determination of the fair value of financial instruments.

Assets available for sale are carried at fair value and unrealized gains and losses are recorded in a separate section of equity (through other items of comprehensive income), except the following elements which are recorded directly through profit or loss: interest calculated using the effective interest rate method, currency differences on monetary financial assets and impairment losses.

Financial assets held to maturity, unlisted shares for which fair value cannot be measured reliably, and loans and receivables are recorded at amortized cost or at historical cost. Amortized cost is the amount at which the asset was valued at initial recognition net of principal repayments, plus or minus accumulated amortization (depending on the effective interest rate) of differences between the initial amount and the maturity amount and adjusted for any impairment losses. The effective interest rate is the rate that exactly discounts the expected future cash flows over the expected lifetime or, where more appropriate, over a shorter period to obtain the net book value of the asset or financial liability.

7.9.5 Impairment

At each date of the financial statements, the Group looks for the existence of objective evidence of impairment among its investments available for sale or measured at amortized cost. By their accounting, financial assets at fair value through profit or loss are not subject to an impairment test.

A financial asset or group of financial assets has undergone an other-than-temporary impairment when there is objective evidence of impairment due to one or more events whose impact on the estimated future cash flows of the asset(s) can be measured reliably.

For available-for-sale assets, a significant or prolonged decline in the fair value of the security below its carrying value is an indication of impairment.

Financial assets available for sale

Securities

A significant or prolonged decline in the fair value of the security is applied when:

- the security had already been impaired from a previous closing; or
- a loss in value of 50 % compared to the acquisition value is observed on the closing date of the accounts; or
- the stock was in a constant state of unrealized loss in relation to its acquisition value over the last 12 months preceding the close.

Bonds

Impairments are systematically applied to the bonds in order to reflect the risk that the counterparties of such securities and receivables do not fully or partially honour their commitments relating thereto, including, but not limited to, the probability that the reimbursement of these securities and receivables is in whole or partly uncertain or compromised. When these securities' market value is permanently lower than their net book value, this circumstance is, unless proved otherwise, presumed to be an other-than-temporary impairment which is to be considered for the application of this provision.

The application of the above rules and the decision to recognize an impairment or not is subject to an analysis at each balance sheet closing date. In that analysis, we take into account the following criteria to identify durable losses in value, on the one hand, and to assess whether the recognition of an impairment is required:

Criteria for determining durable losses in value

- The insurance portfolio / separate management relating thereto;
- The ability of the company to hold these securities to maturity;
- The duration of the unrealized loss observed.

Criteria taken into account to determine whether an impairment should be recognized

- A significant increase in credit spreads for listed issuers;
- A significant deterioration in credit rating;
- A voluntary or imposed restructuring of the debt;
- The occurrence of a credit event under ISDA rules;
- Significant financial difficulties;
- A failure to pay interests or principal;
- The disappearance of an active market for that financial asset because of financial difficulties;
- A significant decrease in the value of collateral or underlying assets.

Revaluation reserve

If any such situation exists for financial assets available for sale, the cumulative loss determined as the difference between the acquisition cost and the current fair value is taken from the equity and is subject to an impairment through profit or loss. Losses in value on shares recorded through profit or loss are only included through profit or loss when the asset is sold or derecognized.

Financial liabilities valued at amortized cost

For investments valued at amortized cost, the amount of the impairment is equal to the difference between the net book value of the asset and the present value of expected future cash flows, determined using the original effective interest rate of the financial instrument and corrected for any provisions. The amount of the impairment is included in the net income of the accounting year. The impairment can be taken over in the result.

For assets recognized at amortized cost, including loans and investments classified as "assets held to maturity" or assets under the category "loans and receivables", the impairment test is first performed on a unitary basis. A collective test is then carried out for groups of assets with similar risks.

Some assets are subject to impairment given the economic circumstances, but without corresponding to any of the situations mentioned above. Thus, if under the risk management policy, a durable loss in value is identified, an impairment will be recognized according to the above terms.

7.9.6 De-recognition

Financial assets are no longer recognized when the contractual rights expire or when the Group disposes the financial asset. Gains or losses on the disposal of financial investments are determined using the weighted average cost method.

In case of the disposal of securities, the realized gain or loss is recognized through profit or loss on the date of completion and represents the difference between the sales price and the net book value of the asset.

7.10 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value at the date of the contract's conclusion and are subsequently measured at fair value. All derivative financial instruments are recorded on the balance sheet (as assets when their fair value is positive and as liabilities when their fair value is negative). Unrealized gains and losses are recognized through profit or loss. In the case of derivative financial instruments held by the Group which are subject to a qualification as hedge accounting, the details of the accounting are mentioned below.

Embedded derivatives are components of compound instruments that meet the definition of a derivative. Depending on the choice for the fair value option, they are not separated from the host contract. Thus, the hybrid instrument, consisting of the host instrument and the derivative embedded in the contract, is measured at fair value with changes in fair value through profit or loss.

Hedge accounting

The Group designates certain derivative financial instruments as cash flow hedges.

At the time of establishing the hedge relationship, the entity prepares a documentation describing the relationship between the hedging instrument and the hedged item as well as its objectives of risk management and its strategy for undertaking various hedging transactions. Moreover, at the establishment of the hedging and periodically thereafter, the Group indicates whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in fair value of derivative financial instruments that are designated as cash flow hedges is recognized in other items of comprehensive income and accumulated in the reserve for the hedging of cash flows. The gain or loss relating to the ineffective portion is recognized immediately in the net income.

The amounts previously recognized in other items of comprehensive income and accumulated in equity are reclassified to the net income in the periods when the hedged item affects the net income, under the same position as that of the hedged item.

Under IAS 39, there is a cessation of the hedging relationships when:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedged forecast transaction, for cash flow hedging, is no longer highly probable;
- the hedge no longer meets the accounting criteria for hedging transactions;
- the entity alters or revokes the designation.

Any gain or loss recognized in other items of comprehensive income and accumulated in equity at that time is reclassified to the net income when the forecast transaction is ultimately recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognized immediately in the net income.

7.11 Reinsurance

Disposals

Premiums, claims and technical reserves are stated before ceded reinsurance. The transferred quota share is included in the reinsurance result.

The reinsurers' share of technical provisions is subject to an impairment test at each balance. If there is objective evidence, as a result of an event that occurred after the initial recognition, that the provision for the reinsurer must be impaired, the Group reduces the book value of this asset accordingly and recognizes the resulting loss through profit or loss. When the reinsurance asset is guaranteed by securities received as collateral, the present value of future cash flows of the asset reflects the cash flows that may result from the realization of pledged assets after deducting the costs of implementing this guarantee, whether the realization is probable or not.

Acceptances

The rules for reinsurance acceptance contracts are included in the section "*Insurance and investment contracts liabilities*".

7.12 Receivables

Receivables more and less than one year are recognized initially at fair value and are subsequently measured at amortized cost net of any impairment. An impairment is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original payment terms of the receivable. The applied impairment rule corresponds to the one described above for bonds in the section "Impairment".

When the settlement of a portion of the receivable cash flows is deferred, the amounts receivable in the future are discounted to their present value.

7.13 Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Regarding the cash flow table, cash and cash equivalents are presented net of bank overdrafts, debts incurred on repurchase operations and other financial debts.

7.14 Equity

Equity includes, in addition to share capital and retained earnings in reserve, the portion of unrealized gains and losses on investments, net of tax, and the impact of shadow accounting, of which the change in fair value is not recognized in the income as well as other items of comprehensive income.

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other assets to the holders. Additional costs, net of tax, directly attributable to the issue of an equity instrument are deducted from the value of the equity instrument.

Financial instruments issued by the Group are classified as equity instruments if their consideration clauses provide the issuer with control over the interest payment date and if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity.

Any financial instrument issued by the Group, comprising both an equity component and a debt instrument, is recognized separately in liabilities in the balance sheet, in which the equity component is reported as equity of the Group. Gains and losses associated with redemptions or refinancing of the equity component are presented as variations in equity.

When the Group buys back its own equity instruments, the amount paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to shareholders of the company until the shares are cancelled or "reissued".

Dividends and other distributions to shareholders are recognized directly in equity, net of tax. A debt corresponding to the amount of dividend not yet paid is not recognized as long as the dividend has not been declared and approved.

7.15 Insurance and investment contract liabilities

7.15.1 Classification

The Group issues contracts that cede an insurance risk or financial risk or both. Based on a review of each contract, the Group classifies its insurance and investment contract liabilities in four categories:

- Insurance contract liabilities
- Investment contract liabilities with discretionary participation features
- Investment contract liabilities without discretionary participation features
- Investment or insurance contract liabilities of which the financial risk is borne by the insured, i.e. corresponding to unit-linked contracts.

Insurance contracts, investment contracts with discretionary participation and reinsurance contracts are covered by IFRS 4 "Insurance Contracts", while investment contracts without discretionary participation are covered by IAS 39 "Financial instruments". Contracts that do not cede insurance risks or significant investment risks are covered by IAS 18 "Revenue from ordinary activities", which calls for revenue recognition.

Insurance contracts, including reinsurance acceptances, are contracts with a significant insurance risk. These contracts can also cede a financial risk from the insured to the insurer. Investment contracts are contracts that carry a financial risk with no significant insurance risk.

IFRS 4 allows the separation of the deposit component ("savings") and the risk component ("insurance") of the contract. This separation or "unbundling" is permitted if the deposit component can be exploited regardless of the risk component.

Some insurance and investment contracts contain a discretionary participation clause. This element entitles the contract holder to receive additional benefits as a supplement to the guaranteed benefits:

- that normally account for a significant share of the contractual benefits;
- of which the amount and/or expiry date is contractually at the discretion of the Group;
- that are contractually based on the performance of a set of contracts, the investment returns of a portfolio of assets or the income of the Company, of a fund or other entity that issues the contract.

If a contract was initially recognized as an insurance contract, it cannot be reclassified as an investment contract even if the risk attached thereto becomes insignificant. Conversely, an investment contract whose characteristics change during the term of the contract, may, if the changes induce a significant insurance risk, be reclassified as insurance contracts.

7.15.2 Measurement and recognition

In accordance with IFRS 4, the rules regarding recognition and de-recognition as described below are based on the accounting principles used by the Group prior to the adoption of the IFRS, with as main exception the elimination of the flashing-light provision and the provisions for equalization and catastrophes.

The accounting principles applicable prior to the IFRS and which are still in force after the conversion have the following main characteristics:

- provisions must be sufficient;
- provisions are calculated with caution;
- life insurance provisions may not be discounted using an interest rate higher than the prudently estimated return of the assets;
- acquisition costs are deferred to the extent they are recoverable, and amortized on the basis of estimated gross profits over the lifetime of the contracts;
- reserves for claims represent the ultimate estimated cost.

Non-Life insurance contracts

The assessment of provisions for claims is based on the estimated value of foreseeable expenses net of any recoveries. The provision for claims outstanding includes the claims and capital due remaining to be paid at the end of the period. The provisions related to claims are generally not discounted, except in limited cases.

Claims settlement and readjustment costs are recognized through profit or loss when incurred. Non-settled claims and readjustment expenses include estimates for reported claims and provisions for claims that are incurred but not reported.

Claims management costs are provisioned.

Mathematical provisions are also established to cover constituted annuities.

Premium provisions are calculated pro rata temporis. Additional premium provisions can be made if a group of homogeneous products proves to be unprofitable.

Life insurance contracts

Provisions for life insurances include the mathematical provisions that represent the difference between the current values of the commitments made by the insurer and those made by the insured. Provisions are calculated according to the technical bases in force at the time of signing the contract. Adjustments can be made later following any changes made to the contracts.

Liabilities are discounted applying a rate that is at the most equal to the rate of the policy concerned, and using regulatory mortality tables. As for annuities, there is also provided a longevity provision to reflect the increase in life expectancy.

For contracts with risk coverage deaths, the constituted provision contains the portion of premiums written but not earned during the period concerned.

Investment contracts with discretionary participation features

The provision for profit sharing corresponds to the interests of policyholders in technical and financial profits made by the companies. They are intended to be paid to the policyholders and to increase their guarantees after incorporation into mathematical provisions.

The discretionary participation elements are a conditional promise related to unrealized gains and losses. They are therefore incorporated into the unrealized gains and losses included in the equity. When the promise is unconditional, the amount thereon is reclassified to the liabilities of the life insurance contracts.

Profit sharing also includes the deferred unrealized participation resulting from shadow accounting.

Investment contracts without discretionary participation

Investment contracts without discretionary participation are treated as financial liabilities within the scope of IAS 39. These contracts are recognized:

- either at fair value with the changes accounted for through profit or loss. These are mainly unit-linked contracts;
- either at amortized cost using the effective interest rate method.

Deposit accounting is applied to all of these contracts. Net premiums received from these contracts are not recognized as revenue; all expenses associated with these contracts are recognized through profit or loss under "other operating income".

Unit-linked contracts

Mathematical provisions for unit-linked contracts are valued on the basis of the assets underlying these contracts. Gains or losses resulting from the revaluation of these are recognized through profit or loss in order to neutralize the impact of the change in technical provisions.

Shadow accounting and provision for deferred profit sharing

Shadow accounting allows to address the risk of imbalance in assets/liabilities that is artificially generated by different valuation methods for assets and liabilities. When the measurement of liabilities is directly affected by the implementation of gains or losses of assets, a provision for deferred profit sharing is recognized in consideration of unrealized gains or losses in investments.

The provision for deferred profit sharing is determined by applying fair value readjustments of assets participation rates estimated on the basis of contractual obligations associated with each portfolio. The estimated participation rate also takes into account the following elements: the regulatory and contractual terms of profit sharing, the program of realization of gains and losses and the insurer's dividend policy. The determination of the share in gains and losses attributable to policyholders is determined by the characteristics of the contracts that are likely to benefit from these gains or losses.

Finally, when, following the liability adequacy tests (LAT - see below), the inadequacy found is related to the interest rates' weakness, shadow accounting allows to allocate an additional share in unrealized gains recognized on investments within insurance provisions.

Shadow accounting is done under the same terms as the accounting method applied to the underlying financial investments: in profit if it concerns financial investments accounted for through profit or loss, or for reserve revaluation in other items of comprehensive income for investments available for sale.

Liability Adequacy Test (LAT)

Adequacy tests are performed to ensure the adequacy of insurance liabilities with regard to estimated future cash flows. The tests are performed on homogeneous products groups, both in life and in non-life. The assumptions set for the projection of future cash flows are consistent with those used internally to other models and are determined so as to be in line with the economic, demographic ... reality. The present value of future cash flows is determined using a discount rate that reflects market conditions at the reporting date, the specific composition of asset portfolios and the characteristics of the asset-backed liabilities. Any shortcomings are provisioned with an offsetting impact to income.

Embedded derivatives

Embedded derivatives that meet the definition of insurance contracts or that match repurchase options for a defined amount are not valued separately from the host contract. If other embedded derivatives are not closely related to the host contracts or do not meet the definition of an insurance contract, they are measured separately at fair value through profit or loss.

Revenue recognition

Premiums of contracts in force during the accounting year are included in the earnings, taking into account the premiums to be issued in non-life which are the subject of an estimate for the portion earned at the end of the accounting year.

In accordance with IAS 18, revenues generated through management contracts are recognized in line with the services provided.

7.16 Subordinated debts and financial debt

The financial debt, subordinated or not, is recognized initially at fair value and subsequently measured using the amortized cost method. Costs directly attributable to the establishment of a new loan are deducted from the face value of the loan and recognized in the income over the term of the loan using the effective interest rate method.

7.17 Provisions

Provisions mainly include provisions for litigation, restructuring and off-balance sheet credit commitments.

Provisions are measured at the present value of the expenditures expected to settle the obligation. The chosen interest rate is the pre-tax rate that reflects the time value of money as defined by the market.

Provisions are recognized when:

- the Group has a legal or implied obligation resulting from past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- it is possible to reliably estimate the exact amount of the obligation.

7.18 Lease contracts

A lease is classified as finance lease if the lease cedes substantially all the risks and benefits incidental to ownership of the asset. A contract that is not a finance lease agreement is a simple lease contract.

The Group as lessee

The Group mainly enters into operating leases for the rental of its equipment and small equipment, including IT material (computers). Lease rentals are recognized through profit or loss linearly over the leasing period.

When an operating lease is terminated prematurely, any penalties payable to the lessor are recorded as expensed in the period in which the termination of the operating lease takes place.

If the lease cedes to the lessee substantially all the risks and benefits of the asset's ownership, the lease is classified as a finance lease and the related asset is capitalized. During the implementation of this finance lease, the asset is carried at fair value or at the present value of the minimum contractual lease payments if this value is lower. The asset is depreciated over its estimated useful life, unless the lease term is short and the cession of ownership is not expected. The corresponding rental obligations are recorded as borrowings and interest payments are recognized using the effective interest rate method.

The Group as lessor

The Group enters into operating leases primarily related to the exploitation of its real estate properties.

When an asset is used as part of an operational lease, the lease payments received are recognized in the income statement linearly over the period of the lease. The underlying asset is recognized using the rules applicable to this type of asset.

When an asset held is leased under a finance lease, the Group records a receivable equal to the net investment in the lease, which may be different from the present value of minimum payments due under the contract. The interest rate used for discounting is the implicit rate included in the base contract. The revenues are recognized over the term of the lease using the implicit interest rate.

7.19 Employee benefits

Post-employment benefits

The post-employment benefits include the pension plans, the life insurance and orphanhood insurances. The Group has various defined benefit plans and defined contribution pensions plans in place for its employees:

- For defined benefit pension plans, expenses related to these plans are assessed separately for each plan using the method of "Projected Unit Credit". Under this method, the cost of the plan is recognized as expense through profit or loss so as to spread the cost evenly over the career of employees participating in pension plans. The obligations relating to the pension plans recorded on the balance sheet are valued on the basis of the present value of future cash outflows, including taxes and contributions payable by the plan, net of any costs of past services not yet recognized.
- Defined contribution pension plans are subject to the Belgian law on supplementary pensions that imposes a minimum guaranteed return on the contributions paid. Therefore, these programs are considered under IFRS as defined benefit pension plans.

These pension plans are mainly entrusted to the insurance company Ethias SA. Therefore, the assets backing the pension plan do not meet the conditions to be considered as plan assets.

The present value of cash flows is calculated using an interest rate corresponding to those of corporate bonds of first category with a maturity similar to those of the corresponding liabilities.

The costs of past services result from the adoption of or from the change in the pension plan. They are recognized as expenses over the average remaining period until the corresponding benefits become vested for the personnel.

Actuarial differences include, for assets and liabilities, the effects of differences between previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions on the liabilities of the plans. Actuarial differences are fully recognized in the other items of comprehensive income during their period in which they occur.

Short-term benefits

Employee entitlements to annual leave, merit bonuses and other various premiums are recognized when the amounts in question should be paid to the employees. A debt is made to cover the estimated expense for services rendered by employees up to the balance sheet date.

Other long-term benefits

The expected costs of these benefits are recognized during the period of employment using the same methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through profit or loss related to the period in which they occur.

Early retirement

The Group has established an early retirement program for its employees. A liability and an expense are recognized from the time when there is a clear commitment on the part of the entity and that the latter has formalized the outlines of the program concerned. The debt recognized in the balance sheet is the present value of the early retirement obligation to the closing date of the accounting year.

Other contract termination compensation

In the case of severance costs payable as a result of the decision of the entity to terminate the employment of one or more staff members, the entity shall recognize a liability and an expense of severance.

7.20 Discontinued operations and available-for-sale assets

A discontinued operation is a component which the entity has disposed of or is classified as available for sale, and (i) which represents a line of business or a separate major geographical area, (ii) which is part of a single, coordinated plan to dispose of a business line or a separate major geographical area; or (iii) is a subsidiary acquired exclusively for resale.

The category "Discontinued operations and available-for-sale assets" comprises assets including properties or activities available for sale or discontinued within twelve months from the closing date of the accounting year. Subsidiaries available for sale remain in the scope of consolidation until the day when the Group loses effective control. The assets and activities (assets and liabilities) concerned are valued at the lower of net book value and fair value net of the selling costs. They are presented in separate assets and liabilities positions in the balance sheet. Any realized loss is also shown separately through profit or loss.

7.21 Revenue recognition

The revenues from ordinary activities correspond to the fair value of the consideration received or receivable, net of intercompany sales or services rendered. The revenues from ordinary activities are recognized as follows:

Income from insurance activities

Regarding the recognition of revenues from insurance activities, we refer to the rules mentioned in the section "*Insurance and investment contract liabilities*".

Financial income

Interest income is recognized pro rata temporis using the effective interest rate method. When a receivable is impaired, the Group reduces its book value to its recoverable amount, which represents the future cash flows, discounted at the original effective interest rate of the instrument, and continues to recognize the effect of undiscounting in the interest income. Interest income on impaired loans are recognized using the original effective interest rate method.
Dividends are recognized when the right to receive the dividend is established.

Other goods and services

Contracts that do not expose the insurer to an insurance risk or expose it to a non-significant insurance risk and do not create financial asset or liability are classified in the category "service contracts". In accordance with IAS 18, revenue associated with a transaction involving the rendering of services is recognized by reference to the stage of completion of the transaction if its result can be reliably estimated.

The subsidiary, NRB, develops and sells customized software. The revenue recognition is performed using the percentage-of-completion method, in which the benefit is recognized as revenue as work progresses, provided that this benefit can be taken for granted with sufficient certainty. Impairments are recognized in order to reflect any known losses caused in the projects. When circumstances lead to a change in the initial estimate of revenues, of costs or of the stage of completion, the estimate is revised. These revisions may result in an increase or decrease in the estimated revenues or costs and are recognized through profit or loss of the period in which the management becomes aware of those circumstances.

7.22 Income taxes

Deferred tax assets and liabilities are generated by temporary differences between the book and tax values of the assets and liabilities and, if applicable, by carryforwards of unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profits, against which the deductible temporary differences can be utilized, will be available. Deferred tax liabilities are recognized for all taxable temporary differences.

7.23 Contingent liabilities

A contingent liability is:

- a possible liability resulting from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not fully within the Group's control; or
- a present liability resulting from past events, but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability or that the amount of the liability cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the balance sheet. They are subject to an explanation in the notes, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities are assessed continually to determine whether an outflow of economic benefits has become probable or assessable with sufficient reliability, in which case a provision is recognized in the financial statements of the accounting year in which the change in probability or evaluation occurs.

7.24 Events after the reporting period

Events after the reporting period refers to events that occur between the balance sheet date and date of the publication date of the balance sheet. There are two types of events:

- those that give rise to adjustments to the consolidated financial statements if they help confirm situations that existed at the balance sheet date;
- those who impose the provision of additional information if they indicate situations that arose after the balance sheet date, and if they are relevant and significant.

As a reminder: in the case of dividends, the debt corresponding to the amount not yet paid of the dividends is not recognized as long as the dividend has not been declared and approved.

8. Critical accounting estimates and judgments

The preparation of the consolidated accounts in accordance with the IFRS standards brings the Group to realize judgments, estimates and assumptions that have an impact on the application of the accounting policies and on the amounts of the assets, liabilities, revenues and expenses, and which by nature contain a certain degree of uncertainty. These estimates are based on the experience and assumptions which the Group considered as reasonable on the basis of the circumstances. The actual results would and will by definition often differ from these estimates. The revisions of the accounting estimates are recognized during the period in which the estimates are reviewed and in the course of all future periods covered. The judgments and estimates mainly relate to the domains listed below.

For more information with regard to the introduction of the following estimates we refer to the corresponding notes in the consolidated financial statements.

8.1 Fair value of financial instruments

The fair value of a certain number of financial instruments is determined on the basis of valuation techniques. This is especially the case for the perpetual bonds which are recognized at fair value through profit or loss or for derivative instruments. In addition, the Group also appeals to valuation techniques to determine the fair value of certain instruments that are communicated in the explanatory notes. This concerns, for example, the determination of the fair value of loans or the fair value of bonds. The Group selects the methods and retains the assumptions which seem the most appropriate by mainly referring to the existing market conditions at the end of each reporting period.

The sensitivity analysis for financial risks is available in section 9.7.5.

8.2 Insurance and investment liabilities

The technical provisions for life insurances are calculated on the basis of various assumptions. Judgement is required when making these assumptions and the assumptions used are based on various internal and external sources of information. For the recognition of the technical provisions, IFRS 4 currently refers largely to the local accounting standards. The technical provisions are often calculated on the basis of technical parameters applicable at the time of the conclusion of the contract and shall be subject to the liability adequacy test. The following main parameters are taken into account:

- The discount rate, which in general, shall be equivalent to the technical interest rate and which remains constant during the duration of the contract. In some cases, it is corrected on the basis of legal provisions and internal policy decisions;
- The mortality and sickness rates which are based on the standard mortality tables and may be adjusted depending on past experience;
- The assumptions with regard to the costs based on the actual cost levels and management costs;

The assumptions with regard to the technical provisions in Non-Life insurance are based on past experiences (including certain assumptions with regard to the number of claims; the compensations and the costs of settling claims), adjusted to take account of such factors as anticipated market experience, claims and the increase of claims and external factors such as legal decisions and legislation. The technical provisions are not updated except when long-term obligations and/or annuities (e.g. hospitalisation, work accidents, etc.) are involved.

The impact of the sensitivity analysis on the income statement may be consulted in section 9.6.1.2. for Non-Life and in section 9.6.2.2. for Life.

8.3 Employee benefits

The debt relating to the employee benefits is determined on the basis of an actuarial method, including a certain number of financial and demographic assumptions, described in the note 11.16.3.1. Any change in these assumptions would have an impact on the amount of this debt. An important assumption with a great sensitivity on debt is the discount rate. At the end of each reporting period, the Group determines this rate by referring to the market rate at the closing date of first category corporate bonds with a maturity comparable to the maturity of the commitments. The other major assumptions are based on the market or reflect the best estimate of the Group. The results of the sensitivity analysis may be consulted in section 11.16.3.

8.4 Deferred taxes

The deferred tax assets are only recognized in order to reduce the temporary differences and the losses carried forward when it is probable that future taxable profits shall allow to compensate these differences and losses and when fiscal losses shall remain available taking into account their origin, the period of their occurrence and their compliance with the legislation on their recovery. The Group's capacity to earn the deferred tax assets is measured through an analysis based on the estimate of future Group results. Given the various uncertainties with regard to the evolution of the financial markets among others, the Group based in its analysis on a time horizon of five years. The underlying assumptions of these analyses shall be reviewed on a yearly basis. The notes with regard to the deferred taxes can be found in section 11.10.

9. Management of financial and insurance risks

9.1 Introduction

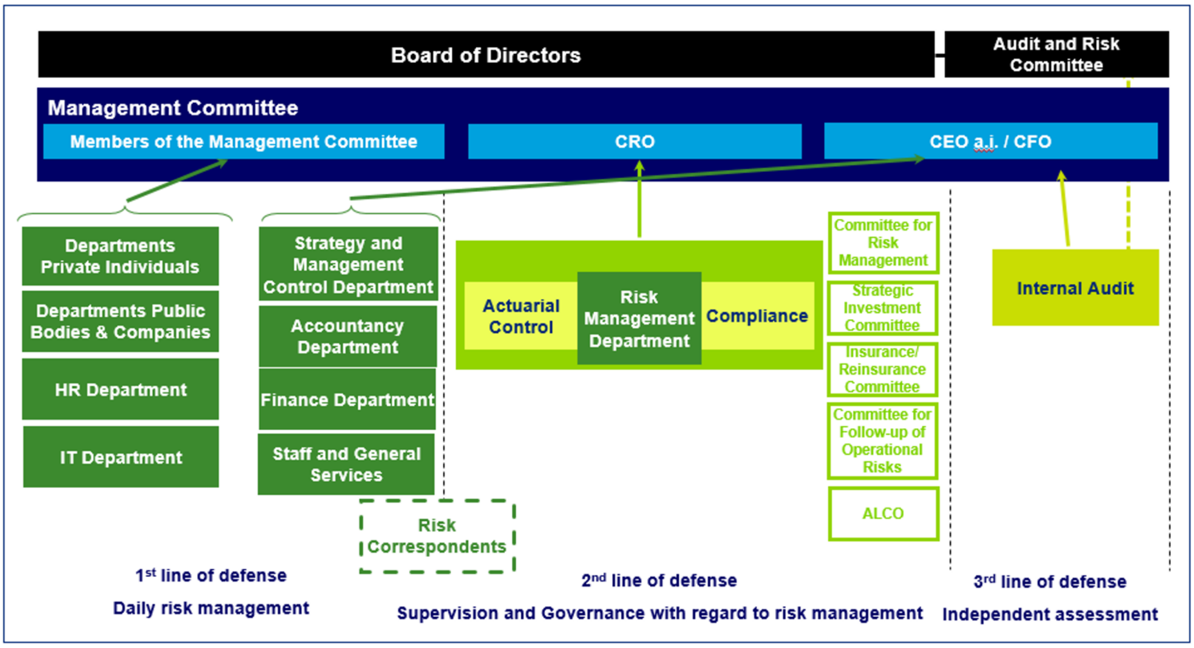
Besides its business activity consisting in the management of the risks subscribed by its customers, an insurance company, as well as any other company, is confronted with different categories of risks. In such circumstances, it is a matter of managing the uncertainty as satisfactorily as possible, by identifying, assessing and effectively dealing with the risks the company is confronted with, in order to control them. The purpose is to strike the best possible balance between the objectives and the associated risks, with an excessive risk aversion itself posing a risk, and keeping in mind that, alongside each threat, opportunities do exist.

Therefore, the general risk management process aims at "offering a reasonable security with regard to achieving the objectives of the organisation by maintaining the risk exposure within the limits of risk appetite".

As a result, Ethias has adopted a coherent approach of risk management with regard to all material risks it is confronted with and which is rendered in the individual risk management policies.

9.2 Governance with regard to risk management

Good governance of an insurance company requires the introduction of the following functions: Internal Audit, Compliance, Risk Management and Actuarial Control. These are not only independent control functions but also governance functions. Their conclusions and advices are translated into measures to reinforce the management structure, the organisation and the internal control system. These functions are structured in such a way that they constitute three "defence lines":



First defence line - Daily risk supervision

The first defence line is provided by the operational lines and the support functions (Accounting, IT, Human Resources, Management Control, Strategic Cell, etc.) This defence line is made up of persons who are responsible for risk control, since they integrate the principles of efficient risk Management (implementation of controls, four-eye principle, etc.) on a daily basis into all task that have to be fulfilled.

The operational lines and the supporting functions are responsible for the activities that are attributed to them. Consequently, as such, they are responsible for the management of the risks that emanate from these activities: application of risk management and implementation of action plans.

Ethias sees to it that every employee has a suitable understanding of the risks that are likely to threaten the correct fulfilment of the activities he/she is responsible for. Hence, each employee is responsible for the identification and the assessment of the risks that are incurred on an ongoing basis.

Furthermore, a network of "risk" correspondents within the operational lines and the support functions, composed of the Risk Management correspondents, permits to benefit from the technical skills of the experts in the field. These correspondents are points of contact who have the responsibility to relay to the CRO all the information that is essential for the accurate organization of risk management.

Finally, actuarial expertise is represented at two levels: at the level of the first defence line, i.e. within the operational lines, in order to execute actuarial work serving tariff operations and aspects (e.g. reserve calculation) as well as at the level of the second defence line through the department of Actuarial Control that is answerable to the CRO (see next section).

Second defence line - Risk supervision

The second defence line is provided by the entities that are hierarchically answerable to the CRO: Compliance, Risk Management and Actuarial Control. The CRO is a member of the Management Committee, which allows a direct communication of problems related problems to risks to the major decision-making organ.

The Chief Risk Officer has to make sure that the structure of Ethias' risk management is operational and has to improve its efficiency. The entities that are hierarchically answerable to the CRO assist him in his evaluation of the company's risk profile, of its alignment with its strategy and risk appetite as well as in the identification of future risks.

This defence line, which is independent of the first one, maintains a methodological framework and underlying processes that allow the control and the supervision of the implemented risk management structure. In the event of exceeding the risk profile wanted by Ethias, it intervenes at the operational level to initiate changes and to help the first defence line in resolving the problems.

Finally, to reinforce Ethias' risk governance, its Management Committee has decided to set up five committees dedicated to risk management:

- the Risk Committee;
- the Strategic Investment Committee;
- the Insurance-Reinsurance Committee;
- the Follow-up Committee on Operational Risks;
- the ALCO (a committee whose mission is to contribute to the protection of Ethias in its liquidity, profitability and solvency aspects (SI and SII) through the alignment of the company's assets and liabilities).

In fact, these committees are monitoring, decision-making and reporting instruments in terms of risks. Each committee is chaired by a member of the Management Committee. The CRO is present in each committee dedicated to risk management. It was the will of the Management Committee and of the Board of Directors to create "strong committees", so as to set up effective risk governance within the company. It is also with this aim in view that the responsibilities of each committee have been clearly established by means of internal regulations.

Third defence line - Independent evaluation

The third defence line is provided by the Internal Audit. This defence line provides an independent review of the quality of risk identification, measurement and control procedures. In order to secure its independence, this identity reports directly to the CEO.

9.3 Solvency II

From November 2009, the Management Committee of Ethias SA has approved the launching of the "Solvency II Programme". This programme is a set of transversal projects within the company regarding governance, modelling, IT, management of databases and setting up of processes which aim at reaching the standards required by Solvency II.

The installation of the infrastructure and of the processes relating to Solvency II has been carried out while constantly taking into account the potential synergies with the whole company - e.g.:

- the need for data will be covered in particular by an enterprise data warehouse;
- the requirements relating to the production deadlines of the Solvency II reports integrate a general "Fast Close" program (a project with the aim of shortening the deadlines for the transmission of the data needed for the production of all internal and legal reports);
- the data requirements have led to the organization of a comprehensive project for data governance;

the acquisition of a Non-Life simulation tool makes it possible to take better account of risks in corporate decisions.

9.4 Typology of risks

Ethias has drawn up a cartography of the different risks in order to ensure a common and shared comprehension of the risks managed by the company.

The chart was aligned with the Solvency II directive, the EIOPA guidelines and the CBFA circular 2009_26-2 of 24 June 2009 as well as with the good market practices.

The text hereafter also includes examples of events that generate losses, possibly accompanied with related potential losses.

Insurance risks

Life underwriting risk	Non-Life underwriting risk	SLT Health	Non-SLT Health
Mortality risk	Premium and reserve risk	Catastrophe risk	
Longevity risk	Catastrophe risk	Mortality risk	Premium and reserve risk
Disability/morbidity risk	Expense risk	Longevity risk	Termination risk (redemption)
Expense risk		Disability/morbidity risk	
Revision risk		Expense risk	
Termination risk		Revision risk	
Catastrophe risk		Termination risk (redemption)	

Financial risks

Market risk	Counterparty risk	Liquidity risk
Interest rate risk	Downgrade risk	Market liquidity risk
Stock (price) risk	Default risk	Risk of funding liquidity
Real estate assets risk		
Spread risk		
Foreign currency exchange risk		
Concentration risk		

Non-financial risks

Operational risks	Other non-financial risks
Internal fraud	Risk due to correlation and dependency
External fraud	Model risk
Practices regarding employment and safety at work	Concentration risk on the insurance risks
Customers, products and business practises	Intangible assets risk
Execution, delivery and process management	
Damage to physical assets	
Interruptions in business activity and system failures	

External and environmental risks

Reputational risk	Strategical risk	Group risk	Business risk

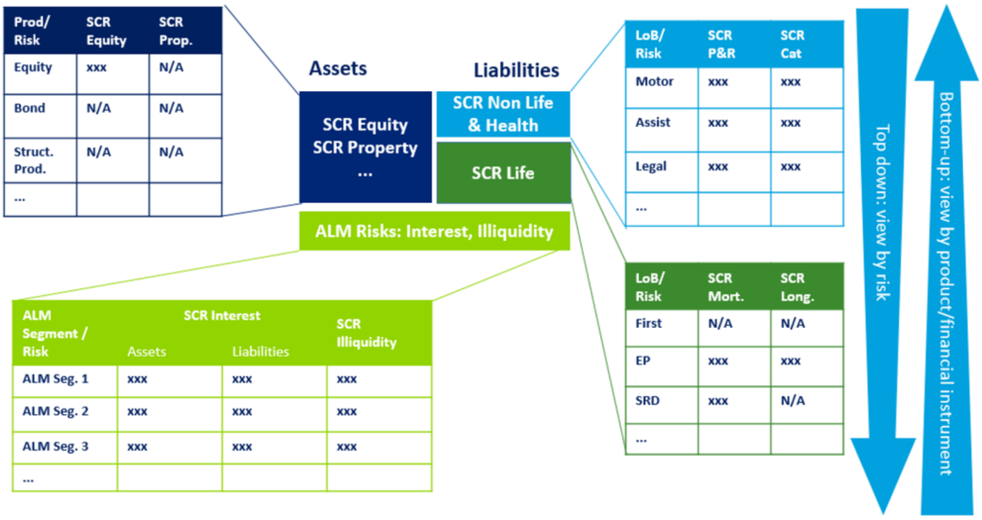
Exact definitions of the main risks listed in the typology chart have been summarized in the analysis of the different risks that are mentioned hereafter.

9.5 Risk management policy

Risk management within Ethias is materialized through the setting up of various monitoring processes allowing the identification, the monitoring and the reporting of the different endured risks.

9.5.1 Risk cartography

In order to draw up a risk cartography, a bottom-up approach, completed by a top-down approach has been carried out for all risks corresponding to the typology presented in the previous section:



"Bottom-up" cartography - per product: This cartography consists in the identification, from one particular asset or product onwards, of all the risks this asset or product is sensitive to. The aggregation of the different risks, taking into account their interdependence, subsequently allows to measure their impact on the objectives of the company and to control their respect of its risk appetite.

"Top-down" cartography - per product**:** It is a question of connecting the materiality of the different types of risks according to the main streams of the company's risk appetite. Thus, risks are classified according to:

- their impact on the company's solvency (e.g. regulatory capital consumption);
- their impact on the company's profitability (e.g. their impact on the combined ratio);
- their impact on the level of liquidity (e.g. liquidity ratio, coverage ratio of the operational cash flows, etc.); and
- their impact on the level of operational excellence.

In this way, the "top-down" vision ensures the alignment of the risk cartography with the risk appetite.

This "top-down" cartography allows to identify where the risks are situated that consume the most capital, impacting Ethias' liquidity or strongly reducing its profitability.

9.5.2 Risk appetite

The clear and definite expression of the organization's objectives constitutes a prerequisite for all risk management and the company's objectives have to be formally listed up to the level of granularity that corresponds to the aimed risk analysis.

The company's risk appetite and its strategic objectives have to be consistent with each other. Risk appetite falls within the competence of the Board of Directors. In practice, it is proposed by the Chief Risk Officer, ratified by the Management Committee and approved by the Board of Directors. The risk policies are the direct translation of the Board of Directors' view in terms of risk appetite. Similar to the strategic objectives that are translated into operational objectives, risk appetite, as it has been approved by the Board of Directors, is equally due to translate itself, through policies into operational terms. Ethias' Risk Appetite, adapted to Solvency II, is structured around for four main pillars: solvency, profitability, liquidity and operational excellence.

The document with regard to risk appetite reflects how Ethias' risk appetite translates itself into precise strategic objectives, on the basis of these four pillars. The strategic objectives as far as risks are concerned, do indeed have to prove tangible enough to really be used and followed up in-house.

9.5.3 Stress testing and capital planning process

Within the framework of the planning exercise, the company regularly carries out an evaluation of its solvency (i.e. the adequacy of its internal equity to face its global risk profile). The exercise takes the specific risk profile into account: it integrates the main risks and their interactions during the carrying out of stress tests. This process also is a promotion tool and a means of spreading the "Risk Management" culture within all the departments of the company.

9.6 Insurance risks

All insurance companies are subject to risks arising from insurance contracts taken out. Those risks, gathered under the name "Insurance risks" come either from the guarantees offered by the different insurance products, or from the very process of the insurance activity. Nevertheless, the risks relating to the various processes will be reclassified in strategic, business or operational risks according to the various factors causing them.

The insurance risks are mainly borne and managed at the level of Ethias SA. The other companies of the Group do not undertake insurance activities. Consequently, the sensitivity analyses in Life and Non-Life hereafter, are only carried out on the level of Ethias SA.

9.6.1 Non-Life

9.6.1.1 Nature and extent of the risks

Non-Life underwriting risk:

The Non-Life underwriting risk is the risk ensuing from insurance liabilities in Non-Life, considering the covered risks and the processes applied in the exercise of this activity.

- Premium and reserve risk

  The premium and reserve risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the triggering date, the frequency and the gravity of the insured events as well as the date of payment and the total of the claim settlements. The definition also includes the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the expenses incurred in servicing insurance or reinsurance contracts. This risk takes the inflation and the hyperinflation into account.

- Catastrophe risk

  The catastrophe risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty related to the extreme or exceptional events and carrying some weight on the pricing and provisioning assumptions.

Special health underwriting risk

The underwriting risk in Health is the risk ensuing from the underwriting of health insurance liabilities, whether it is exerted or not on a technical basis similar to that of Life insurance, considering the covered risks and the processes applied in the exercise of this activity.

SLT Health (Similar to Life Techniques) underwriting risk

The SLT Health (Similar to Life Techniques) underwriting risk results from the underwriting of health insurance liabilities pursued on a technical basis similar to that of Life insurance. This module also includes the annuities resulting from Non-SLT Health (Non-Similar to Life Techniques) contracts such as the workers' compensation contracts or Accident contracts. The risks in this category are the same as those under "Life Underwriting Risk", except Catastrophe Risk.

- Mortality risk

  The mortality risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.

- Longevity risk

  The longevity risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.

- Disability/morbidity risk

  The disability/morbidity risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and medical inflation rates.

- Expense risk

  The expense risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the expenses incurred in servicing insurance or reinsurance SLT Health contracts.

- Revision risk

  The revision risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the revision rates applied to annuity insurances, due to changes in the legal environment or in the state of health of the person insured. The revision risk applied to annuities resulting from Non-SLT Health (Non-Similar to Life Techniques) contracts, is also classified under this risk.

- Termination risk

  The termination risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the reduction, maturity, redemption rates and renewal rates of the policies.

Non-SLT Health (Non-Similar to Life Techniques)

- Premium and reserve risk

  The premium and reserve risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the triggering date, the frequency and the gravity of the insured events as well as the date of payment and the total of the claim settlements. The definition also includes the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the expenses incurred in servicing insurance or reinsurance contracts.

- Termination risk

  The termination risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the reduction, maturity, redemption rates and renewal rates of the policies.

- Catastrophe risk

  The catastrophe risk is the risk of loss or unfavourable change in the value of the insurance liabilities, resulting from the considerable uncertainty, related to the unusual accumulation of risks under such extreme circumstances, that carries some weight on the pricing and provisioning assumptions.

9.6.1.2 Sensitivity analysis

The table hereafter shows the gross impact, excluding reinsurance, of the sensitivity analyses on the income statement. These estimates represent the effect resulting from an increase in management costs or in claims frequency on the evaluation of the Non-Life insurance contracts within the framework of IFRS 4 (phase 1).

In thousands of euros, *solely Ethias SA*	2016	2015
Reserve risk		
Increase by 10% in overheads	(12,431)	(12,446)
Increase by 5% in claims	(47,690)	(46,601)

9.6.2 Life

9.6.2.1 Nature and extent of the risks

Life underwriting risk

The life underwriting risk is the risk ensuing from insurance liabilities in Life, considering the covered risks and the processes applied in the exercise of this activity.

- Mortality risk

  The mortality risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.

- Longevity risk

  The longevity risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.

- Disability/morbidity risk

  The disability/morbidity risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.

- Expense risk

  The expense risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the expenses incurred in servicing insurance or reinsurance SLT Health contracts. The expense risk takes inflation into account.

- Revision risk

  The revision risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the revision rates applied to annuity insurances, due to changes in the legal environment or in the state of health of the person insured.

- Termination risk

  The termination risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the reduction, maturity, redemption rates and renewal rates of the policies.

- Catastrophe risk

  The catastrophe risk is the risk of loss or unfavourable change in the value of the insurance liabilities, resulting from the considerable uncertainty, related to the unusual accumulation of risks under such extreme circumstances, that carries some weight on the pricing and provisioning assumptions.

9.6.2.2 Sensitivity analysis

The table hereafter shows the gross impact, exclusive of reinsurance, of the sensitivity analyses on the income statement. These estimates represent the effect induced by the modification of various assumptions for the best estimates' valuation, on the evaluation of Life insurance and investment contracts within the framework of IFRS 4 (phase 1). The shocks considered are those used by the company's management as part of the assessment of life insurance risks. The orders of magnitude used are similar to those identified within the framework of the Solvency II standard. The amounts do not include the effects of the application of shadow accounting.

In thousands of euros, *solely Ethias SA*	2016	2015
Mortality risk		
Increase by 15 % in mortality	31,579	29,015
Longevity risk		
Increase by 20 % in longevity	(48,953)	(44,272)
Expense risk		
Increase by 10% in overheads	(17,711)	(16,003)
Increase from 2% to 4% in the inflation rate	(38,679)	(43,973)

9.6.3 Concentration risk

The management team analyses the insurance activities of the Group and distinguishes two major segments of policy holders: Public Bodies & Companies on the one hand, and Private Individuals, on the other hand.

- Public bodies and Companies

  Ethias is the privileged insurer of the Public Sector thanks to the exceptional knowhow it has developed during more than 90 years of partnership. Its insured parties include the Federal State, Regions and Communities, local public authorities (provinces, cities and municipalities, public social welfare centres ...), public companies as well as thousands of intercommunity and semi-public bodies, schools, hospitals, public interest organizations ...

  For several years now, Ethias has also been making its competence and its expertise available to companies.

  Ethias' positioning towards this category of policy holders explains the high concentration of encashment with regard to Public Bodies and Companies.

- Private Individuals

  Ethias, as a direct insurer, also offers a complete product range via a wide range of distribution channels to Private Individuals.

	31 December 2016		31 December 2015	
In thousands of EUR	Income	Part of the income	Income	Part of the income
Non-Life insurance				
Public bodies and Companies	735,681	31%	738,921	31%
Private Individuals	574,403	24%	561,357	23%
Gross premiums	**1,310,084**	**55%**	**1,300,277**	**54%**
Public bodies and Companies	(26,880)	-2%	(27,370)	-2%
Private Individuals	(7,050)	0%	(7,234)	0%
Premiums ceded to reinsurers	**(33,930)**	**-1%**	**(34,604)**	**-1%**
Public bodies and Companies	708,801	30%	711,550	30%
Private Individuals	567,353	24%	554,123	23%
Net premiums	**1,276,153**	**54%**	**1,265,673**	**53%**
Life insurance				
Public bodies and Companies	1,047,348	44%	1,091,064	45%
Private Individuals	48,361	2%	52,792	2%
Gross premiums	**1,095,709**	**46%**	**1,143,856**	**48%**
Public bodies and Companies	(2,867)	0%	(3,142)	0%
Private Individuals	-	0%	-	0%
Premiums ceded to reinsurers	**(2,867)**	**0%**	**(3,142)**	**0%**
Public bodies and Companies	1,044,481	44%	1,087,922	45%
Private Individuals	48,361	2%	52,792	2%
Net premiums	**1,092,841**	**46%**	**1,140,714**	**47%**
Total amount Life and Non-Life insurance	**2,368,995**	**100%**	**2,406,387**	**100%**

9.6.4 Reinsurance

Reinsurance lies within the control process of the insurance risks. In general, risk appetite is expressed throughout four main streams: solvency, profitability, liquidity and security. Reinsurance intervenes in these four fields.

When it turns out to be necessary or useful, Ethias SA reinsures itself in order to reduce the insurance risk and/or to improve its solvency ratio. Reinsurance is taken out on the basis of treaties that apply to a portfolio on the whole or on the basis of optional conventions relating to policies that are outside the conditions of these treaties. Treaties are reinsured by a panel of reinsurers being at least “A” rated (allowing for exceptions) and taking a participation that is generally limited to 20%.

The premiums that are ceded to the reinsurers have been presented within the previous section.

Non-Life management

Ethias SA's reinsurance does not only concern direct affairs but also accepted reinsurance in share of (Mutual Insurance Association) Ethias Common Law’s "Law 67 Work accidents" portfolio. The different portfolios (car, accidents at work, accidents common law, civil liability, fire, comprehensive, construction all risk and ten-year risk) are reinsured by excess of loss treaties. Reinsurance intervenes whenever a damage or an event exceeds the amount determined according to risk aversion.

The purchased capacities are a function of the underwriting limits and/or of the MPL (Maximum Possible Loss) in excess of loss per risk treaty. They are a function of very cautious catastrophe scenarios for the excess of loss per event treaty. Occupational diseases are reinsured on the basis of a quota share treaty.

Life management

Death and disability are reinsured on the basis of an excess of loss treaty.

Non-Life and Life management

In case of an accident affecting at least two persons insured in accidents at work, in accidents common law; in death or in disability, an excess of loss per event treaty intervenes globally on top of the formerly presented treaties.

Terrorism is reinsured through the national TRIP pool. Our retention following on the TRIP intervention is also reinsured.

9.7 Financial risks

Financial risk includes all the risks relating to the performance and the value of the financial assets. It holds:

- the counterparty risk which materializes itself in case of default of one of the counterparties of the company;
- the market risk which reflects the impact of the fluctuations and of the volatility of the market prices of the company's assets and liabilities;
- the liquidity risk which measures the company's capacity to satisfy its cash flow needs without prejudicing its daily activities.

9.7.1 Credit risk

9.7.1.1 Nature and extent of the risks

The counterparty risk reflects possible losses due to unexpected default or deterioration in the credit rating, of the insurance company's counterparties and debtors. The definition covers risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit exposures which are not covered in the spread risk module.

This risk can be subdivided into:

- Downgrade risk: downgrade risk is the risk of exposure to financial losses related to the downgrade of a country or of a company in which the company has invested (directly or via a debt security), of a counterparty of a financial transaction, (e.g. OTC contracts) or of a reinsurer.
- Default risk: default risk is the risk of exposure to financial losses related to the default of a country or of a company in which the company has invested (directly or via a debt security), to the default of a counterparty of a financial transaction, (e.g. loans or OTC contracts) or to the default of a reinsurer.

9.7.1.2 Maximum exposure and mitigation of credit risk

The table hereafter shows the credit risk to which the Group is exposed. It mentions the market value of the main categories of financial assets.

Besides diversification and measures to avoid concentrations, credit risk can be reduced by coverages or by obtaining collaterals or guarantees. The value of the collateral is determined by a cautious approach, based on several criteria including the nature and the specific type of collateral as well as its liquidity and the volatility of its value. The breakdown of these collaterals and guarantees obtained to cover the financial assets of the Group can also be found hereafter.

In thousands of euros, *in the market value at the Group's level*	2016					
	Maximum exposure to credit risk	**Cash**	**Securities**	**Real estate properties**	**Total amount of received guarantees**	**Unsecured exposure**
Available for sale	591,289	-	-	-	-	591,289
Designated at fair value through profit or loss	135,471	-	-	-	-	135,471
Held for trading	20,303	-	-	-	-	20,303
Share interests, shares and investment funds	**747,064**	**-**	-	-	-	**747,064**
Available for sale	13,397,073	-	818,500	-	818,500	12,578,573
Designated at fair value through profit or loss	668,093	-	-	-	-	668,093
Unlisted on an active market	-	-	-	-	-	-
Bonds	**14,065,166**	**-**	**818,500**	**-**	**818,500**	**13,246,666**
Loans and deposits recognized at amortized cost	688,785			455,048	455,048	233,736
Other investments	**688,785**	**-**	-	**455,048**	**455,048**	**233,736**
Held for trading	15,508	13,648			13,648	1,859
Held for cash flow hedging	54,226	58,995			58,995	(4,769)
Derivative financial assets	**69,734**	**72,643**	-	-	**72,643**	**(2,909)**
Receivables arising from insurance operations or accepted reinsurance	**1,344,241**		-		-	**1,344,241**
Receivables arising from ceded reinsurance operations	**64,359**		60,071		60,071	**4,288**
Other receivables	**178,872**		4,128		4,128	**174,743**
Cash and cash equivalents	**751,336**				**-**	**751,336**
Total amount of exposure to credit risk	**17,909,555**	**72,643**	**882,700**	**455,048**	**1,410,391**	**16,499,164**

In thousands of euros, *in the market value at the Group's level*	2015					
	Maximum exposure to credit risk	**Cash**	**Securities**	**Real estate properties**	**Total amount of received guarantees**	**Unsecured exposure**
Available for sale	586,366	-	-	-	-	586,366
Designated at fair value through profit or loss	146,592	-	-	-	-	146,592
Held for trading	9,626	-	-	-	-	9,626
Share interests, shares and investment funds	**742,584**	**-**	-	-	-	**742,584**
Available for sale	13,236,025	**-**	1,042,224	-	1,042,224	12,193,801
Designated at fair value through profit or loss	706,177	-	-	-	-	706,177
Unlisted on an active market	56,016	-	-	-	-	56,016
Bonds	**13,998,218**	**-**	**1,042,224**	**-**	**1,042,224**	**12,955,993**
Loans and deposits recognized at amortized cost	831,675			511,301	511,301	320,374
Other investments	**831,675**	**-**	-	**511,301**	**511,301**	**320,374**
Held for trading	8,940	3,890	-	-	3,890	5,050
Held for cash flow hedging	4,942	5,075	-	-	5,075	(133) (*)
Derivative financial assets	**13,882**	**8,965**	-	-	**8,965**	**4,917**

Receivables arising from insurance operations or accepted reinsurance	**1,291,136**	-	-	-	-	**1,291,136**
Receivables arising from ceded reinsurance operations	**57,001**	-	**53,802**	-	**53,802**	**3,199**
Other receivables	**277,527**	-	**4,835**	-	**4,835**	**272,692**
Cash and cash equivalents	**1,086,763**	-	-	-	-	**1,086,763**
Total amount of exposure to credit risk	**18,298,786**	**8,965**	**1,100,861**	**511,301**	**1,621,127**	**16,677,658**

(*) Assets held for cash flow hedging purposes are considered at their net risk position by issuer. Derivatives vis-à-vis a counterparty whose net value is negative are therefore not included here because they have no credit risk exposure.

Share interests, shares and investment funds

The breakdown of the Group's exposure towards price risk on shares can be found in appendix 9.7.4.3.

Bonds

The bond portfolio of the Group contains a certain number of securities backed by various types of assets. It consists, among others, of covered bonds (about 6% of the bond portfolio in 2016, compared to 7 % in 2015).

Covered bonds are debt securities issued by a credit institution and whereof the payment is guaranteed by specifically dedicated (or "*hedging assets*") assets. The holders of covered bonds have, in the event of insolvency of the issuer, a "*dual recourse*" on the issuer's general assets on the one hand, and on the specifically dedicated assets, on the other hand. They represent EUR 818,500 thousand on 31/12/2016 and EUR 1,042,224 thousand on 31/12/2015.

Loans and deposits

The received guarantees linked with mortgages are limited to the outstanding balance in order to take the fair credit risk into account.

As far as loans and deposits are concerned, up to now, there has been no revaluation of the guarantee.

Loans are granted in accordance with a well-defined credit investment policy.

Derivative financial assets

In 2015, a total amount of EUR 8,965 thousand was recognized as collateral in order to cover operations related to derivative financial instruments. In 2016, the amount of collateral received on derivative products amounts to EUR 72,643 thousand.

Receivables

The breakdown of guarantees relating to the account receivables can be found in appendix 13.5.1 “Received Commitments”.

The credit quality of receivables is set out in appendix 11.7.3. “Outstanding Receivables”.

9.7.2 Concentration risk

The concentration risk on the market risks includes the risk of additional losses borne by the company as a result of either, the lack of diversification in its assets portfolio (losses increased by the concentration of investments in a geographical zone or activity sector) or an important exposure to the default risk of one and only issuer of securities or of a group of related issuers.

It should be noted that bond forwards are not included in the indicators presented in this document.

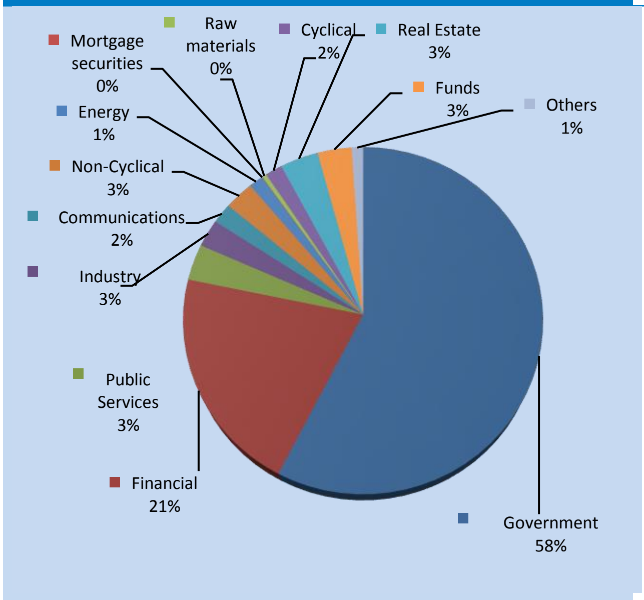
Sectoral distribution

In order to manage the concentration at sectoral level of the financial assets, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification.

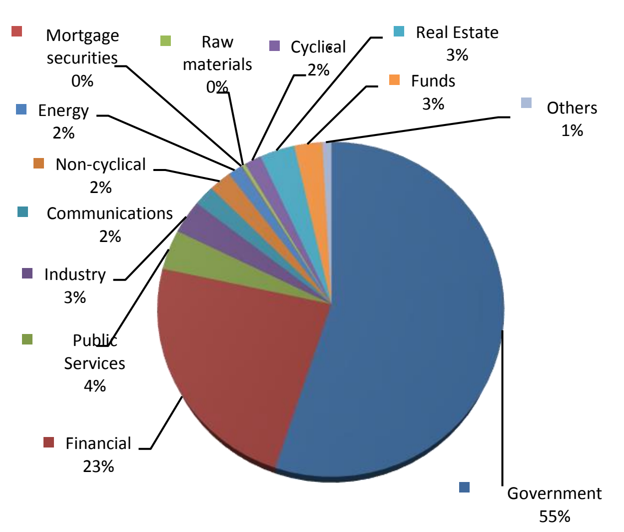
In 2016 and 2015, the sectoral distribution of the shares and investment funds as well as of the bonds and equivalent stocks invested by the Ethias Groups, appears as follows:

Bonds and equivalent stocks

2016
Market value allocation at Group level

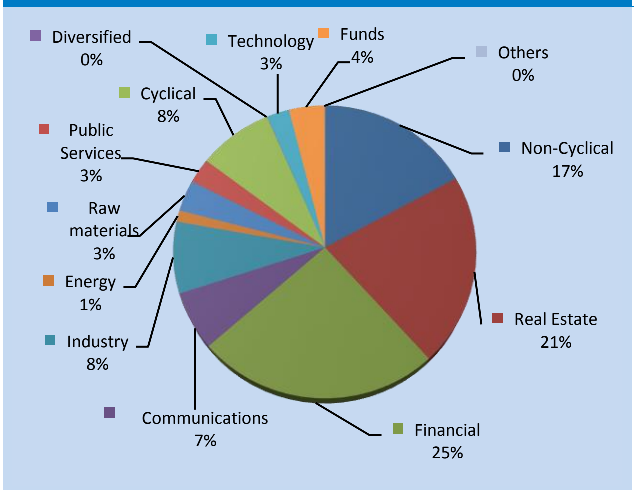


2015
Market value allocation at Group level

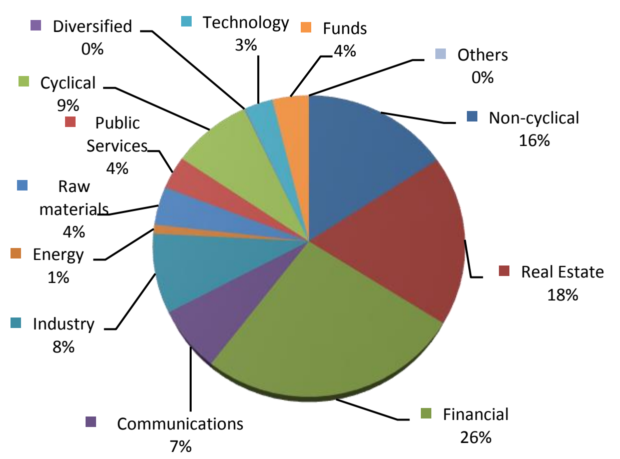


Shares, participations and investment funds

2016
Market value allocation at Group level



2015
Market value allocation at Group level



Exposure to sovereign risk

In 2016, the part invested by Ethias SA in sovereign or supranational risk amounts to 60% of the total amount of the fair value of all the bonds (i.e. EUR 8,467,398 thousand on a total of EUR 14,065,166 thousand). For 2015, this ratio amounted to 58% (i.e. EUR 8,119,959 thousand on a total of EUR 13,998,218 thousand).

The table hereafter shows Ethias SA's exposure relating to debts issued or guaranteed by governments, in fair value, per geographical zone.

In thousands of euros, *in market value at Group level*	2016	2015
Germany	238,820	214,136
Austria	79,632	188,901
Belgium	5,035,500	4,824,003
Spain	489,597	511,947
Central and Eastern Europe	378,834	431,274
France	1,343,317	919,650
Ireland	251,053	189,666
Italy	349,479	553,542
The Netherlands	44,318	70,682
Scandinavia	5,320	151
Portugal	99,329	115,559
Supranational securities	144,094	92,219
Others	8,106	8,228
Total	**8,467,398**	**8,119,959**

Within the framework of its credit risk management, the Group analyses the details of its exposure to the sovereign risk as mentioned above whilst including all debts issued or guaranteed by governments, in fair value, without restriction to their activity sector. By way of example, the Group considers the securities of companies active in public services but guaranteed by the Belgian state as governmental and similar debts. This explains why the total amount of exposure to the sovereign risk, i.e. EUR 8,467,398 thousand per 31 December 2016 (against EUR 8,119,959 thousand per 31 December 2015), is higher than the amount mentioned under the sector "Governmental", i.e. EUR 8,094,649 thousand (against EUR 7,707,353 thousand for the year 2015).

9.7.3 Liquidity risk

9.7.3.1 Nature and extent of the risks

We consider that the liquidity risk to which the Company is subject can be analysed in two distinct ways:

- Risk of market (il)liquidity: the risk of loss resulting from the fact that the company cannot easily compensate or eliminate a position at market price because of inadequate market depth or market disruptions.
- Risk of funding (il)liquidity: the risk of loss resulting from the fact that the company is not able to satisfy the need for present and future, expected and unexpected cash flows, without affecting its day-to-day operations or its financial position.

On the whole, the liquidity risk is the risk of not being able to meet the demands, expected or not, issued by the insurants or by other counterparties, without significantly burdening the profitability of the company.

This risk is analysed and monitored on a monthly basis through comparisons between the contractual maturities of assets and liabilities as well as the realization of stress tests, making it possible to measure the impact of a change in repayment profiles mainly in liabilities.

9.7.3.2 ALM risks

A quarterly ALM report allows to diagnose the asset-liability management and the liquidity situation and to propose the necessary corrective measures. This report is analysed by the ALCO committee. The conclusions are presented to the management committee which takes, if necessary, the corrective measures required and which determines the specific steering of certain identified risks. A summary report is transmitted to the board of directors.

The ALCO committee's mission is to contribute to the protection of Ethias in its aspects relating to profitability, liquidity and Solvency II positioning. This committee is responsible for validating the strategies regarding ALM, investment, commercial development and for assuring their follow-up, for validating the strategic asset allocation (SAA), for ensuring the consistency with the risk appetite, and for analysing the possibility of profit sharing.

9.7.3.3 Analysis of contractual maturities

The liquidity risk is analysed essentially within the company Ethias SA, which concentrates the majority of the Group's cash flows and on the basis of which the liquidity risk is analysed and monitored by the management. The table below shows the contractual cash flows expected by Ethias SA per category of financial assets and liabilities, grouped per maturity date.

In thousands of EUR *Only Ethias SA*	**2016**							
		Expected cash flows (undiscounted)						
	Book value	**Total amount of undiscounted flows**	**Up to 1 year**	**Between 1 and 5 years**	**Between 6 and 10 years**	**Between 11 and 20 years**	**More than 20 years**	**Undeter-mined maturity**
Assets								
Investment properties	190,908	457,832	16,004	66,865	91,270	152,033	131,660	
Share interests, shares and investment funds	949,673	1,150,279	38,097	284,308	236,625	348,040	243,209	
Bonds and equivalent stocks	14,054,724	15,518,067	1,160,611	3,992,219	3,262,760	3,411,540	3,289,516	
Loans and deposits	820,246	1,252,252	104,923	374,391	327,461	345,364	100,112	
Derivative financial instruments	75,346	-	-	-	-	-	-	
Investments belonging to unit-linked insurance contracts	408,389	-	(602,306)	373,542	189,868	150,891	152,262	
Cash and cash equivalents	715,541	(195,744)	261,487	(435,943)	96,344	241,993	41,796	
Total assets	**17,214,826**	**18,182,686**	**978,817**	**4,655,382**	**4,204,328**	**4,649,861**	**3,958,555**	
Liabilities								
Insurance and investment contract liabilities	14,860,016	16,558,543	1,959,053	3,716,464	2,594,406	4,088,657	4,199,964	
Liabilities belonging to unit-linked insurance contracts	408,389	262,942	(599,309)	371,684	188,923	150,140	151,504	
Subordinated debts	457,403	712,260	25,966	96,447	586,413	3,435	-	14,000
Other financial debts	336,369	223,579	-	223,579	-	-	-	
Derivative financial instruments	8,014	-	-	-	-	-	-	
Total liabilities	**16,070,191**	**17,757,325**	**1,385,710**	**4,408,174**	**3,369,741**	**4,242,233**	**4,351,468**	**14,000**

In thousands of EUR *Only Ethias SA*	**2015**							
		Expected cash flows (undiscounted)						
	Book value	**Total amount of undiscounted flows**	**Up to 1 year**	**Between 1 and 5 years**	**Between 6 and 10 years**	**Between 11 and 20 years**	**More than 20 years**	**Undeter-mined maturity**
Assets								
Investment properties	194,923	541,137	(36,276)	(12,777)	87,372	286,307	216,512	
Share interests, shares and investment funds	926,440	1,321,883	38,503	195,741	227,004	278,235	547,620	
Bonds and equivalent stocks	13,984,437	18,151,873	1,473,291	5,794,573	4,703,493	3,602,728	2,577,788	
Loans and deposits	941,061	1,213,459	120,719	433,830	264,594	344,556	49,761	
Derivative financial instruments	22,986	22,986	22,986	-	-	-	-	
Investments belonging to unit-linked insurance contracts	359,077	476,553	74,350	95,950	75,086	43,683	187,483	
Cash and cash equivalents	1,000,522	4,814,129	1,335,611	84,965	713,426	2,283,918	396,210	
Total assets	**17,429,447**	**26,542,020**	**3,029,183**	**6,592,281**	**6,070,974**	**6,874,208**	**3,975,374**	
Liabilities								
Insurance and investment contract liabilities	15,993,621	19,731,608	2,176,765	4,102,202	2,899,242	3,850,207	6,703,192	
Liabilities belonging to unit-linked insurance contracts	359,078	468,473	109,981	152,179	56,582	46,861	102,870	
Subordinated debts	457,872	756,295	25,991	100,231	188,372	427,702	-	14,000
Other financial debts	19,561	9,506	-	158	9,348	-	-	
Derivative financial instruments	19,958	19,958	19,958	-	-	-	-	
Total liabilities	**16.850.090**	**20.985.841**	**2.332.695**	**4.354.770**	**3.153.544**	**4.324.770**	**6.806.062**	**14.000**

The projection of cash flows is based on several assumptions.

For financial assets, the portfolios are projected in run-off, except for long-term insurance products where reinvestments are planned: we reflect the management decisions to reinvest according to the asset allocation defined for these products, so as to reproduce more realistically the actually expected liquidity flows. The activities having a decreasing profile are backed by a shorter asset portfolio to ensure the benefits provided. Hence, liquidity is managed using the expected evolution profile of each insurance product.

We also note that actual maturities may differ from contractual maturities because certain assets are accompanied by early redemption clauses, with or without penalties, or maturity extension clauses.

Regarding liabilities, only contractual future premiums are taken into account, including for the Non-Life activities, and the expected cash flows on insurance contracts are based on the repurchase assumptions defined internally.

At end-2016, and following the "Switch VI" action, a significant volume of repos was recorded. We plan to repay them by end-2018. On the other hand, a significant purchase volume of Forward bonds, maturing in 2017, will be extended, still to integrate the consequences of "Switch VI" on the portfolios.

The cash deficit observed in 2017 is the direct consequence of several strategic elements that have occurred in the portfolios at end-2016 ("Switch VI" action, which consumed a significant part of the available cash) as well as of events expected in 2017. Another significant movement is visible in the table: a large reserve volume will be transferred from Branch 21 to Branch 23. This does not generate cash flows strictly speaking, but a transfer between the items presented in the note above.

9.7.4 Market risk

The market risk reflects the risk related to the volatility level in the market value of the financial instruments which have an impact on the value of assets and liabilities of the company concerned.

Furthermore, the market risk reflects in principle the structural mismatch between assets and liabilities, in particular with regard to their duration.

The market risk on financial investments related to unit-linked contracts is assumed by the policyholder. Financial investments are not included in the different analyses below.

9.7.4.1 Interest rate risk

The interest rate risk is the risk associated with the sensitivity of the value of assets, liabilities and financial instruments to the changes affecting the interest rate curve (including the slope) or the volatility of the interest rates.

Interest rate fluctuations can have an impact on the products marketed by the company, such as guarantees and bonuses, as well as on the value of the company's investments. This risk arises from the difference in sensitivity of assets and liabilities to changes in interest rates.

The monitoring of the market risk is realized in two ways:

- in terms of assets: monthly monitoring of the portfolio's sensitivity to the shocks of the standard interest rates;
- in terms of asset-liability management: systematic analysis of the duration gap between assets and liabilities in order to reduce it as much as possible or, if necessary, to cover part of the risk.

9.7.4.2 Credit spread risk

The spread risk is the risk associated with the sensitivity of the value of assets and financial instruments to changes which affect the level or volatility of credit spreads towards the risk-free interest rate curve.

The spread risk is managed through limits which take into account the type of exposure to the credit risk, and the quality of the credit as well as through regular supervision of all portfolios. Concentration risk management also helps mitigate the spread risk.

The financial assets to which the spread risk relates are broken down below per credit rating. The amounts proposed are adjusted with the amount of transactions between the companies of the Group.

We consider as reference rating the second best rating available from Moody's, Fitch and Standard & Poor's on the closing date.

In thousands of EUR *In market value,* *At Group level*	AAA	AA	A	BBB	BB and below	No rating	Total
				2016			
Bonds and equivalent stocks	780,385	6,632,855	2,297,285	3,467,070	321,423	566,148	14,065,166
Loans and deposits	-	-	1,825	-	-	686,960	688,785
Receivables	-	-	829	-	-	1,586,643	1,587,472
Cash and cash equivalents	-	-	675,339	304	162	75,532	751,336
Total	**780,385**	**6,632,855**	**2,975,277**	**3,467,374**	**321,585**	**2,915,282**	**17,092,758**
				2015			
Bonds and equivalent stocks	842,891	6,169,089	2,349,234	3,673,202	443,334	520,466	13,998,218
Loans and deposits	-	-	3,796	30	-	827,849	831,675
Receivables	-	-	-	-	-	1,625,664	1,625,664
Cash and cash equivalents	-	125	711,849	354,492	57	20,240	1,086,763
Total	**842,891**	**6,169,214**	**3,064,880**	**4,027,724**	**443,391**	**2,994,219**	**17,542,320**

In 2016, the rating of Belfius increased from BBB to A. At the same time, the overall exposure in the asset class "cash and cash equivalents" decreased due to the significant cash outflows related to "Switch VI".

9.7.4.3 Stock price risk

The share risk is the risk associated with the sensitivity of the value of financial instruments to changes which affect the level of the market value of the shares.

The price risk relates to the overall position in the market value of the share in share interests, shares and investment funds. The overall position of the Ethias Group is shown in the below table.

	2016		**2015**	
In thousands of EUR *In market value, at Group level*	**Fair value**	**% of the value in the balance**	**Fair value**	**% of the value in the balance**
Share interests	133,630	0.69%	186,566	0.94%
Shares	491,331	2.52%	500,582	2.52%
Investment funds	122,102	0.63%	55,436	0.28%
Total	**747,064**	**3.83%**	**742,584**	**3.74%**

9.7.4.4 Price risk on investment properties

The risk on real estate is the risk associated with the sensitivity of the value of financial instruments to changes which affect the level of the real estate assets' market value.

In 2016, the market value of the Group's investment properties amounts to EUR 552,712 thousand (i.e. 2.83% of total assets) against EUR 465,395 thousand (i.e. 2.34% of total assets) in 2015.

9.7.4.5 Foreign currency exchange risk

The exchange risk (or currency risk) is the risk associated with the sensitivity of the value of financial instruments denominated in foreign currencies to changes which affect the level of the currency exchange rates. The foreign currency exchange risk is limited for the Group.

9.7.5 Analysis of sensitivity to financial risks

The measurement and monitoring of each risk results in sensitivity analyses allowing to estimate the gross impact of stress tests on the overall result as well as on the company's solvency.

The table hereafter shows the shocks taken into account when assessing the different types of risk as well as their impact on the income statement and on other items of comprehensive income. The shocks considered are those used by the company's management as part of market risk assessment. The orders of magnitude used are similar to those identified within the framework of the Solvency II standard. The sensitivity analysis proposed is based on the portfolio of shares and bonds held by Ethias SA. In the case of shares, the impact on the SICAV "Ethias Sustainable Investment Fund" (E.S.I.F), formerly "RTD Ethias High Yield", is also taken into account. The amounts do not include the effects of the application of shadow accounting, nor of the adequacy test for the technical provision.

	2016	
In thousands of euros, *only Ethias SA (and plus Ethias S.I.F. in the case of shares)*	**Estimated impact on the income statement**	**Estimated impact on other comprehensive income items**
Interest rate risk (excluding derivatives)		
Increase in the yield curve by 100 basis points	(16,066)	(941,877)
Decrease in the yield curve by 100 basis points	16,066	941,877
Credit spread risk		
Increase in the credit spread by 100 basis points	(27,120)	(943,306)
Decrease in the credit spread by 100 basis points	27,120	943,306
Stock price risk		
Stock price decrease by 39 %	(66,791)	(143,279)
Stock price increase by 39 %	52,321	157,749

	2015	
In thousands of euros, *only Ethias SA (and plus Ethias RTD High Yield in the case of shares)*	**Estimated impact on the income statement**	**Estimated impact on other comprehensive income items**
Interest rate risk (excluding derivatives)		
Increase in the yield curve by 100 basis points	(29,357)	(772,189)
Decrease in the yield curve by 100 basis points	26,171	773,749
Credit spread risk		
Increase in the credit spread by 100 basis points	(36,349)	(809,204)
Decrease in the credit spread by 100 basis points	32,812	809,489
Stock price risk		
Stock price decrease by 39 %	(63,571)	(145,087)
Stock price increase by 39 %	52,955	155,702

Sensitivities to the interest rates and credit spreads increased significantly in terms of estimated impact on other items of comprehensive income following the programme for duration extension of assets, which was carried out in 2016. In terms of equity risk, there is little change as exposure levels at end-2016 are close to those at end-2015.

9.8 Non-financial risks

Operational risk is defined as the risk of loss resulting from shortcomings or faults, attributable to procedures, staff members and internal systems or to external events. The definition includes legal risk, but excludes strategic and reputational risks.

Events resulting in operational losses are classified according to the typology proposed by 'The Operational Risk Insurance Consortium' and by the Basel II Committee.

- Internal fraud

  The internal fraud risk is the risk of losses due to acts aiming to defraud, to misappropriate property or to circumvent regulations, legislation or company policy (except for violation of equality and discrimination), involving at least one internal part of the company.

- External fraud

  The external fraud risk is the risk of losses due to acts aiming to defraud, to misappropriate property or to circumvent legislation, by a third party.

- Practices regarding employment and safety at work

  This risk includes losses resulting from acts that are not in accordance with the legislation or with agreements relating to employment, health or safety, claims in respect of personal injury or violation of equality/discrimination. As well as losses resulting from a failure, unintentionally or due to negligence, in employment (recruiting, training).

- Customers, products and business practises

  These are losses resulting from a failure, unintentionally or due to negligence, to a professional obligation towards specific clients (including requirements for trust and compliance) or the nature or design of a product.

- Execution, delivery and process management

  These are losses resulting from a problem in processing a transaction or in process management or occurred in the context of relations with trading counterparties and vendors.

- Damage to physical assets

  This is the destruction or damage resulting from a natural disaster or other disaster.

- Interruptions in business activity and system failures

  These are losses resulting from interruptions in activity or malfunction of computer and telecommunication systems.

Furthermore, for the sake of optimization, operational risk management includes the following activities:

- operational risk mapping
- feedback of operational incidents
- customer complaint management
- information security
- business continuity
- operational risk analysis/analysis of the operational risk on projects (including security & continuity)
- privacy
- fight against external fraud (activities of second line defence).

A mapping of the risks related to business processes has been realized by the Chief Risk Officer. These risks have been ranked in terms of frequency/impact and categorized through a self-assessment process followed by assisted evaluation. A series of actions to be implemented have been selected and carried out. The mapping process is recurring.

The Chief Risk Officer has also implemented:

- a feedback process for operational incidents of any kind. This should eventually allow to identify incidents of structural origin;
- an information monitoring process allowing to follow-up the threats that the company might face.

The administrative management of complaints and the analysis of statistics on complaints also fall within the competence of the Chief Risk Officer

The Operational risk monitoring committee monitors the operational risks (including compliance risks). It analyses and suggests guidelines for corresponding mitigation/management measures. It reports to the Management Committee for validation.

10. Capital management

10.1 Capital management purposes

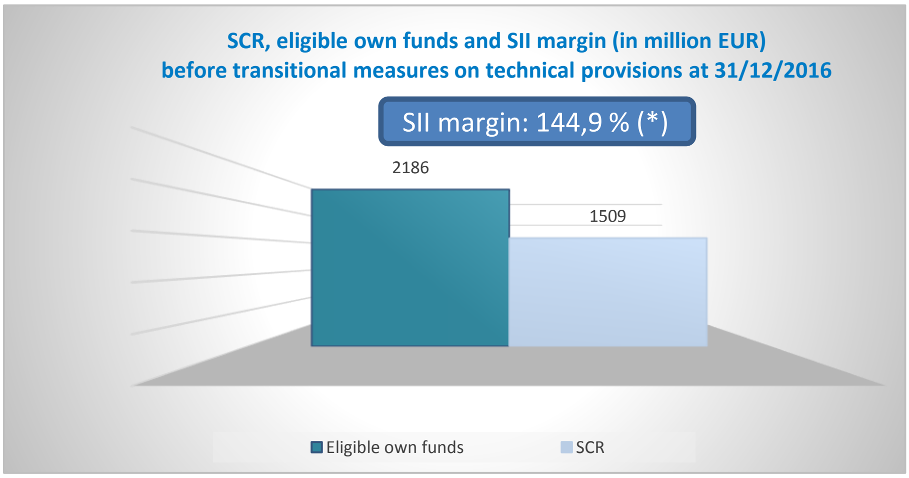
The equity management fits within the framework of the management policy of Ethias SA and includes the solvency margin requirements imposed by statutory and regulatory stipulations both at the level of Ethias SA as at the consolidated level. Moreover, each of the entities of the Group strives to maintain a solid equity base to support its operating activities (insurance activities for Ethias SA) and to ensure the Group's continuity. The implementation of the Solvency II requirements at the level of Ethias SA shall be translated in a full review of this management which should include a prospective vision of the capital evolution.

The detail of the evolution of the Group's consolidated equity is reflected in an explanatory note by the consolidated balance sheet.

10.2 Solvency II margin level

A group solvency risk was identified following the results of the European stress tests, after which Ethias submitted a financial recovery programme to the National Bank of Belgium at end-September 2016 and an update of the latter mid-February 2017. This programme includes, in particular, the implementation of a financial reinsurance programme, the implementation of additional "Switch" actions and the integration of Whestia with retroactive effect as of January 1, 2017 (measure for which we received the NBB's approval in March 2017).

The solvency margin at end-2016 was strengthened mainly thanks to the results of the "Switch VI" operation that was launched in November 2016 (granting a 25% bonus to the holders of a FIRST A contract upon surrender). Surrenders amounting to EUR 785 million were generated for a gross cost of EUR 196 million, but with a positive net impact on the solvency II margin of +24%.



The solvency margin at end-2016 does not take into account the impact of two measures of the financial recovery programme (the financial reinsurance program and the integration of Whestia) which will be implemented in 2017.

(*) not yet audited

10.3 Financial rating

Following the success of the "Switch VI" / "FIRST" operation, the rating agency Fitch updated Ethias' position at the beginning of January 2017. Its rating went from BBB (Positive Watch) to BBB (Positive Outlook). Fitch welcomes the improvement of the company's capital position and the reduction of its sensitivity to interest rates.

11. Explanatory notes to the consolidated balance sheet

11.1 Goodwill

11.1.1 Evolution of goodwill

In thousands of EUR	2016	2015
Gross value on 1 January	**44,762**	**29,667**
Accumulated impairments on 1 January	-	-
Net book value on 1 January	44,762	**29,667**
Acquisitions	-	14,909
Other changes	-	187
Net book value on 31 December	**44,762**	**44,762**

The goodwill recognized in 2016 find its origin in the recent acquisition of various subsidiaries within the Group. It relates to the extension of the activities of the subsidiary NRB through the acquisition of various IT subsidiaries

- in 2010 Adinfo,
- in 2011 and 2012 Xtenso, Polymedis and Partézis that merged into Xperthis in 2013,
- in 2013 Stesud that has been acquired by Civadis in 2014,
- in 2014 Ciges,
- and in 2015 MIMS, Trasys Group, Trasys SA, Trasys Luxembourg PSF and Trasys Technology.

11.1.2 Impairment test on goodwill

The goodwill is allocated to a single cash generating unit corresponding to activities other than those of insurance companies. This unit includes service activities and IT solutions of the NRB subgroup.

The Group carried out an impairment test on the goodwill and concluded that no impairment had to be recognized in 2016. This decision was, in particular, based on the fact that the goodwill was recently recognized (2010-2016). The valuation conditions of the relevant activities did not significantly evolve between the acquisition date of the various subsidiaries involved and the closing date. The expected future profitability allows to justify the book value of the goodwill.

11.2 Other intangible assets

	2016		
In thousands of EUR	Software and IT developments	Other intangible assets	Total
Gross value on 1 January	**53,293**	**45,100**	**98,393**
Accumulated amortization on 1 January	(40,072)	(4,474)	(44,546)
Accumulated impairments on 1 January	-	(7,881)	(7,881)
Net book value on 1 January	**13,221**	**32,744**	**45,965**
Acquisitions	62,685	982	63,667
Disposals	(186)	-	(186)
Reclassifications	27,902	(30,822)	(2,920)
Change in the consolidation scope	-	-	-
Net amortization	(12,088)	(642)	(12,730)
Impairments	-	-	-
Other changes	-	-	-
Net book value on 31 December	**91,535**	**2,262**	**93,797**

In thousands of EUR	2015		
	Software and IT developments	**Other intangible assets**	**Total**
Gross value on 1 January	**46,985**	**12,971**	**59,956**
Accumulated amortization on 1 January	(34,842)	(3,731)	(38,573)
Accumulated impairments on 1 January	-	(7,457)	(7,457)
Net book value on 1 January	**12,144**	**1,783**	**13,927**
Acquisitions	4,709	32,246	36,955
Disposals	(8)	-	(8)
Reclassifications	338	(5)	333
Change in scope	542	-	542
Net amortization	(4,503)	(855)	(5,359)
Impairments	-	(425)	(425)
Other changes	-	-	-
Net book value on 31 December	**13,221**	**32,744**	**45,965**

11.3 Investment in associates and joint ventures

11.3.1 Information about associates and joint ventures

Prior to applying the equity method, the figures for associates are:

In thousands of EUR	Percentage of ownership	Assets	Liabilities	Equity	Revenues	Net profit or loss
Belgium DC	34.19%	993	342	651	-	(7)
Total on 31 December 2016		**993**	**342**	**651**	**-**	**(7)**
Total on 31 December 2015	-	**-**	**-**	**-**	**-**	**-**

Belgium DC is held for 50 % by NRB.

11.3.2 Evolution of investments in associates and joint ventures

In thousands of EUR	2016	2015
Net book value on 1 January	**-**	**20,910**
Interests sold during the financial year	-	-
Interests acquired during the financial year	500	-
Reclassifications	-	-
Share in the result of the financial year	(4)	-
Dividends paid	-	-
Other changes	-	(20,910)
Net book value on 31 December	**496**	**-**

The difference between the equity of the associates and the share interests below corresponds to their contribution in the Group's equity.

11.4 Financial investments

11.4.1 Overview of financial investments by category

In thousands of EUR	Cost price	Impairments	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
	31 December 2016					
Available for sale	78,072	(14,596)	70,154	-	133,630	133,630
Share interests	**78,072**	**(14,596)**	**70,154**	**-**	**133,630**	**133,630**
Available for sale	274,643	(4,290)	77,664	-	348,017	348,017
Designated at fair value through profit or loss	125,762	-	-	(2,751)	123,011	123,011
Held for trading	21,440	-	-	(1,136)	20,303	20,303
Shares	**421,844**	**(4,290)**	**77,664**	**(3,887)**	**491,331**	**491,331**
Available for sale	93,885	(5,150)	20,908	-	109,642	109,642
Designated at fair value through profit or loss	11,945	-	-	515	12,460	12,460
Investment funds	**105,830**	**(5,150)**	**20,908**	**515**	**122,102**	**122,102**
Available for sale	12,036,699	(11,239)	1,371,614	-	13,397,073	13,397,073
Designated at fair value through profit or loss	658,926	-		9,167	668,093	668,093
Unlisted on an active market	-	-		-	-	-
Bonds	**12,695,624**	**(11,239)**	**1,371,614**	**9,167**	**14,065,166**	**14,065,166**
Loans and deposits	668,897	(16,920)	-	-	651,976	688,785
Other investments	**668,897**	**(16,920)**	**-**	**-**	**651,976**	**688,785**
Held for trading	36,831	-	-	(21,324)	15,508	15,508
Held for cash flow hedging	-	-	59,839	-	59,839	59,839
Derivative financial assets	**36,831**	**-**	**59,839**	**(21,324)**	**75,346**	**75,346**
Investments belonging to unit-linked insurance contracts	**355,357**	**-**	**-**	**53,032**	**408,389**	**408,389**
Total	**14,362,456**	**(52,196)**	**1,600,178**	**37,502**	**15,947,941**	**15,984,749**

In thousands of EUR	31 December 2015					
	Cost price	Impairments	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
Available for sale	133,456	(18,520)	71,629	-	186,566	186,566
Share interests	**133,456**	**(18,520)**	**71,629**	**-**	**186,566**	**186,566**
Available for sale	277,044	(3,015)	82,383	-	356,412	356,412
Designated at fair value through profit or loss	129,663	-	-	4,881	134,544	134,544
Held for trading	10,387	-	-	(761)	9,626	9,626
Shares	**417,094**	**(3,015)**	**82,383**	**4,120**	**500,582**	**500,582**
Available for sale	34,945	(1,216)	9,659	-	43,388	43,388
Held for trading	12,482	-	-	(434)	12,049	12,049
Investment funds	**47,427**	**(1,216)**	**9,659**	**(434)**	**55,436**	**55,436**
Available for sale	11,906,811	(25,334)	1,354,549	-	13,236,025	13,236,025
Designated at fair value through profit or loss	698,443	-	-	7,734	706,177	706,177
Unlisted on an active market	65,266	(10,000)	-	-	55,266	56,016
Bonds and equivalent stocks	**12,670,520**	**(35,334)**	**1,354,549**	**7,734**	**13,997,468**	**13,998,218**
Loans and deposits	807,194	(16,755)	-	-	790,439	831,675
Other investments	**807,194**	**(16,755)**	**-**	**-**	**790,439**	**831,675**
Held for trading	58,540	-	-	(49,599)	8,940	8,940
Held for cash flow hedging	-	-	14,045	-	14,045	14,045
Derivative financial assets	**58,540**	-	**14,045**	**(49,599)**	**22,986**	**22,986**
Investments belonging to unit-linked insurance contracts	**309,101**	**-**	**-**	**49,977**	**359,078**	**359,078**
Total	**14,443,331**	**(74,840)**	**1,532,266**	**11,798**	**15,912,555**	**15,954,541**

The change in the net book value of the participating interests (EUR 133,630 thousand at December 31, 2016 compared to EUR 186,566 thousand at December 31, 2015) is mainly related to the reclassification of participating interests to the item "Investment funds".

Cost includes the undepreciated part of the actuarial adjustments for bonds.

The fair value of the loans is based on valuation methods including data that are not based on observable market data (surrenders, evolution in the value of the guarantees, management costs). The fair value is based on the application of a model price obtained by the discounting of projected cash flows on the basis of the forward rate curve and taking into account the historical surrender assumption. The risk-free discount curve is adjusted to take into account the credit risks based on an analysis of the portfolio and of the guarantees as well as of the market practices.

11.4.2 Evolution of financial investments

In thousands of EUR	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Loans, deposits and other financial investments	Derivative financial instruments (assets)	Investments belonging to unit-linked insurance contracts	Total
	2016						
Opening balance on 1 January	**13,822,390**	**852,769**	**9,626**	**845,705**	**22,986**	**359,078**	**15,912,555**
Acquisitions	2,572,873	54,630	112,796	39,830	24,405	252,407	**3,056,940**
Reclassifications between categories	55,266	-	-	(55,266)	-	-	**-**
Derecognition following exercise option					(70,176)		**(70,176)**
Profits and losses realized on hedging instruments not yet recognized through profit or loss	61,529						**61,529**
Disposals and reimbursements	(2,626,795)	(108,346)	(100,502)	(178,119)	(6,871)	(213,177)	**(3,233,811)**
Foreign currency translation differences on monetary assets	284	-	-	-	-	-	**284**
Adjustment at fair value	129,540	1,361	(1,616)	-	105,003	9,209	**243,498**
Amortizations	(27,300)	3,149	-	-	-	871	**(23,280)**
Impairments	576	-	-	(173)	-	-	**402**
Change in scope	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	**-**
Net book value on 31 December	**13,988,362**	**803,563**	**20,303**	**651,976**	**75,346**	**408,389**	**15,947,941**

In thousands of EUR	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Loans, deposits and other financial investments	Derivative financial instruments (assets)	Investments belonging to unit-linked insurance contracts	Total
	2015						
Opening balance on 1 January	**14,510,277**	**1,409,262**	**13,494**	**945,343**	**15,094**	**416,352**	**17,309,822**
Acquisitions	1,844,797	181,800	85,194	71,137	52,622	136,752	**2,372,301**
Reclassifications between categories	40	-	(40)	-	-	-	**-**
Disposals and reimbursements	(2,268,438)	(778,808)	(87,651)	(163,895)	(24,646)	(206,307)	**(3,529,746)**
Foreign currency translation differences on monetary assets	(311)	-	-	-	-	-	**(311)**
Adjustment at fair value	(220,842)	36,760	(1,371)	-	(20,084)	11,083	**(194,453)**
Amortizations	(19,637)	3,755	-	-	-	1,199	**(14,683)**
Impairments	(23,523)	-	-	(6,880)	-	-	**(30,402)**
Change in scope	27	-	-	-	-	-	**27**
Other changes	-	-	-	-	-	-	**-**
Net book value on 31 December	**13,822,390**	**852,769**	**9,626**	**845,705**	**22,986**	**359,078**	**15,912,555**

Bonds unlisted on an active market are recognized within loans, deposits and other financial investments.

Adjustments to the fair value for derivatives break down into EUR 115,970 thousand for derivative hedging instruments (against EUR 379 thousand in December 2015) and EUR -10,967 thousand for derivative trading instruments on 31 December 2016 (against EUR -20,462 thousand in December 2015).

Following the methodology review of the asset valuation model, bonds previously classified as "Loans, deposits and other financial investments" were transferred to "Available-for-sale investments" for an amount of EUR 55,266 thousand.

11.4.3 Evolution of impairments on investments

11.4.3.1 Impairments on available-for-sale investments

In thousands of EUR	2016	2015
Balance on 1 January	**(48,085)**	**(30,572)**
Provision for impairments	(7,723)	(26,807)
Reversals of impairments	8,299	3,284
Reversals due to disposals	22,234	6,269
Change in scope	-	-
Reclassifications	(10,000)	(260)
Other changes	-	-
Balance on 31 December	**(35,276)**	**(48,085)**

The reversal of EUR 22,234 thousand at 31 December 2016 refers to the reversal of previously recorded impairments on the sale of bonds.

11.4.3.2 Impairments on loans, deposits and other financial investments

In thousands of EUR	2016	2015
Balance on 1 January	**(26,755)**	**(20,002)**
Provision for impairments	(303)	(6,880)
Reversals of impairments	130	-
Reversals due to disposals	138	127
Change in scope	-	-
Reclassifications	9,870	-
Other changes	-	-
Balance on 31 December	**(16,920)**	**(26,755)**

11.4.3.3 Past due financial investments

A financial asset is past due when the counterparty has failed to make a payment by the contractual due date. For example, if a counterparty fails to pay the contractual interest due on a scheduled date, the entire contract shall be considered as past due. The table below gives information about the maturity overrun of the outstanding, but not yet depreciated, financial assets. The default risk analysis on the investment portfolio did not show such a risk on the investments that are considered as "Not past due"

	31 December 2016							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Available-for-sale investments	13,408,313	(11,239)	13,397,073	-	13,397,073	-	-	-
Financial assets unlisted on an active market	-	-	-	-	-	-	-	-
Loans, deposits and other financial investments	668,897	(16,920)	651,976	(263)	648,212	1,989	1,008	1,030
Total	**14,077,209**	**(28,160)**	**14,049,050**	**(263)**	**14,045,285**	**1,989**	**1,008**	**1,030**

In thousands of EUR	31 December 2015							
	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Net book value of unimpaired assets based on the following periods:			
					Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Available-for-sale investments	13,261,359	(25,334)	13,236,025	92,441	13,143,583	-	-	-
Financial assets unlisted on an active market	65,266	(10,000)	55,266	-	55,266	-	-	-
Loans, deposits and other financial investments	807,194	(16,755)	790,439	85	783,734	5,894	492	233
Total	**14,133,819**	**(52,090)**	**14,081,730**	**92,527**	**13,982,584**	**5,894**	**492**	**233**

11.4.4 Definition of fair value of financial instruments

The table below gives a fair value analysis of the financial instruments measured at fair value. They are split in three levels, from 1 to 3 based on the degree of observability of the fair value:

In thousands of EUR	31 December 2016			
	Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
Financial assets				
Available for sale	-	-	133,630	133,630
Share interests	**-**	**-**	**133,630**	**133,630**
Available for sale	347,688	-	329	348,017
Designated at fair value through profit or loss	123,011	-	-	123,011
Held for trading	20,303	-	-	20,303
Shares	**491,002**	**-**	**329**	**491,331**
Available for sale	31,469	78,174	-	109,642
Designated at fair value through profit or loss	12,460	-	-	12,460
Held for trading	-	-	-	-
Investment funds	**43,929**	**78,174**	**-**	**122,102**
Available for sale	12,220,115	1,099,789	77,168	13,397,073
Designated at fair value through profit or loss	118,898	432,818	116,377	668,093
Held for trading	-	-	-	-
Bonds	**12,339,014**	**1,532,607**	**193,545**	**14,065,166**
Held for trading	-	15,508	-	15,508
Held for cash flow hedging	-	59,839	-	59,839
Derivative financial assets	**-**	**75,346**	**-**	**75,346**
Investments belonging to unit-linked insurance contracts	**337,545**	**70,843**	**-**	**408,389**
Total financial assets	**13,211,490**	**1,756,970**	**327,504**	**15,295,964**
Financial liabilities				
Investment contracts hedged by assets at fair value	341,439	70,843	-	412,283
Held for trading	-	-	-	-
Held for cash flow hedging	-	8,014	-	8,014
Derivative financial liabilities	**-**	**8,014**	**-**	**8,014**
Total financial liabilities	**341,439**	**78,858**	**-**	**420,297**

	31 December 2015			
In thousands of EUR	Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
Financial assets				
Available for sale	-	-	186,566	186,566
Share interests	**-**	**-**	**186,566**	**186,566**
Available for sale	356,176	-	236	356,412
Designated at fair value through profit or loss	134,544	-	-	134,544
Held for trading	9,626	-	-	9,626
Shares	**500,346**	**-**	**236**	**500,582**
Available for sale	26,557	16,831	-	43,388
Designated at fair value through profit or loss	12,049	-	-	12,049
Held for trading	-	-	-	-
Investment funds	**38,605**	**16,831**	**-**	**55,436**
Available for sale	11,982,016	1,246,111	7,898	13,236,025
Designated at fair value through profit or loss	150,810	463,354	92,014	706,177
Held for trading	-	-	-	-
Bonds	**12,132,826**	**1,709,464**	**99,912**	**13,942,202**
Held for trading	-	8,940	-	8,940
Held for cash flow hedging	-	14,045	-	14,045
Derivative financial assets	**-**	**22,986**	**-**	**22,986**
Investments belonging to unit-linked insurance contracts	**227,831**	**131,248**	**-**	**359,078**
Total financial assets	**12,899,608**	**1,880,528**	**286,714**	**15,066,850**
Financial liabilities				
Investment contracts hedged by assets at fair value	**231,735**	**131,248**	**-**	**362,983**
Held for trading	-	-	-	-
Held for cash flow hedging	-	19,958	-	19,958
Derivative financial liabilities	**-**	**19,958**	**-**	**19,958**
Total financial liabilities	**231,735**	**151,206**	**-**	**382,941**

The fair value distribution of liabilities related to unit-linked insurance contracts is shown in the investment contracts hedged by assets at fair value. This category also includes investment contract liabilities without discretionary participation features.

11.4.5 Distribution between the various hierarchic levels

The distribution between the various hierarchical levels is based on the following criteria:

Level 1: Fair value measured by reference to an active market

The fair value measurements of the financial assets recognized at this level are determined by using the market prices when they are available on an active market. A financial instrument is considered as listed on an active market if the ratings are easily and regularly available through stock exchanges, exchange brokers, brokers, price-setting services or regulatory authorities and if these prices represent real and regular market operations that are carried out under the usual conditions of free competition.

The Group classifies at this level assets valorized on the basis of prices given by financial information providers (e.g. Bloomberg) when a certain number of indicators, such as a sufficient number of contributors or the fact that the difference between purchase price and resale price of the security remains at an acceptable level, allow to reasonably assess whether there is an active market.

This category includes, inter alia, all sovereign debt securities directly valuated on the basis of values obtained on the market. We note that, in application of IFRS 13, the "Bid" listing of Bloomberg is accepted, but is not required.

The close value supplied by Bloomberg should serve to valorize the shares recognized in level 1.

Are not recognized in level 1, shares of which the listing is not retained by Bloomberg and for which an internal analysis is carried out to determine the value.

For funds listed on financial markets, the "Close" value supplied by Bloomberg should serve to valorize those funds that are recognized in level 1.

Are not recognized in level 1, funds for which the valorization was based on a unique contribution or was not retained by Bloomberg.

At the level of branch 23 "unit-linked insurance contract", the bid and close values supplied by Bloomberg are recognized in level 1 in the same way as what is realized for the rest of the portfolio.

Level 2: Valuation methods based on observable market data

At this level, the fair value valuations are based on other data than the quoted price and are either directly or indirectly observable, i.e. inter alia derived from the prices. The fair value of financial instruments which are not negotiated on an active market is generally estimated by using external and independent rating agencies. Are inter alia recognized at this level: a certain number of complex financial instruments (bonds designated at fair value through profit or loss or derivative instruments) for which the market value is exclusively supplied by an external counterparty.

The Group considers that, if the market is unable to supply a market price on a sufficiently regular basis and on the basis of a sufficient number of contributors, the resulting value should be recognized in level 2. This is, amongst others, the case when the Group selects a single contributor. The Group considers the lack of a sufficient number of contributors as a sign of inactivity on the security in question. Since the valorization is based on the bid price supplied by a single counterparty, the security will be recognized in level 2.

In any case, the fair value of the various instruments recognized in level 2 is not based on estimates of the Group.

In 2016, certain interests linked by a participating interest were reclassified to shares and other fixed-income securities for an amount of EUR 59 million following a review of our internal classification criteria.

Level 3: Valuation methods not based on observable market data

At this level, the fair value is estimated by means of a valuation model which translates the way in which interveners on the market could reasonably determine the price of the instrument if the transaction would take place. This valorization is based on valuation methods which include data that are not based on observable market data.

The valuation of this portfolio is based on the discounting of future cash flows by using the interest rate curve, the credit spread and maturity assumptions when it comes to perpetual bonds. The valuation of assets recognized in level 3 stands at EUR 193,545 thousand at December 31, 2016 compared with EUR 99,912 thousand at December 31, 2015.

The Group's non-controlling interests also belong to level 3. The fair value of these share interests is namely essentially determined on the basis of an internal valorization method that is based:

- either on the intrinsic value of the participating interest for insurance companies, i.e. the Revalued Net Asset as well as the value of existing portfolios (= embedded value),
- either on the Net Asset of the share interest for other companies.

Acquisitions (EUR +28,658 thousand) and disposals (EUR -27,338 thousand) of the year are mainly explained by capital increases and repayments in infrastructure funds and private bonds.

The increase in bonds (EUR +70,000 thousand - AFS and EUR +23,947 thousand - FVPL) is linked to the methodology review for the valuation of non-liquid assets.

11.4.6 Important transfers between investments estimated at fair value in level 1 and 2

In thousands of EUR	2016		2015	
	From level 1 to level 2	From level 2 to level 1	From level 1 to level 2	From level 2 to level 1
Financial assets				
Available for sale	-	-	-	-
Share interests	**-**	**-**	**-**	**-**
Available for sale	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Shares	**-**	**-**	**-**	**-**
Available for sale	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Investment funds	**-**	**-**	**-**	**-**
Available for sale	63,622	219,121	206,206	46,826
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Bonds	**63,622**	**219,121**	**206,206**	**46,826**
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial assets	**-**	**-**	**-**	**-**
Investments belonging to unit-linked insurance contracts	**-**	**2,537**	**-**	**-**
Total financial assets	**63,622**	**221,658**	**206,206**	**46,826**
Financial liabilities			-	-
Investment contracts hedged by assets at fair value	-	2,537	-	-
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial liabilities	**-**	**-**	-	-
Total financial liabilities	**-**	**2,537**	**-**	**-**

In and out transfers of hierarchic levels of fair values are proposed on the basis of the inventory value at the end of the year.

Transfers between investments from level 1 to level 2 (thus for EUR 63,622 thousand against EUR 206,206 thousand in 2015) involve securities of which BGN (Bloomberg generic) was the source of the market price and which, in the absence of the latter, were ultimately valued by the price given by a counterparty. The contrary is true for transfers from level 2 to level 1. For the latter, these are securities for which the price of a counterparty was the source of the market price and which ultimately benefited from the BGN market price as pricing source (thus for EUR 219,121 thousand against EUR 46,826 thousand in 2015).

11.4.7 Evolution of investments estimated at fair value in level 3

In thousands of EUR	2016		
	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Total
Opening balance on 1 January	**194,700**	**92,014**	**286,714**
Acquisitions	28,658	-	28,658
Reclassifications between categories	(8,609)	-	(8,609)
Reclassification to level 3	18,294	23,947	42,241
Exit from level 3	-	-	-
Disposals and reimbursements	(27,338)	-	(27,338)
Adjustment at fair value through equity	5,533		5,533
Adjustment at fair value through profit or loss		415	415
Impairments through profit or loss	(110)	-	(110)
Other changes	-	-	-
Closing balance on 31 December	**211,127**	**116,377**	**327,504**

In thousands of EUR	2015		
	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Total
Opening balance on 1 January	**239,588**	**332,273**	**571,861**
Acquisitions	24,702	-	24,702
Reclassifications between categories	100	-	100
Reclassification to level 3	-	-	-
Exit from level 3	-	(185,476)	(185,476)
Disposals and reimbursements	(74,700)	(41,231)	(115,932)
Adjustment at fair value through equity	9,129		9,129
Adjustment at fair value through profit or loss		(13,552)	(13,552)
Impairments through profit or loss	(4,119)	-	(4,119)
Other changes	-	-	-
Closing balance on 31 December	**194,700**	**92,014**	**286,714**

Regarding the transfer to level 3 of EUR 42,241 thousand at 31 December 2016, EUR 18,294 thousand was transferred of the bonds - AFS level 2 and EUR 23,947 thousand was transferred of the bonds - FVPL level 2.

11.5 Derivative financial instruments

The table below gives an overview of the derivative assets and liabilities:

	31 December 2016					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
In thousands of EUR	< 1 year	Between 1 and 5 years	> 5 year			
Interest rate swaps	-	-	-	-	-	-
Options on interest rates	924,000	60,000	-	984,000	15,508	-
Bond futures	-	-	-	-	-	-
Options on shares or indices	-	-	-	-	-	-
Credit swaps	-	-	-	-	-	-
Subtotal held for trading	**924,000**	**60,000**	**-**	**984,000**	**15,508**	**-**
Interest rate swaps	-	-	-	-	-	-
Bond futures(*)	185,136	389,984	-	575,121	59,839	(8,014)
Subtotal held for hedging	**185,136**	**389,984**	**-**	**575,121**	**59,839**	**(8,014)**
Total	**1,109,136**	**449,984**	**-**	**1,559,121**	**75,346**	**(8,014)**

	31 December 2015					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
In thousands of EUR	< 1 year	Between 1 and 5 years	> 5 year			
Interest rate swaps	-	-	-	-	-	-
Options on interest rates	1,450,000	300,000	-	1,750,000	8,940	-
Bond futures	-	-	-	-	-	-
Options on shares or indices	-	-	-	-	-	-
Credit swaps	-	-	-	-	-	-
Subtotal held for trading	**1,450,000**	**300,000**	**-**	**1,750,000**	**8,940**	**-**
Interest rate swaps	-	-	-	-	-	-
Bond futures(*)	277,215	475,324	-	752,539	14,045	(19,958)
Subtotal held for hedging	**277,215**	**475,324**	**-**	**752,539**	**14,045**	**(19,958)**
Total	**1,727,215**	**775,324**	**-**	**2,502,539**	**22,986**	**(19,958)**

No inefficiency must be recorded with respect to the shadow accounting.
The hedging against the fall in interest rates has again been analysed in 2016 with a twofold objective:

- To partially protecting oneself against a degradation of our equity in case of an extension of the fall in interest rates;
- To decrease the volatility of our equity in economic value.

Within this framework, we continued, on the one hand, the swaptions programme to reach a nominal amount of EUR 924 million at end-2016 and, on the other hand, the forward bonds programme to reach a nominal amount of EUR 575 million at December 31, 2016.

Moreover, none of the financial instruments used is subjected to a framework agreement of enforceable netting or to a similar agreement. The positive and negative fair values presented above are gross and cannot be the subject of a compensation with an external counterparty.

11.6 Tangible fixed assets and investment properties

In thousands of EUR	2016 Investment properties	Operational buildings	Other tangible fixed assets	Total
Gross value to be depreciated on 1 January	**502,109**	**182,420**	**180,920**	**865,449**
Acquisitions	5,468	259	21,762	27,489
Disposals and withdrawals	(4,331)	(17)	(8,489)	(12,837)
Properties available for sale	-	-	-	-
Change in the consolidation scope	76,236	-	-	76,236
Reclassifications from one heading to another	867	-	(179)	688
Other changes	-	-	-	-
Gross value on 31 December	**580,348**	**182,662**	**194,014**	**957,024**
Depreciations and accumulated impairments on 1 January	**(69,469)**	**(80,119)**	**(146,704)**	**(296,292)**
Depreciations of the financial year	(15,350)	(4,435)	(10,182)	(29,967)
Impairments of the financial year	-	-	-	-
Reversals of the financial year	-	-	-	-
Disposals and withdrawals	-	-	35	35
Reversals following disposals	930	8	4,351	5,289
Impairment and reversal on investment properties available for sale	-	-	-	-
Change in the consolidation scope	(227)	-	-	(227)
Reclassifications from one heading to another	(867)	-	18	(849)
Other changes	-	-	-	-
Depreciations and accumulated impairments on 31 December	**(84,982)**	**(84,547)**	**(152,482)**	**(322,011)**
Net book value on 31 December	**495,366**	**98,115**	**41,533**	**635,014**
Fair value on 31 December	**552,712**	**141,861**	**41,533**	**736,105**

In thousands of EUR	2015 Investment properties	Operational buildings	Other tangible fixed assets	Total
Gross value to be depreciated on 1 January	**437,758**	**178,657**	**156,235**	**772,650**
Acquisitions	17,526	2,248	13,287	33,061
Disposals and withdrawals	(337)	-	(1,954)	(2,292)
Included loan costs	-	-	-	-
Change in the consolidation scope	47,833	815	13,731	62,378
Reclassifications from one heading to another	(671)	701	(378)	(349)
Other changes	-	-	-	-
Gross value on 31 December	**502,109**	**182,420**	**180,920**	**865,449**
Depreciations and accumulated impairments on 1 January	**(46,413)**	**(74,942)**	**(127,506)**	**(248,862)**
Depreciations of the financial year	(12,908)	(4,477)	(8,372)	(25,758)
Impairments of the financial year	(336)	-	-	(336)
Reversals of the financial year	75	-	-	75
Disposals and withdrawals	-	-	253	253
Reversals following disposals	103	-	1,130	1,233
Impairment and reversal on investment properties available for sale	-	-	-	-
Change in the consolidation scope	(10,282)	(417)	(12,214)	(22,913)
Reclassifications from one heading to another	293	(283)	5	15
Other changes	-	-	-	-
Depreciations and accumulated impairments on 31 December	**(69,469)**	**(80,119)**	**(146,704)**	**(296,292)**
Net book value on 31 December	**432,640**	**102,301**	**34,216**	**569,157**
Fair value on 31 December	**465,395**	**122,202**	**34,216**	**621,813**

Depreciations with regard to investment property are recognized in *Change in amortizations and depreciations of investments* while depreciations with regard to operational buildings and tangible fixed assets are recognized in *Expenses for other activities* through profit or loss.

Investment properties are, on average, valorized every three years by qualified real estate experts. The fair value of investment properties is based on the valorization by an independent expert with the appropriate professional qualifications and experience. This value represents the estimated amount for which the property could be exchanged at the valuation date between a willing purchaser and a willing seller on the basis of a transaction under normal market conditions (arm's length) after an appropriate marketing.

The methods used to determine this fair value are based on methods for capitalization of future incomes or for the actualization of projected cash flows. They are situated in level 2 of the fair value hierarchy. The majority of the transactions carried out is indeed localized on liquid markets and the valuation methods used are essentially based on observable market data. The experts base their assessments on observable data such as transfer prices or yields that were recently determined with regard to comparable goods on the market.

11.7 Receivables

11.7.1 Breakdown of receivables by nature

	31 December 2016		
In thousands of EUR	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,360,370	(16,129)	1,344,241
Receivables arising from ceded reinsurance operations	64,359	-	64,359
Receivables arising from other operations	65,838	(210)	65,628
Tax receivables	4,177	-	4,177
Other receivables	109,169	(102)	109,067
Total	**1,603,913**	**(16,442)**	**1,587,472**

	31 December 2015		
In thousands of EUR	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,306,349	(15,214)	1,291,136
Receivables arising from ceded reinsurance operations	57,001	-	57,001
Receivables arising from other operations	70,694	(445)	70,249
Tax receivables	49,860	-	49,860
Other receivables	157,602	(184)	157,418
Total	**1,641,506**	**(15,843)**	**1,625,664**

The fair value equals the net book value of the receivables. Indeed, the Group considers that for this type of assets the book value is sufficiently close to the market value of the receivables.

The increase in receivables arising from direct insurance and accepted reinsurance operations is due to the change in deposit of Ethias Droit Commun and to the issuance of major invoices in group insurance at the end of the year. The decrease in other receivables is explained by the evolution in the result of the quota share agreement with Ethias Droit Commun.

11.7.2 Evolution of impairments on receivables

In thousands of EUR	2016	2015
Impairments on receivables on 1 January	**(15,843)**	**(18,561)**
Provisions of the financial year	(10,383)	(11,699)
Expenditures of the financial year	1,039	6,319
Reversals of the financial year	8,348	8,275
Change in the consolidation scope	-	(178)
Other changes	397	-
Impairments on receivables on 31 December	**(16,442)**	**(15,843)**

We think the impairment principle on receivables is prudent as only 11% of the impairments are actually recorded as a write-off of receivables.

11.7.3 Outstanding receivables

A financial asset is outstanding as soon as a counterparty fails to pay on the date stipulated under the contract, when it exceeds the recommended limit or is informed about a limit that is lower than the current outstanding amounts. The table below gives information about the maturity overrun of the outstanding, but not yet depreciated, financial assets.

	31 December 2016							
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Net book value of unimpaired assets based on the following periods: Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,360,370	(16,129)	1,344,241	-	1,189,413	138,393	12,600	3,835
Receivables arising from ceded reinsurance operations	64,359	-	64,359	-	64,359	-	-	-
Other receivables	179,184	(312)	178,872	-	173,258	4,046	1,088	480
Total	**1,603,913**	**(16,442)**	**1,587,472**	**-**	**1,427,029**	**142,439**	**13,688**	**4,316**

	31 December 2015							
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Net book value of unimpaired assets based on the following periods: Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,306,349	(15,214)	1,291,136	-	1,168,455	104,329	10,789	7,563
Receivables arising from ceded reinsurance operations	57,001	-	57,001	-	57,001	-	-	-
Other receivables	278,156	(629)	277,527	20	266,718	8,660	1,704	425
Total	**1,641,506**	**(15,843)**	**1,625,664**	**20**	**1,492,174**	**112,989**	**12,493**	**7,988**

In the case of Ethias, impaired receivables are reduced up to their total book value amount.

11.8 Other assets

In thousands of EUR	31 December 2016	31 December 2015
Interest and rent accrued but not yet due	227,898	246,131
Other accruals	7,894	8,810
Other assets	6,704	3,428
Total	**242,495**	**258,369**

11.9 Cash and cash equivalents

In thousands of EUR	31 December 2016	31 December 2015
Cash at bank and in hand	700,755	949,801
Cash equivalents	50,581	136,962
Total of the cash and cash equivalents	**751,336**	**1,086,763**
Debts arising from repurchase operations (repo)	(254,796)	(9,271)
Bank overdraft and other debts included in the cash flow statement	(81,572)	(10,290)
Cash and cash equivalents regarding the groups intended to be transferred	-	-
Total of the repurchase operations, cash and cash equivalents in the cash flow table	**414,967**	**1,067,203**

Cash equivalents consist exclusively of treasury bonds.

Since 2014, hedge accounting has been introduced. At 31 December 2016, the amount received in collateral for the swaptions totals EUR 14,377 thousand (compared to EUR 3,890 thousand on 31 December 2015), EUR 8,200 thousand for repurchase agreement transactions (EUR 0 thousand at 31 December 2015) and EUR 58,995 thousand (compared to EUR 5,075 thousand) for the forwards.

The fair value equals the net book value of the cash and cash equivalents. Indeed, the Group considers that for this type of assets the book value is sufficiently close to the market value of the cash and cash equivalents.

11.10 Deferred tax assets and liabilities

11.10.1 Breakdown of deferred tax assets and liabilities

In thousands of EUR	31 December 2016 Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	3,426	-	3,426
Available-for-sale investments in other items of comprehensive income	3	517,575	(517,572)
Financial assets designated at fair value through profit or loss	214	3,947	(3,733)
Insurance and investment liabilities in other items of comprehensive income	437,594	-	437,594
Insurance and investment liabilities through profit or loss	141,415	9,564	131,850
Employee benefits in other items of comprehensive income	6,110	(873)	6,983
Employee benefits through profit or loss	27,647	-	27,647
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	21	35,317	(35,295)
Carried forward tax losses	1,330	-	1,330
Deferred tax assets and liabilities	**617,760**	**565,530**	**52,230**
Compensation through taxable entity	(543,996)	(543,996)	-
Deferred tax assets and liabilities	**73,764**	**21,534**	**52,230**

In thousands of EUR	31 December 2015 Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	4,316	-	4,316
Available-for-sale investments in other items of comprehensive income	-	465,753	(465,753)
Financial assets designated at fair value through profit or loss	2,010	17,475	(15,465)
Insurance and investment liabilities in other items of comprehensive income	414,825	-	414,825
Insurance and investment liabilities through profit or loss	201,717	9,564	192,153
Employee benefits in other items of comprehensive income	7,845	-	7,845
Employee benefits through profit or loss	44,363	-	44,363
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	82	12,632	(12,550)
Carried forward tax losses	303	-	303
Deferred tax assets and liabilities	**675,461**	**505,424**	**170,038**
Compensation through taxable entity	(505,365)	(505,365)	-
Deferred tax assets and liabilities	**170,096**	**59**	**170,038**

11.10.2 Evolution of deferred tax assets and liabilities

In thousands of EUR	2016			2015		
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Net book value on 1 January	**170,096**	**59**	**170,038**	**279,261**	**4,032**	**275,230**
Changes through profit or loss	(76,729)	11,122	(87,851)	(42,509)	36,022	(78,531)
Change in other items of comprehensive income	(19,603)	10,353	(29,957)	(66,657)	(39,995)	(26,661)
Change in scope	-		-	-	-	-
Other changes	0	0	-	-	-	-
Net book value on 31 December	**73,764**	**21,534**	**52,230**	**170,096**	**59**	**170,038**

11.10.3 Deferred taxes

In thousands of EUR	31 December 2016	31 December 2015
Deferred taxes for which a deferred tax asset was allocated		
Intended use within the year	52,230	57,129
Intended use between 1 and 2 years	-	75,133
Intended use between 2 and 3 years	-	37,777
Intended use after 3 years	-	-
Debt with maturity after 3 years	-	-
Subtotal	**52,230**	**170,038**
Deferred taxes for which no deferred tax asset was allocated		
Limited recoverability	-	-
Unlimited recoverability	188,039	264,612
Subtotal	**188,039**	**264,612**
Total of the allocated and non-allocated deferred taxes	**240,270**	**434,650**

11.11 Available-for-sale assets and liabilities including assets from discontinued activities

In 2016, as in 2015, no assets or liabilities were held for sale.

11.12 Equity

11.12.1 Subscribed capital

The capital issued and paid on 31 December 2016 amounts to EUR 1,000,000,000. The capital is represented by 20,000,000 shares without indication of the nominal value.

	2016	
	In thousands of EUR	**Number of shares**
Registered shares without nominal value	1,000,000	20,000,000
Total	**1,000,000**	**20,000,000**

After the financial crisis of 2008, the Group was recapitalized by the public authorities (Federal State, Flemish Region and Walloon Region) moving from the Group's original mutualist structure to a more traditional structure of public limited company. This new shareholdership is present in the capital of Vitrufin, the Group's parent company that possesses Ethias SA.

Under the shareholders' pact of Vitrufin signed on 9 February 2009, to which the company is a stakeholder, the parties undertake to do the necessary to return to Vitrufin the profits available within the Group, provided that a dividend can only be paid out to Vitrufin once the necessary amounts were reserved on the level of Ethias with respect of the coverage requirements of the regulatory solvency margin of 100%. Every dividend pay-out should be done in accordance with the applicable statutory and regulatory stipulations.

11.12.2 Other items of comprehensive income

11.12.2.1 Evolution of the revaluation reserve of the available-for-sale financial assets

In thousands of EUR	2016	2015
Net book value on 1 January	**247,307**	**246,681**
Revaluation	129,540	(219,351)
Related taxes	(48,975)	76,593
Shadow accounting	(66,989)	284,937
Related taxes	22,770	(96,850)
Transfer resulting from disposals or impairments	(109,933)	(66,945)
Related taxes	37,366	22,242
Other changes	-	-
Net book value on 31 December	**211,085**	**247,307**

11.12.2.2 Evolution of the reserve for actuarial losses and profits on retirement benefit obligations

In thousands of EUR	2016	2015
Net book value on 1 January	**(10,363)**	**(78,912)**
Recognized actuarial profits and losses	2,538	103,847
Related taxes	(863)	(35,297)
Other changes	-	-
Net book value on 31 December	**(8,688)**	**(10,363)**

11.12.2.3 Evolution of the reserve for hedge accounting

In thousands of EUR	2016	2015
Net book value on 1 January	**(3,903)**	**9,022**
Revaluation	127,913	(19,580)
Related taxes	(43,478)	6,655
Derecognition following exercise option	(70,176)	-
Related taxes	23,853	-
Profits and losses realized on hedging instruments not yet recognized through profit or loss	61,529	-
Related taxes	(20,914)	-
Amortizations	(835)	-
Related taxes	284	-
Change in scope	-	-
Change in accounting method	-	-
Other changes	-	-
Net book value on 31 December	**74,273**	**(3,903)**

With regard to the bond futures, profits or losses associated with the hedging contract are reclassified to the income statement in the same periods as those during which the covered expected cash flows affect the net profit (loss) (i.e. during the accounting period of interest revenues related to the bond acquired by means of the hedging contract).

In 2016, forward bonds for a notional amount of EUR 277,215 thousand were exercised.

11.13 Insurance and investment contract liabilities

11.13.1 Summary table of insurance and investment contract liabilities

Technical liabilities with regard to insurance and investment contracts, including those for which the financial risk is supported by the insured, are divided into gross liabilities and reinsurers' share. Gross liabilities are divided according to the nature of technical provision. Investment contract liabilities with discretionary participation features are presented separately from the investment contract liabilities without discretionary participation features.

11.13.1.1 Liabilities related to Non-Life insurance contracts

In thousands of EUR	31 December 2016	31 December 2015
Mathematical provisions	816,558	766,078
Provisions for unearned premiums	291,243	273,781
Provisions for claims	2,287,345	2,310,020
Shadow accounting	-	-
Other provisions	213,496	216,668
Total insurance contract liabilities (gross)	**3,608,643**	**3,566,546**
Reinsurers' share in liabilities related to Non-Life insurance contracts	120,069	132,505
Total insurance contract liabilities (after deduction of the reinsurers' share)	**3,488,573**	**3,434,041**

11.13.1.2 Liabilities related to Life insurance contracts

In thousands of EUR	31 December 2016	31 December 2015
Mathematical provisions	4,278,382	4,419,951
Provisions for claims	2,184	1,565
Shadow accounting	651,648	618,834
Insurance contract liabilities	**4,932,214**	**5,040,350**
Liabilities related to unit-linked insurance contracts	**25,155**	**24,154**
Total insurance contract liabilities (gross)	**4,957,370**	**5,064,504**
Reinsurers' share in liabilities related to Life insurance contracts	1,474	1,432
Total insurance contract liabilities (after deduction of the reinsurers' share)	**4,955,895**	**5,063,072**

Some reinsurance treaties related to the Life insurance contracts cannot cover the actual insurance risk in the liabilities related to Life insurance contracts, but only the financial risk. In order to present the information in a coherent way, the part of these treaties is presented in accordance with the Life insurance contracts to which they are related.

11.13.1.3 Investment contract liabilities

In thousands of EUR	31 December 2016	31 December 2015
Mathematical provisions	5,548,776	6,713,747
Provisions for claims	-	-
Shadow accounting	647,932	637,800
Investment contract liabilities with discretionary participation features	**6,196,708**	**7,351,547**
Liabilities related to unit-linked investment contracts with discretionary participation features	**312,390**	**232,442**
Mathematical provisions	3,894	3,904
Investment contract liabilities without discretionary participation features	**3,894**	**3,904**
Liabilities related to unit-linked investment contracts without discretionary participation features	**70,844**	**102,482**
Total investment contract liabilities (gross)	**6,583,835**	**7,690,377**
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total investment contract liabilities (after deduction of the reinsurers' share)	**6,583,835**	**7,690,377**

The significant decrease in investment contract liabilities is due to "Switch V" and "Switch VI" transactions (see section 1.1 of the "Management Report").

11.13.1.4 Profit sharing liabilities

In thousands of EUR	31 December 2016	31 December 2015
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	5,409	18,040
Profit sharing related to investment contracts	18,661	19,756
Liabilities for profit sharing of policyholders	**24,070**	**37,796**

11.13.2 Evolution of liabilities related to Non-Life insurance contracts

11.13.2.1 Evolution of gross values before reinsurance

In thousands of EUR	2016	2015
Insurance contract liabilities on 1 January	**3,566,546**	**3,520,518**
Claims paid in the previous years	(338,794)	(317,918)
Change in claim costs compared to the previous financial years	(219,190)	(214,871)
Addition to liabilities on claims of the current year	535,310	531,664
Transfer of received/ceded reserves	-	-
Change in gross reserves for unearned premiums	17,435	7,313
Change in the consolidation scope	-	-
Shadow accounting	-	-
Other changes	47,336	39,841
Insurance contract liabilities on 31 December	**3,608,643**	**3,566,546**

11.13.2.2 Evolution of the reinsurers' share

In thousands of EUR	2016	2015
Reinsurers' share in insurance contract liabilities on 1 January	**132,505**	**112,390**
Reinsurers' share in claims costs	(23,498)	(18,938)
Change in claim costs compared to the previous financial years	17,948	9,478
Addition to liabilities on claims of the current year	(7,122)	30,618
Other changes in reserves	237	(1,043)
Reinsurers' share in insurance contract liabilities on 31 December	**120,069**	**132,505**

11.13.2.3 Development triangles

The table below shows the evolution of reserves for unsettled claims since the constitution of the insurance company Ethias SA in 2008. All intended contracts are insurance contracts as defined in the IFRS. This table shows the accumulated values. The columns include all the previous years and the year under review.

In thousands of EUR	Claims occurrence years								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provisions for gross claims on the closing date	**1,775,606**	**1,971,444**	**2,130,765**	**2,099,521**	**2,092,978**	**2,110,994**	**2,092,494**	**2,104,045**	**2,076,655**
Accumulated payments:									
2009	381,185								
2010	588,080	408,841							
2011	719,725	604,239	395,553						
2012	843,480	775,651	630,961	424,653					
2013	937,696	898,096	804,683	652,680	397,164				
2014	1,020,267	1,006,067	942,122	829,149	621,242	392,400			
2015	1,058,073	1,051,063	997,535	902,025	715,510	529,082	317,918		
2016	1,091,957	1,091,823	1,044,866	977,346	809,244	652,016	483,331	338,794	
Revaluated reserves:									
2009	1,761,488								
2010	1,677,647	1,876,808							
2011	1,620,102	1,768,993	1,938,533						
2012	1,654,207	1,791,849	1,902,081	1,982,916					
2013	1,641,447	1,775,371	1,879,047	1,933,713	1,981,278				
2014	1,631,449	1,740,019	1,832,744	1,874,301	1,880,709	1,944,985			
2015	1,602,013	1,700,835	1,772,793	1,829,145	1,795,333	1,817,847	1,890,299		
2016	1,561,867	1,644,200	1,703,312	1,751,804	1,699,181	1,707,645	1,731,871	1,880,139	
Current claim liabilities	469,910	552,377	658,446	774,458	889,937	1,055,629	1,248,540	1,541,345	2,076,655
Surplus (insufficiency) of the initial provision compared to the estimated cost price on 31 December 2015:									
In nominal value	**173,593**	**270,609**	**357,972**	**270,376**	**297,645**	**293,147**	**202,195**	**223,906**	
In percent	**9.78%**	**13.73%**	**16.80%**	**12.88%**	**14.22%**	**13.89%**	**9.66%**	**10.64%**	
Other liabilities for claims related to Non-Life insurance contracts									**210,691**
Total of the provisions for claims related to Non-Life insurance contracts									**2,287,345**

11.13.3 Evolution of liabilities related to Life insurance contracts (without unit-linked insurance contracts)

11.13.3.1 Evolution of gross values before reinsurance

In thousands of EUR	2016	2015
Insurance contract liabilities on 1 January	**5,040,350**	**5,009,385**
Premiums	240,953	279,584
Benefits	(268,075)	(276,942)
Time value	123,754	129,400
Internal transfers	(51,015)	(13,125)
Transfer of received/ceded reserves	(121,166)	4,804
Shadow accounting	32,814	11,398
Other changes in reserves	(65,402)	(104,153)
Insurance contract liabilities on 31 December	**4,932,214**	**5,040,350**

11.13.3.2 Evolution of the reinsurers' share

In thousands of EUR	2016	2015
Reinsurers' share in insurance contract liabilities on 1 January	**1,432**	**1,500**
Ceded premiums	-	-
Reinsurers' share in claims costs	-	-
Reinsurers' share in time value	-	-
Transfers	-	-
Other changes in reserves	43	(68)
Reinsurers' share in insurance contract liabilities on 31 December	**1,474**	**1,432**

11.13.4 Evolution of investment contract liabilities with share interests (without unit-linked insurance contracts)

11.13.4.1 Evolution of gross values before reinsurance

In thousands of EUR	2016	2015
Investment contract liabilities on 1 January	**7,351,547**	**10,279,399**
Premiums	837,352	820,404
Benefits	(2,042,977)	(3,188,288)
Time value	128,244	191,098
Internal transfers	(19,985)	(29,421)
Transfer of received/ceded reserves	(94,485)	(51,622)
Shadow accounting	10,131	(289,719)
Other changes in reserves	26,880	(380,302)
Investment contract liabilities on 31 December	**6,196,708**	**7,351,547**

The Group did not conclude a reinsurance agreement within the framework of its investment contracts with share interests.

11.13.5 Evolution of liabilities related to unit-linked insurance contracts

In thousands of EUR	2016	2015
Liabilities related to unit-linked insurance contracts on 1 January	**359,078**	**416,353**
Premiums	471	2,226
Benefits	(72,881)	(123,035)
Revaluation of the provisions	12,179	21,188
Technical result and other transfers	-	-
Internal transfers	71,000	42,546
Transfer of received/ceded reserves	-	-
Other changes in reserves	38,541	(199)
Liabilities related to unit-linked insurance contracts on 31 December	**408,389**	**359,078**

The Group did not conclude a reinsurance agreement within the framework of its unit-linked insurance contracts.

11.13.6 Hypotheses prior to the assessment of liabilities related to insurance and investment contracts

The following main hypotheses were selected within the framework of the liabilities related to insurance and investment contracts.

- Liabilities are updated through an appropriate risk-free interest rate curve in order to take into account the asset and liability management implemented in the company's long-term commitments.
- The surrender law was estimated on the basis of the historic data. When estimating the future redemption rate, account has been taken of the impact of the massive outflows of the "First A" portfolio.
- In 2016, taking into account the market conditions, the deferred gains of value observed and recognized in the representative assets of the insurance liabilities in Life and investment contracts were allocated to the liabilities related to insurance contracts Life and investment contracts.

The main significant accountancy estimates and assessments are included in note 8.

11.14 Financial debts

11.14.1 Breakdown by nature

In thousands of EUR	31 December 2016		31 December 2015	
	Balance value	Fair value	Balance value	Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	453,903	452,593	454,372	419,918
Subordinated debts	**453,903**	**452,593**	**454,372**	**419,918**
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Bank overdrafts	-	-	1,325	1,325
Debts arising from repurchase operations (repo)	254,796	254,796	9,271	9,271
Collateral received as guarantee	81,572	81,572	8,965	8,965
Others	50,779	50,779	36,536	36,536
Other financial debts	**387,147**	**387,147**	**56,096**	**56,096**
Total of the financial debts	**841,051**	**839,740**	**510,468**	**476,015**

In 2005 and in 2008, Ethias SA had issued two subordinated bond loans of respectively EUR 250 and 75 million. The first issue, of the perpetual type, offers an interest rate of 4.747 % until the first exercise date of the redemption prepared in December 2015 and subsequently a variable interest rate. The second issue has an interest rate of 7.5 % until July 2018, first exercise date of the redemption, and a variable interest rate until the expiry date of the security in July 2023.

The market value of the aforementioned bond loans is determined on the basis of a valuation model that takes into account the rating of the issuer and the probability of the exercise of the different redemptions.

The change in the fair value of the non-convertible subordinated bond loans for the year 2016 is mainly due to the combined impact of (i) lower interest rates and (ii) the improvement in the financial situation and the solvency of the Ethias Group, in particular following the success of the "Switch" operation.

In 2015, Ethias SA restructured its perpetual loan of EUR 250 million in the following two steps:

- On 29 June 2015, Ethias launched an exchange offer for its perpetual subordinated loan against a Tier 2 subordinated loan maturing in January 2026. The operation was a real success given the high participation level of 94.4% (EUR 236 million). Having reimbursed investors wishing to participate in the exchange offer but not having an investment with a minimum amount of EUR 100,000 (i.e. the minimum subscription amount) and having reimbursed the part of the investment not corresponding to a multiple of EUR 100,000, a new bond of EUR 231.9 million was issued at 100 % on 14 July 2015, at the nominal rate of 5%.

- On 5 November 2015, Ethias SA issued an additional tranche in the Tier 2 subordinated loan of EUR 170.8 million in nominal value, for an issue price of 80 %, paying the nominal rate of 5 % and maturing in January 2026.

The assessments at fair value of the issued loans are based on the market price "Ask" (source Bloomberg) for a nominal value of EUR 416,700 thousand relating to the above-mentioned restructuring and additional issuance. The fair value of the residual bond loans is determined on the basis of observable elements, such as the levels of the interest rate markets and of the credit markets for a nominal value of EUR 75,000 thousand. The valuation model is based on the discounting of future cashflows and takes into account the probability of exercise of the various repayment options available to investors.

The collateral received as guarantee mainly concerns the operations of the forward bond and swaption type that have been contracted within the framework of the interest rate hedging programme implemented by the company.

Following the "Switch VI" operation, Ethias contracted repo's to deal with the short-term liquidity management. The nominal amount of the latter amounts to EUR 254,796 thousand as of December 31, 2016.

11.14.2 Breakdown by maturity

In thousands of EUR	2016 Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Convertible subordinated bond loans	-	-	-	-	-
Non-convertible subordinated bond loans	-	-	443,403	10,500	453,903
Subordinated debts	**-**	**-**	**443,403**	**10,500**	**453,903**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Bank overdrafts	-	-	-	-	-
Debts arising from repurchase operations (repo)	254,796	-	-	-	254,796
Collateral received as guarantee	81,572	-	-	-	81,572
Others	26,804	3,015	20,960	-	50,779
Other financial debts	**363,173**	**3,015**	**20,960**	**-**	**387,147**
Total of the financial debts	**363,173**	**3,015**	**464,363**	**10,500**	**841,051**

In thousands of EUR	2015 Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Convertible subordinated bond loans	-	-	-	-	-
Non-convertible subordinated bond loans	-	-	443,872	10,500	454,372
Subordinated debts	**-**	**-**	**443,872**	**10,500**	**454,372**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Bank overdrafts	1,325	-	-	-	1,325
Debts arising from repurchase operations (repo)	9,271	-	-	-	9,271
Collateral received as guarantee	8,965	-	-	-	8,965
Others	32,037	4,136	362	-	36,536
Other financial debts	**51,598**	**4,136**	**362**	**-**	**56,096**
Total of the financial debts	**51,598**	**4,136**	**444,234**	**10,500**	**510,468**

11.15 Provisions

Provisions recognized in the balance sheet are analysed as follows:

	2016			
In thousands of EUR	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	Total
Provisions on 1 January	**6,346**	**44,934**	**11,519**	**62,799**
Provisions (+)	1,004	955	11,410	13,369
Expenditures (-)	329	(45,889)	(229)	(45,788)
Reversals (-)	-	-	(513)	(513)
Transfers (+/-)	(47)	-	(23)	(70)
Change in scope	-	-	-	-
Other changes	-	-	-	-
Provisions on 31 December	**7,633**	**-**	**22,164**	**29,796**

Provisions for financial risks were used after deduction of provisions for an amount of EUR 45 million, mainly following the maturities of the Multisecurity products issued by Lehman.

	2015			
In thousands of EUR	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	Total
Provisions on 1 January	**5,910**	**100,961**	**12,532**	**119,404**
Provisions (+)	456	5,170	9,508	15,134
Expenditures (-)	(20)	(61,198)	(9,671)	(70,889)
Reversals (-)	-	-	(850)	(850)
Transfers (+/-)	-	-	-	-
Change in scope	-	-	-	-
Other changes	-	-	-	-
Provisions on 31 December	**6,346**	**44,934**	**11,519**	**62,799**

11.16 Employee benefits

11.16.1 Overview of employee benefits by nature

The debt for employee benefits recognized in the balance sheet is analysed as follows:

In thousands of EUR	31 December 2016	31 December 2015
Post-employment benefits	500,685	477,758
Long-term employee benefits	16,397	1,453
Termination benefits	17,781	22,918
Total	**534,863**	**502,129**

Amounts of the projected benefits

In thousands of EUR	2017	2016
Post-employment pension commitments	5,976	28,540
Other long-term employee benefits	1,019	79
Termination benefits	3,755	4,536
Total	**10,749**	**33,154**

11.16.2 Description of the employee benefits

11.16.2.1 Post-employment benefits

Various remuneration plans granted at the leaving date of the employees or during their retirement were implemented within the Group. This category mainly includes:

Pension benefit obligations

The majority of the systems granted to the employees of the different subsidiaries of the Group are insured within the Group itself through the company Ethias SA. There are two separate types of systems that coexist:

- Defined benefit plans, according to which a predetermined amount shall be paid to an employee at the moment of his pension retirement, or during his retirement. Generally, this amount depends on the following factors: number of years of service, salary and maximum legal pension amount.
- Defined contribution plans which are pension agreements by which the employer commits himself up to a finance. The employer limits his commitment to the payment of the contributions and the payment does not depend on the final amount, contrary to the defined benefit plans. The employees' pension amount is calculated in proportion to the accumulation of the paid and capitalized contributions.

The Belgian law on complementary insurances imposes a guaranteed minimum yield on employer's and individual contributions. The taking into account of this law, related to the definition of the plan, can in some cases mean that the Belgian defined contribution plans are considered as defined benefit plans according to IAS 19. In general, the employer retains an obligation after the contribution payment.

Finally, by the fact that the Group itself insures the future benefits of the pension schemes allocated to its employees, the representative assets of the pension plans do not correspond with the definition of the scheme in the sense of IAS 19.

Other post-employment benefits

These other post-employment benefits mainly include various advantages offered to pensioners and pre-pensioners: access to healthcare cover, to cultural activities of the employee association and other divers advantages. These advantages are essentially financed by the aid fund of the employee association. This fund is essentially supplied by individual contributions paid by active employees, pensioners and pre-pensioners. The residual liability eventually at charge of the employer is considered as non-significant and is not valorized in the financial statements.

11.16.2.2 Long-term benefits

Long-term benefits refer to advantages granted to active employees and which are not fully payable within the twelve months following the end of the financial year in which the employees provided the services. These benefits include, inter alia, long-term compensated absences, long-service bonuses as well as departures projected with the frame of the "60+" plan (put in place at end-2015), concerning the gradual retirement of persons aged 55 or older at 30/06/2015.

11.16.2.3 Termination benefits

Termination benefits refer to amounts paid to employees in the event of dismissal or resignation. This category of advantages also includes provisions constituted by the employer for the charge of the benefits paid to the pre-pensioners until the age of 65. These benefits should only be provisioned if the company committed itself explicitly to grant them.

11.16.3 Actuarial assumptions and sensitivity analysis

11.16.3.1 Actuarial assumptions

Debts for employee benefits are calculated on an actuarial basis, based on the projected unit credit method. The main parameters (financial and demographic assumptions) used for the debt calculation are summarized below:

	31 December 2016	31 December 2015
Discount rate	0% /1,24% /1,60% /1,80%	1.70% / 2.30%
Expected wage increase	0.50%	0.50%
Inflation rate	1.70%	1.70%
Staff turnover rate	0% /1,50% (*) /2,40%	0% / 1,50% (*) / 2,40%
Life table	32% of MR/FR	32% of MR/FR

(*) For the main plan, the staff turnover rate is 1.50% up to 62 years and 0% beyond, for 2016 (against 1.50% up to 55 years and 0% beyond, in 2015)

The discount rates used to actualize the commitments are defined by reference to the market rate at the closing date of first category corporate bonds with a maturity that is comparable to the maturity of the commitments.

The life assumptions are based on official life tables and on experience observed within the Group. All assumptions reflect the Group's best estimate.

The average duration of the life benefit of the pension schemes is 15 years

11.16.3.2 Sensitivity analysis

We analysed the impact of the change in the main actuarial assumptions on the debt assessment regarding employee benefits.

This analysis showed that an increase in discount rate with 50 basis points should lower the debt with regard to employee benefits with EUR 32,869 thousand. A decrease of the same level would however result in a debt increase of EUR 40,257 thousand.

The impact of an increase with 25 basis points of the expected wage increase rate amounts to EUR 23,193 thousand. An equivalent decrease would however lower the debt with EUR 19,977 thousand.

	31 December 2016	31 December 2015
Discount rate		
Increase in rates with 50 basis points	(32,869)	(16,452)
Decrease in rates with 50 basis points	40,257	20,382
Expected wage increase		
Increase in rates with 25 basis points	23,193	9,753
Decrease in rates with 25 basis points	(19,977)	(11,425)

11.16.4 Evolution of the actual value of post-employment benefits and long-term benefits

In thousands of EUR	2016			2015		
	Post-employment benefits	Long-term benefits	Total	Post-employment benefits	Long-term benefits	Total
Actual debt value on 1 January	**477,758**	**1,453**	**479,211**	**573,216**	**1,583**	**574,799**
Cost price of provided services	44,610	14,780	59,389	33,378	140	33,518
Financial cost price	8,089	28	8,117	6,565	21	6,586
Contributions constituted by participants	-	-	-	-	-	-
Actuarial derogations	(2,538)	731	(1,807)	(103,847)	(132)	(103,978)
Benefits	(27,908)	(595)	(28,503)	(25,953)	(159)	(26,112)
Cost price of past services	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Regulations	-	-	-	-	-	-
Others	674	-	674	(5,602)	-	(5,602)
Actual debt value on 31 December	**500,685**	**16,397**	**517,082**	**477,758**	**1,453**	**479,211**

The charge related to employee interests recognized through profit or loss is detailed in note 12.8.

11.17 Trade and other payables

11.17.1 Breakdown by nature

In thousands of EUR	31 December 2016	31 December 2015
Liabilities arising from direct insurance operations and accepted reinsurance	123,156	129,778
Liabilities arising from ceded reinsurance operations	103,400	85,685
Liabilities from operating activities	**226,556**	**215,463**
Tax on current result	8,008	6,925
Other contributions and taxes	44,160	42,243
Tax payables	**52,168**	**49,168**
Social security payables	57,330	63,606
Payables to associates	-	-
Payables from finance leases	6,181	3,331
Trade payables	85,952	54,890
Other payables	120,014	111,635
Other payables	**269,478**	**233,460**
Accruals for liabilities	**36,364**	**25,308**
Total other payables	**584,565**	**523,400**

Debt arising from direct insurance operations and accepted reinsurance operations include premiums paid prior to maturity, amounts due to various applicants and benefits to be paid.

The other debts mainly include rental guarantees, costs on ring-fenced funds to be liquidated, unallocated payments and stock exchange transactions to be paid.

Accruals mainly include interests accrued but not yet due on bond loans, subsidies to be carried forward and other revenues to be carried forward.

The fair value equals the net book value of the debts. Indeed, the Group considers that for this type of debts the book value is sufficiently close to the market value of the debts.

11.17.2 Breakdown by maturity

In thousands of EUR	2016 Less than 1 year	2016 Between 1 and 5 years	2016 More than 5 years	2016 Undefined	2016 Total of the value in the balance
Liabilities arising from direct insurance operations and accepted reinsurance	112,677	1,259	210	9,011	123,156
Liabilities arising from ceded reinsurance operations	1,914	-	-	101,487	103,400
Liabilities from operating activities	**114,590**	**1,259**	**210**	**110,497**	**226,556**
Tax on current result	8,008	-	-	-	8,008
Other contributions and taxes	44,160	-	-	-	44,160
Tax payables	**52,168**	**-**	**-**	**-**	**52,168**
Social security payables	57,330	-	-	-	57,330
Payables to associates	-	-	-	-	-
Payables from finance leases	5,911	270	-	-	6,181
Trade payables	85,952	-	-	-	85,952
Other payables	115,106	-	-	4,908	120,014
Other payables	**264,300**	**270**	**-**	**4,908**	**269,478**
Accruals for liabilities	**34,801**	**161**	**225**	**1,176**	**36,364**
Total other payables	**465,859**	**1,689**	**435**	**116,582**	**584,565**

In thousands of EUR	2015 Less than 1 year	2015 Between 1 and 5 years	2015 More than 5 years	2015 Undefined	2015 Total of the value in the balance
Liabilities arising from direct insurance operations and accepted reinsurance	129,280	388	111	-	129,778
Liabilities arising from ceded reinsurance operations	85,685	-	-	-	85,685
Liabilities from operating activities	**214,965**	**388**	**111**	**-**	**215,463**
Tax on current result	6,925	-	-	-	6,925
Other contributions and taxes	42,243	-	-	-	42,243
Tax payables	**49,168**	**-**	**-**	**-**	**49,168**
Social security payables	63,606	-	-	-	63,606
Payables to associates	-	-	-	-	-
Payables from finance leases	2,401	929	-	-	3,331
Trade payables	54,890	-	-	-	54,890
Other payables	108,676	-	-	2,959	111,635
Other payables	**229,573**	**929**	**-**	**2,959**	**233,460**
Accruals for liabilities	**23,032**	**1,283**	**252**	**741**	**25,308**
Total other payables	**516,737**	**2,600**	**363**	**3,700**	**523,400**

12. Explanatory notes to the consolidated income statement

12.1 Revenues from insurance activities

In thousands of EUR	2016			
	Insurance contracts		Investment contracts with discretionary participation features	Total
	Life	Non-Life	Life	
Gross premiums	251,442	1,310,084	844,266	2,405,792
Premiums ceded to reinsurers	(2,867)	(33,930)	-	(36,798)
Change in provision for unearned premiums and outstanding risks (net of reinsurance)	-	(17,226)	-	(17,226)
Other income from insurance activities	20	1,486	4,083	5,590
Revenues of insurance activities (net of reinsurance)	**248,596**	**1,260,413**	**848,350**	**2,357,359**

In thousands of EUR	2015			
	Insurance contracts		Investment contracts with discretionary participation features	Total
	Life	Non-Life	Life	
Gross premiums	300,283	1,300,277	843,572	2,444,133
Premiums ceded to reinsurers	(3,142)	(34,604)	-	(37,746)
Change in provision for unearned premiums and outstanding risks (net of reinsurance)	-	(7,424)	-	(7,424)
Other income from insurance activities	19	1,039	4,463	5,520
Revenues of insurance activities (net of reinsurance)	**297,160**	**1,259,288**	**848,035**	**2,404,483**

Premiums regarding investment contracts without discretionary participation features follow the deposit accountancy. They are recognized in investment revenues.

12.2 Technical expenses for insurance activities

In thousands of EUR	2016			
	Insurance contracts		Investment contracts with discretionary participation features	Total
	Life	Non-Life	Life	
Insurance service expenses	270,291	919,653	1,136,396	2,326,341
Net expenses or revenues ceded to reinsurers	(2,004)	(13,122)	-	(15,127)
Management costs	33,676	220,537	19,442	273,655
Technical expenses for insurance activities	**301,963**	**1,127,067**	**1,155,838**	**2,584,869**

In thousands of EUR	2015			
	Insurance contracts		Investment contracts with discretionary participation features	Total
	Life	Non-Life	Life	
Insurance service expenses	335,274	908,766	893,371	2,137,411
Net expenses or revenues ceded to reinsurers	(2,091)	(46,076)	-	(48,167)
Management costs	20,290	217,034	20,270	257,595
Technical expenses for insurance activities	**353,473**	**1,079,725**	**913,640**	**2,346,838**

Deposit accounting is applied to expenses and benefits regarding investment contracts without discretionary participation.

Management costs include acquisition costs of the contracts, administrative costs and other technical expenses. Internal and external claim handling costs are included in the expenses and insurance benefits.

12.3 Net profit (loss) of cessions in reinsurance

In thousands of EUR	2016	2015
Premiums ceded to reinsurers	(36,798)	(37,746)
Change in provision for unearned premiums - reinsurers' share	237	(1,043)
Net expenses or revenues ceded to reinsurers	15,127	48,167
Net profit (loss) of cessions in reinsurance	**(21,434)**	**9,378**

12.4 Net profit (loss) of other activities

In thousands of EUR	2016	2015
Revenues of institutions not being insurance companies	242.733	178,750
Other revenues of institutions not being insurance companies	21.302	18,511
Other revenues related to insurance activities	225.730	1,485
Revenues from other activities	**489.765**	**198,746**
Operating expenses of institutions not being insurance companies	(244.360)	(172,712)
Operating expenses of institutions being insurance companies	(7.447)	(8,674)
Other revenues of institutions not being insurance companies	(20.004)	(16,405)
Other expenses of institutions being insurance companies *	(33.914)	(2,953)
Expenses for other activities	**(305.725)**	**(200,744)**
Net profit (loss) of other activities	**184.040**	**(1,998)**

The net profit (loss) of other activities does not include financial revenues or financial expenses. Other revenues and expenses related to insurance activities include non-technical revenues and expenses liberated by the Group's insurance companies.

The item "Other revenues related to insurance activities" includes EUR 223 million regarding the fiscal dispute (see section 1.3).

The item "Other expenses of institutions being insurance companies" includes the allocation to the plan "60+" for an amount of EUR 15 million (see section 11.16).

12.5 Net financial result without finance costs

In thousands of EUR	2016					
	Revenues of investments	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**27,148**	**575**	**-**	**(15,350)**	**1,900**	**14,273**
Available for sale	12,326	154	-	2,164	-	14,644
Share interests	**12,326**	**154**	**-**	**2,164**	**-**	**14,644**
Available for sale	11,546	8,319	-	(1,229)	-	18,636
At fair value through profit or loss	5,119	1,082	(1,802)	-	-	4,399
Held for trading	393	4,347	(1,616)	-	-	3,125
Shares and investment funds	**17,059**	**13,749**	**(3,419)**	**(1,229)**	**-**	**26,160**
Available for sale	386,579	47,016	283	24,095	-	457,972
At fair value through profit or loss	24,046	1,281	12,373	-	-	37,699
Held for trading	-	-	-	-	-	-
Unlisted at amortized cost price	259	-	-	-	-	259
Bonds	**410,884**	**48,296**	**12,656**	**24,095**	**-**	**495,931**
Loans, deposits and other financial investments	**20,167**	**10**	**-**	**(35)**	**-**	**20,141**
Held for trading	-	(323)	(10,967)	-	-	(11,289)
Held for cash flow hedging	835	-	-	-	-	835
Derivative financial instruments	**835**	**(323)**	**(10,967)**	**-**	**-**	**(10,454)**
Investments belonging to unit-linked insurance contracts	**(995)**	**-**	**-**	**-**	**-**	**(995)**
Cash and cash equivalents	**1,321**	**-**	**15**	**-**	**-**	**1,335**
Others	**50,505**	**-**	**-**	**-**	**(15,574)**	**34,931**
Net financial result without finance costs	**539,250**	**62,462**	**(1,715)**	**9,645**	**(13,674)**	**595,967**

In thousands of EUR	2015					
	Revenues of investments	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**25,716**	**2,962**	**-**	**(13,170)**	**(1,900)**	**13,608**
Available for sale	7,372	523	-	(6,450)	-	1,446
Share interests	**7,372**	**523**	**-**	**(6,450)**	**-**	**1,446**
Available for sale	10,308	43,022	-	3,724	-	57,054
At fair value through profit or loss	9,593	18,479	2,847	-	-	30,919
Held for trading	326	3,435	(1,371)	-	-	2,390
Shares and investment funds	**20,227**	**64,935**	**1,476**	**3,724**	**-**	**90,363**
Available for sale	426,472	26,548	(297)	(18,634)	-	434,089
At fair value through profit or loss	36,861	2,489	44,996	-		84,347
Held for trading	-	-	-	-	-	-
Unlisted at amortized cost price	1,737	-		-		1,737
Bonds	**465,070**	**29,037**	**44,699**	**(18,634)**	**-**	**520,173**
Loans, deposits and other financial investments	**25,551**	**150**	**-**	**(6,753)**	**10,721**	**29,669**
Held for trading	67	(62,821)	(20,462)	-	-	(83,216)
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial instruments	**67**	**(62,821)**	**(20,462)**	**-**	**-**	**(83,216)**
Investments belonging to unit-linked insurance contracts	**(269)**	**-**	**-**	**-**	-	**(269)**
Cash and cash equivalents	**2,951**	**-**	**41**	-	**-**	**2,992**
Others	**77,009**	**-**	**-**	**-**	**36,561**	**113,570**

Net financial result without finance costs	**623.694**	**34.787**	**25.753**	**(41.281)**	**45.382**	**688.335**

Net income of investments include dividends, interests as well as actuarial depreciation of premiums and discounts on bonds.

12.6 Finance costs

In thousands of EUR	2016	2015
Expenses related to bond loans	29,134	19,398
Expenses related to other financial debts	1,180	496
Total of the finance costs	**30,314**	**19,894**

12.7 Expenses by nature and allocation

In thousands of EUR	2016	2015
Internal claim handling costs	102,552	100,477
Acquisition costs of contracts	125,797	126,017
Management costs	48,109	44,685
Management costs of investments	10,477	8,275
General costs related to other activities	251,807	181,386
Total of the overhead costs by allocation	**538,742**	**460,840**
Employee benefit expenses	326,039	298,384
Rental and leasing expenses	11,279	9,132
Expenses related to operational buildings	5,603	6,332
IT costs	66,241	70,096
Allocations, amortizations and Provisions for Other Risks and Expenses	10,053	12,369
Other expenses	141,264	91,448
Recovered overhead costs (-)	(21,737)	(26,921)
Total of the overhead costs by nature	**538,742**	**460,840**

Overhead costs increase by EUR 78 million, i.e. 16,9%.

Overhead costs relating to the other insurance activities increase by 1 % compared to 2015: EUR 291 million in 2016 vs. EUR 287 million in 2015. This difference is mainly explained by the changes in group insurance plan offset by capitalized production.

Overhead costs relating to the other activities increase by 42% compared to 2015: EUR 247 million in 2016 vs. EUR 174 million in 2015. This increase is mainly explained by the acquisition of the Trasys group at end-2015, for which the consolidated figures of 2016 show a full year, and by an increase in activities at NRB.

The items explaining the increase in overheads are personnel costs (see note 12.8) and other expenses directly related to the acquisition of the Trasys group.

12.8 Employee benefit expenses

In thousands of EUR	2016	2015
Wages	208,708	196,904
Social security expenses	60,527	60,610
Post-employment benefits	(1,772)	(1,693)
Defined benefit schemes	51,706	31,436
Other long-term benefits	246	(25)
Other benefits	(3,465)	(1,243)
Others	10,088	12,395
Total of the employee benefit expenses	**326,039**	**298,384**

The increase in the item "Wages" is mainly explained by the acquisition of the Trasys Group at end-2015.

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 51,706 thousand at end-December 2016 (against EUR 31,436 thousand in 2015). This charge includes, inter alia, the cost price of services, the financial cost as well as taxes and contributions inherent in the group insurance products. The increase in this item is mainly explained by the changes in the plan realized in the course of 2016, directly impacting the cost of services EUR 19 million. This charge is divided by allocation within the income statement in expenses for insurance benefits (regarding internal claim handling costs, acquisition costs of contracts and administrative costs) and other investment financial expenses (regarding management costs of investments).

Costs included in other benefits include termination benefits and benefits in kind granted to the employees.

12.9 Income taxes

12.9.1 Overview of the tax expense

In thousands of EUR	2016	2015
Payable tax	(10,071)	(8,654)
Deferred tax	(87,851)	(78,531)
Income tax on permanent activities	**(97,922)**	**(87,185)**
Payable tax on available-for-sale activities	-	-
Deferred tax on available-for-sale activities	-	-
Tax on available-for-sale activities	**-**	**-**
Total tax expenses recognized through profit or loss	**(97,922)**	**(87,185)**
Tax expenses recognized in other comprehensive income components	**(29,957)**	**(26,658)**

12.9.2 Analysis of the tax expenses

The table below gives an overview of the comparison between legal taxation and effective taxation

In thousands of EUR	2016	2015
Profit before tax (without contribution of divestitures and associates)	**522,183**	**724,088**
Theoretical tax rate	**33.99%**	**33.99%**
Tax expense / theoretical tax revenue	**(177,490)**	**(246,118)**
Impact of non-deductible expenses	(72,044)	(66,321)
Impact of non-taxable revenues	121,318	103,278
Impact of fiscal deficits	55,156	20,402
Impact of other temporary differences	(19,182)	98,123
Other impacts	(5,680)	3,451
Total of the tax expense adjustments	**79,568**	**158,933**
Real tax expense/proceed	**(97,922)**	**(87,185)**
Effective tax rate	**19%**	**12%**

Impact of non-deductible expenses mainly originates from impairments and losses on realized securities. In the section of the non-taxable revenues, the eligible dividends are recognized as definitively taxed income and reversed impairments on securities. Moreover, fiscal deficits vary according to the use of tax credits at the disposal of the Group. The other securities represent the impact of the consolidation adjustments on the tax. Finally, the section of the other temporary differences includes, inter alia, the deferred taxes recognized in BGAAP.

13. Other notes to the consolidated financial statements

13.1 Lease contracts

Ethias did not conclude contracts that are considered as financial lease contracts. All the information below relates to simple lease contracts concluded by the Group

13.1.1 Ethias as lessor

Minimum amount of the future net rent to be received arising from irrevocable simple lease contracts:

In thousands of EUR	2016	2015
Past due during the year	34,549	29,435
Within more than one and maximum 5 years	130,414	113,218
Within more than 5 years	396,854	375,857
Total	**561,817**	**518,510**

Rent amount recognized as proceed within the financial year:

In thousands of EUR	2016	2015
Minimum rent	32,714	29,886
Conditional rent	1,970	1,698
Total	**34,684**	**31,584**

Leased assets mainly relate to real estate.

13.1.2 Ethias as lessee

Minimum amount of the future net rent to be paid arising from irrevocable simple lease contracts:

In thousands of EUR	2016	2015
Past due during the year	9,814	6,558
Within more than one and maximum 5 years	21,057	13,338
Within more than 5 years	-	61
Total	**30,872**	**19,956**

Rent amount recognized as expense within the financial year:

In thousands of EUR	2016	2015
Minimum rent	11,545	9,404
Conditional rent	(5)	-
Total	**11,540**	**9,404**

Leased assets mainly relate to real estate and company cars.

13.2 Related parties

Within the framework of its activities the Group concludes on a regular basis transactions with related parties. In general, all transactions are concluded at market conditions as applicable to unrelated parties.

Related parties with whom the Group concludes transactions can belong to the following categories:

- The key management personnel of the Group are the directors of Ethias SA.
- The entities exercising a mutual control or a significant influence on the entity. As shareholder of the Group, the Mutual Insurance Association Ethias Droit Commun is considered to belong to this category;
- Joint ventures in which the entity participates;
- Non-consolidated subsidiaries; and
- Associates.

As a historical partner of the public bodies, the Group must conclude with them a large number of transactions. In accordance with the exception provided by the IAS 24, the Group has chosen not to list these transactions in the notes to the financial statements.

13.2.1 Transactions related to the balance sheet

In thousands of EUR	31 December 2016	31 December 2015
Receivables	999,252	1,005,693
Other assets	-	-
Total assets with related parties	**999,252**	**1,005,693**
Insurance and investment contract liabilities	999,252	966,258
Financial debts	-	-
Trade and other payables	2,501	-
Total liabilities with related parties	**1,001,753**	**966,258**

13.2.2 Transactions related to revenues and expenses

In thousands of EUR	31 December 2016	31 December 2015
Revenues	119,804	129,144
Operating expenses	(160,857)	(120,526)
Financial income	40,145	29,949
Total of the revenues and expenses with related parties	**(908)**	**38,567**

13.2.3 Other transactions with related parties

In 2016, the Group did not receive or give any commitment towards related parties.

13.3 Remunerations for key management personnel

The directors and members of the Management Committee of Ethias SA are considered as key management personnel.

The total amount of their remunerations include the following elements:

In thousands of EUR	2016	2015
Short-term benefits	2,511	2,473
Post-employment benefits	761	841
Termination benefits	1,651	-
Other long-term benefits	-	-
Remunerations and other benefits for managers and directors	**4,923**	**3,314**

Short-term benefits consist of annual salary and other short-term benefits.

The key management personnel did not receive loans or advances at a preferential interest rate from the Group. The list of these managers in included in the general information.

13.4 Fees of the Statutory Auditor

In thousands of EUR	2016	2015
Fees for audit services	898	901
Fees for services relating to audit services	666	666
Fees for fiscal advice	114	173
Other fees for non-audit services	340	714
Total	**2.018**	**2,455**

13.5 Commitments

13.5.1 Received commitments

In thousands of EUR	31 December 2016	31 December 2015
Guarantee commitments	867,316	803,018
Finance commitment	-	-
Other received commitments	-	-
Total	**867,316**	**803,018**

Guarantee commitments include guarantees received from reinsurers and, mainly, guarantees linked to mortgage loans granted to the Group.

On 31 December 2016, the loans portfolio amounts to EUR 803,117 thousand, which corresponds to the initially guaranteed amounts (against EUR 743,957 thousand on 31 December 2015). One counts:

- mortgage loans for EUR 800,343 thousand on 31 December 2016 (against EUR 740,671 thousand on 31 December 2015).
- public body loans for EUR 1,774 thousand on 31 December 2016 (against EUR 2,286 thousand on 31 December 2015).
- real estate loans for EUR 1,000 thousand on 31 December 2016.

13.5.2 Given commitments

In thousands of EUR	31 December 2016	31 December 2015
Guarantee commitments with regard to financing	62,550	83,400
Other guarantee commitments	25,925	49,764
Commitments on securities	260,907	14,619
Other given commitments	93,552	127,539
Total	**442,935**	**275,321**

The guarantee commitments with regard to financing mainly concern the credit facility for an amount of EUR 62,550 thousand granted by Ethias SA to Vitrufin on 31 December 2016 (against EUR 83,400 thousand on 31 December 2015).

The other guarantee commitments mainly include:

- Personal guarantees given for an amount of EUR 17,172 thousand on 31 December 2016 (against EUR 41,011 thousand on 31 December 2015). The latter represent the securities given as guarantee related to an accepted reinsurance contract called in by Ethias SA as a result of the disposal of its subsidiary Belré in 2011. These guarantees are mainly composed of sovereign bonds.

The commitments on securities include, on the one hand, repurchase agreement transactions ("repo") with a maturity of 3 months for an amount of EUR 254,796 thousand and, on the other hand, French securities paid in collateral.

The other guarantees given mainly include:

- purchase commitments for properties, i.e. EUR 1,547 thousand on 31 December 2016 (against EUR 60,313 thousand on 31 December 2015).
- lending commitments for EUR 13,315 thousand on 31 December 2016 (against EUR 26,949 thousand on 31 December 2015). This total is composed of EUR 12,015 thousand (against EUR 14,411 thousand) for lending commitments for infrastructures and EUR 1,300 thousand for real estate loans (against 2,000 thousand on 31 December 2015). At December 31, 2016, financial lending commitments amounted to EUR 0 thousand (compared to EUR 10,539 thousand in 2015).
- commitments to acquire securities for EUR 78,551 thousand at December 31, 2016. This total breaks down into commitments to bond funds for an amount of EUR 43,700 thousand, commitment to equity funds for an amount of EUR 31,214 thousand and commitments to infrastructure funds for an amount of 3,637 thousand euros.

13.6 Contingent liabilities

13.6.1 Financing guarantee commitment granted to Vitrufin

As a reminder: the decision of the European Commission compels Ethias SA to reduce its exposure to Dexia by 90%. It is in this context that Vitrufin SA acquired all the shares held by Ethias SA in Dexia. This transaction was completed in agreement with the European Commission. To finance this acquisition, Vitrufin SA issued in January 2012 a bond loan of EUR 278 million, fully subscribed at end-December 2011 by Belgian and foreign institutional investors from the public and private sector. Following the successful placement of the bond loan, the debt towards Ethias SA was reimbursed in January 2012. The loan is refundable at maturity (viz. in January 2019) and bears an annual interest of 7.5%. The payment of interests and the repayment of capital on due date will be provided through the liquidities generated by the dividends from Ethias SA. A credit facility agreement signed in early January 2012 provides for the annual provisioning of funds by Ethias SA to Vitrufin SA in order to provide additional security to the investors in the event that the dividends paid by Ethias SA would not be sufficient to cover the annual interests related to the bond loan.

13.7 Events after the reporting period

Fitch Rating

Following the success of the "Switch VI" operation, the rating agency Fitch placed on 10 January 2017 the rating for financial strength of Ethias SA at BBB, with positive outlook. Fitch welcomes the improvement in our capital position and the reduction in our sensitivity to interest rates following the success of the "Switch VI" operation.

Financial recovery programme

The major efforts made by the company as a whole have borne fruit and have greatly improved the solvency II margin, which is close to the minimum target of 150% at the end of December 2016.

In order to take into account the positive impact of Switch VI on its risk profile, Ethias SA has transmitted to the National Bank of Belgium:

- By mid-February 2017, the update of the financial recovery programme, initially submitted to the regulator on September 30, 2016;
- By end-February 2017, the restoration plan providing for the measures likely to be implemented in the event of a new significant deterioration in the situation of Ethias SA.

By end-March 2017, the regulator has confirmed that, given the result of the "Switch VI" operation and its impact on the solvency ratio, there is no more any indication that Ethias would no longer be able to meet the regulatory requirements in terms of required capital. On this basis, the Bank considers that the implemented financial recovery programme has borne fruit and can be considered as closed. Furthermore, considering the changes made to the company's risk profile following the "Switch VI" operation, the Bank is asking Ethias SA to provide an updated version of the restoration plan by November 30, 2017.

Closing of the commitments towards to the European Commission

The commitments of Ethias towards the European Commission in the frame of the state aid file following the recapitalization of the company by the public authorities at the end of 2008 expired on 31 December 2016. The circumstances in which the commitments were extended until 31 December 2017 are not met. These related to the achievement of a significant level of loss and insufficient coverage of the SCR that would have resulted from the court's unfavourable decision on the tax dispute.

The closing of the commitments will be confirmed by the Commission after examination of the situation at end-2016

Appointment of a new CEO

As of March 20, 2017, the Board of Directors of Ethias SA appointed Mr Philippe Lallemand as CEO of the company.

Integration of Whestia

In the course of March 2017, The NBB agreed on the disposal of the shares of the company Whestia to Ethias, which already holds 25.10% of the company's capital and becomes the sole shareholder of Whestia at the end of the transaction. The closing involving the transfer of the shares and the payment of the transfer price took place on 3 April. The objective is to carry out, by the end of June 2017, the merger between Whestia and Ethias.

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated accounts for the year ended 31 December 2016 as defined below, as well as the required additional statements. The consolidated accounts comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and statement of consolidated comprehensive income, consolidated cash flows statement and the consolidated statement of changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated accounts – Unqualified opinion

We have audited the consolidated accounts of Ethias SA ("the Company") and its subsidiaries (jointly "the Group") for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated balance sheet as at 31 December 2016 amounts to EUR 19.498.621.000 and the consolidated income statement shows a net consolidated profit for the year then ended of EUR 424.257.000.

Board of directors' responsibility for the preparation of the consolidated accounts

The board of directors is responsible for the preparation and fair presentation of the consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as he determines, is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in Belgium. Those standards require that we comply with ethical requirements. As Statutory auditor, we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated accounts.

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
Vestigingseenheid/Unité d'établissement: Sluisweg 1 bus 8, B-9000 Gent
T: +32 (0)9 268 82 11, F: +32 (0)9 268 82 99, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

We have obtained from the board of directors and the company's officials to the administration the explanations and information necessary for performing our control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The consolidated directors' report, prepared in accordance with article 119 of the Companies' Code, addresses, in terms of both form and substance, the information required to be provided by the Companies' Code, is consistent with the consolidated accounts and does not include any material inconsistencies with regard to the information available to us in the framework of our mandate.

Luik, 17 May 2017

The Statutory Auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Kurt Cappoen
Réviseur d'Entreprises / Bedrijfsrevisor

ANNUAL ACCOUNTS OF ETHIAS SA

Figures (in EUR units) established on 31 December 2016 by the Board of Directors of 25 April 2017 and checked by the Statutory Auditor on 17 may 2017.

1. Balance

Assets	2016	2015
B. Intangible assets	**78,644,360**	**30,832,720**
I. Formation expenses	2,785,767	3,080,827
II. Intangible assets	75,858,593	27,751,893
2. Other intangible assets	40,046,386	7,541,630
3. Advance payments	35,812,207	20,210,263
C. Investments	**15,632,322,048**	**15,844,409,222**
I. Land and properties	266,072,014	272,328,539
1. Real estate for corporate purposes	72,731,674	75,072,559
2. Others	193,340,340	197,255,980
II. Investments in associates and share interests	424,029,678	512,891,937
- Associates	314,046,007	342,326,734
1. Share interests	314,046,007	305,326,734
2. Certificates, bonds and receivables	-	37,000,000
- Other companies linked by a participating interest	109,983,671	170,565,203
3. Share interests	67,216,995	120,299,103
4. Certificates, bonds and receivables	42,766,676	50,266,100
III. Other financial investments	13,816,826,813	13,968,644,960
1. Shares, share interests and other variable income securities	385,629,570	320,279,119
2. Bonds and other fixed-income securities	12,590,978,078	12,581,565,648
4. Mortgage loans and mortgage credits	455,465,621	519,454,625
5. Other loans	367,045,512	432,335,589
6. Deposits with credit institutions	3,564,083	106,069,622
7. Others	14,143,949	8,940,357
IV. Deposits with ceding companies	1,125,393,543	1,090,543,786
D. Investments related to operations linked to a "Life" business investment fund whose investment risk is not borne by the company	**408,388,776**	**359,078,340**
Dbis. Reinsurers' share of technical provisions	**121,543,427**	**134,123,272**
I. Provision for unearned premiums and outstanding risks	666,468	429,822
II. Provision for Life insurance	1,474,182	1,431,602
III. Provision for claims to be paid	119,402,777	132,074,718
IV. Provision for profit sharing and refunds	-	187,130
E. Receivables	**388,162,691**	**458,455,885**
I. Receivables arising from direct insurance operations	218,847,236	200,592,043
1. Policyholders	113,393,002	86,928,737
2. Insurance intermediaries	27,859,784	24,305,629
3. Others	77,594,450	89,357,677
II. Receivables arising from reinsurance operations	64,359,308	57,000,633
III. Other receivables	104,956,147	200,863,209
F. Other asset items	**686,369,711**	**881,496,212**
I. Tangible assets	21,409,634	17,486,577
II. Available values	664,960,077	864,009,635
G. Accruals	**227,709,768**	**245,759,986**
I. Interest and rent earned but not yet due	227,709,768	245,759,986
Total assets	**17,543,140,781**	**17,954,155,637**

Liabilities	2016	2015
A. Equity	**1,171,206,261**	**1,136,101,425**
I. Subscribed capital or equivalent funds, net of uncalled capital	1,000,000,000	1,000,000,000
1. Subscribed capital	1,000,000,000	1,000,000,000
III. Revaluation surpluses	32,486,908	33,184,667
IV. Reserves	28,907,940	24,024,495
1. Statutory reserve	21,050,000	17,050,000
3. Untaxed reserves	4,687,948	4,439,540
4. Available reserves	3,169,992	2,534,955
V. Result carried forward	109,811,413	78,892,264
1. Profit carried forward	109,811,413	78,892,264
B. Subordinated debts	**460,188,941**	**457,871,511**
Bbis Funds for future appropriations	**6,753,686**	**-**
C. Technical provisions	**14,488,079,062**	**15,414,700,905**
I. Provisions for unearned premiums and outstanding risks	291,243,282	273,780,716
II. Provision for Life insurance	10,818,537,330	11,774,627,607
III. Provision for claims to be paid	3,108,208,832	3,079,305,446
IV. Provision for profit sharing and refunds	24,069,615	37,795,537
V. Equalization and catastrophe provision	32,524,136	32,524,053
VI. C. Other technical provisions	213,495,867	216,667,546
D. Technical provisions related to operations linked to a "Life" business investment fund whose investment risk is not borne by the company	**408,388,776**	**359,078,340**
E. Provisions for risks and costs	**126,746,055**	**78,182,537**
I. Provisions for pensions and similar liabilities	11,405,518	14,863,121
II. Provisions for taxes	2,413,927	2,286,017
III. Other provisions	112,926,610	61,033,398
F. Deposits received from reinsurers	**101,486,535**	**84,074,353**
G. Debts	**757,623,991**	**411,840,688**
I. Liabilities arising from direct insurance operations	123,155,590	129,778,427
II. Liabilities arising from reinsurance operations	1,913,530	1,610,557
IV. Debts toward credit institutions	336,368,630	19,560,705
V. Other debts	296,186,241	260,890,999
1. Amounts payable for taxes, remuneration and social security	80,332,494	78,265,115
a) taxes	43,364,192	37,069,014
b) remunerations and social security costs	36,968,302	41,196,101
2. Others	215,853,747	182,625,884
G. Accruals	**22,667,474**	**12,305,878**
Total liabilities	**17,543,140,781**	**17,954,155,637**

2. Income statement

I. Technical account Non-Life	2016	2015
1. Earned premiums, net of reinsurance	**1,258,927,447**	**1,258,249,140**
a) Gross premiums	1,310,083,800	1,300,277,114
b) Outgoing reinsurance premiums (-)	(33,930,433)	(34,604,149)
c) Change in the provision for unearned premiums and outstanding risks, gross of reinsurance (increase -, decrease +)	(17,462,566)	(7,296,833)
d) Change in the provision for unearned premiums and outstanding risks, reinsurers' share (increase -, decrease +)	236,646	(126,992)
2bis. Investment income	**174,793,671**	**165,561,364**
a) Income of investments in associates or companies linked by a participating interest	9,525,388	10,853,877
aa) associates	5,832,060	5,832,060
1° share interests	5,832,060	5,832,060
bb) other companies linked by a participating interest	3,693,328	5,021,817
1° share interests	3,087,107	4,410,020
2° certificates, bonds and receivables	606,221	611,797
b) Income from other investments	121,660,559	120,386,543
a) income from land and properties	214,961	297,386
bb) income from other investments	121,445,598	120,089,157
C) Write-back of value adjustments on investments	23,872,301	21,277,589
d) Gains on disposal	19,735,423	13,043,355
3. Other technical income, net of reinsurance	**1,486,004**	**1,039,270**
4. Claims costs, net of reinsurance (-)	**(913,660,544)**	**(856,329,009)**
a) Net amounts paid	878,362,603	838,774,008
aa) gross amounts	903,331,134	862,622,125
bb) reinsurers' share (-)	(24,968,531)	(23,848,117)
b) Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	35,297,941	17,555,001
aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	22,626,000	38,713,015
bb) change in provision for claims to be paid, reinsurers' share (increase +, decrease -)	12,671,941	(21,158,014)
5. Change in the other technical provisions, net of reinsurance (increase +, decrease -)	**3,171,680**	**(5,398,929)**
6. Profit sharing and refunds, net of reinsurance (-)	**(9,371,124)**	**(7,569,570)**
7. Net operating costs (-)	**(213,557,009)**	**(200,727,723)**
a) Acquisition costs	173,098,484	167,029,732
c) Administrative costs	41,538,063	34,726,887
d) Commissions received from the reinsurers and share interests (-)	(1,079,538)	(1,028,896)
7bis. Investment-related costs (-)	**(22,548,381)**	**(32,965,046)**
a) Investment management costs	2,830,509	(3,541,240)
b) Value adjustments on investments	18,702,882	27,840,877
c) Losses on disposal	1,014,990	8,665,409
8. Other technical costs, net of reinsurance (-)	**(24,680,705)**	**(23,760,443)**
9. Change in provision for equalization and catastrophe, net of reinsurance (increase -, decrease +)	**(84)**	**(108,114)**
10. Result of the Non-Life technical account		
Profit (+)	254,560,955	297,990,940

II. Life technical account		2016	2015
1.	**Premiums, net of reinsurance**	**1,140,872,354**	**1,167,414,793**
a)	Gross premiums	1,143,739,501	1,170,556,898
b)	Outgoing reinsurance premiums (-)	(2,867,147)	(3,142,105)
2.	**Investment income**	**568,851,171**	**607,749,545**
a)	Income of investments in associates or companies linked by a participating interest	35,056,470	15,263,819
	aa) associates	25,403,023	12,836,872
	1° share interests	25,403,023	12,836,872
	bb) other companies linked by a participating interest	9,653,447	2,426,947
	1° share interests	9,216,566	1,986,048
	2° certificates, bonds and receivables	436,881	440,899
b)	Income from other investments	368,065,899	417,315,556
	a) income from land and properties	14,643,297	13,408,448
	bb) income from other investments	353,422,602	403,907,108
C)	Write-back of value adjustments on investments	87,874,064	65,879,404
d)	Gains on disposal	77,854,738	109,290,766
3.	**Value adjustments on investments of the assets side D. (income)**	**35,997,758**	**55,144,434**
4.	**Other technical income, net of reinsurance**	**42,887,582**	**4,481,776**
5.	**Claims costs, net of reinsurance (-)**	**(2,623,032,730)**	**(3,908,584,885)**
a)	Net amounts paid	2,622,413,492	3,909,366,586
	aa) gross amounts	2,623,466,922	3,910,289,321
	bb) reinsurers' share (-)	(1,053,430)	(922,735)
b)	Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	619,238	(781,701)
	aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	619,238	(781,701)
	bb) change in provision for claims to be paid, reinsurers' share (increase -, decrease +)	-	-
6.	**Change in the other technical provisions, net of reinsurance (increase +, decrease -)**	**761,997,336**	**2,004,026,356**
a)	Change in provision for Life insurance, net of reinsurance (increase -, decrease +)	740,307,772	1,904,205,898
	aa) change in provision for Life insurance, gross of reinsurance (increase -, decrease +)	740,265,192	1,904,274,296
	bb) change in provision for Life insurance, reinsurers' share (increase +, decrease -)	42,580	(68,398)
b)	Change in the other technical provisions, net of reinsurance (increase -, decrease +)	21,689,564	99,820,458
7.	**Profit sharing and refunds, net of reinsurance (-)**	**13,725,922**	**(17,430,576)**
8.	**Net operating costs (-)**	**(32,723,550)**	**(24,969,480)**
a)	Acquisition costs	21,045,888	13,705,569
c)	Administrative costs	12,585,933	12,501,643
d)	Commissions received from the reinsurers and share interests (-)	(908,271)	(1,237,732)
9.	**Investment-related costs (-)**	**(172,232,244)**	**(135,251,748)**
a)	Investment management costs	42,726,281	(23,604,754)
b)	Value adjustments on investments	76,573,221	96,585,285
c)	Losses on disposal	52,932,742	62,271,217
10.	**Value adjustments on investments of the assets side D. (costs) (-)**	**(26,599,868)**	**(36,920,885)**
11.	**Other technical costs, net of reinsurance (-)**	**(22,600,624)**	**(15,561,149)**
12bis.	**Change in fund for future appropriations (increase -, reduction +)**	**(6,753,686)**	**-**
13.	**Result of the Life technical account**		
	Loss (-)	(319,610,579)	(299,901,819)

III. Non-technical account			2016	2015
1.	**Result of the Non-Life technical account**			
	Profit (+)		254,560,955	297,990,940
2.	**Result of the Life technical account**			
	Loss (-)		(319,610,579)	(299,901,819)
3.	**Investment income**		**17,979,851**	**14,034,346**
	b)	Income from other investments	13,623,179	13,554,139
		bb) income from other investments	13,623,179	13,554,139
	C)	Write-back of value adjustments on investments	4,327,258	429,990
	d)	Gains on disposal	29,414	50,217
5.	**Investment-related costs (-)**		**(29,700,171)**	**(3,544,391)**
	a)	Investment management costs	28,449,825	(1,995,602)
	b)	Value adjustments on investments	1,244,288	5,539,760
	c)	Losses on disposal	6,058	233
7.	**Other income**		**128,860,481**	**14,614,049**
8.	**Other costs (-)**		**(75,631,938)**	**(13,759,502)**
8bis.	**Current result before taxes**			
	Profit (+)			9,433,623
	Loss (-)		(23,541,401)	
11.	**Exceptional income (+)**		**106,317,333**	**44,194,416**
12.	**Exceptional costs (-)**			**-**
13.	**Exceptional result**			**-**
	Profit (+)		**106,317,333**	44,194,416
	Loss (-)			
15.	**Income taxes (-/+)**		**(2,480,463)**	**(2,536,365)**
15bis.	**Deferred taxes (-/+)**		**(127,910)**	**(217,577)**
16.	**Result of the financial year**			
	Profit (+)		80,167,559	50,874,097
	Loss (-)			
17.	**a)**	**Withdrawal from the untaxed reserves**	**64,040**	**54,994**
	b)	**Transfer to the untaxed reserves (-)**	**(312,448)**	**(477,537)**
18.	**Result for the period to be appropriated**			
	Profit (+)		79,919,151	50,451,554
	Loss (-)		-	

Appropriation and withdrawal			2016	2015
A.	**Profit to be appropriated**		**158,811,413**	**126,417,262**
	Loss to be appropriated (-)			
	1.	Profit for the period available for appropriation	79,919,151	50,451,554
		Loss for the year available for appropriation (-)	-	-
	2.	Profit carried forward from the previous period	78,892,262	75,965,708
C.	**Transfers to equity (-)**		**(4,000,000)**	**(2,525,000)**
	2.	to the statutory reserve	4,000,000	2,525,000
D.	**Result to be carried forward**			
	1.	Profit to be carried forward (-)	(109,811,413)	(78,892,264)
F.	**Profit to be distributed (-)**		**(45,000,000)**	**(45,000,000)**
	1.	Remuneration of capital	45,000,000	45,000,000

3. Notes

N° 1. Statement of intangible assets, investment property and investment securities

Name	Asset items concerned			
	B. Intangible assets	**C.I. Land and properties**	**C.II.1. Investment in associates**	**C.II.2. Certificates, bonds and receivables in associated companies**
a) Acquisition value				
Previous year end	59,562,775	315,328,334	239,678,591	37,000,000
Changes during the year:				
- Acquisitions	95,010,288	5,015,365	25,578,862	-
- Disposals and withdrawals	(46,823,425)	(3,314,810)	(8,579,745)	(37,000,000)
- Reclassified between headings	-	-	-	-
- Other changes	-	-	-	-
Year end	107,749,638	317,028,889	256,677,708	-
b) Increase in value				
Previous year end		31,058,927	72,345,152	
Changes during the year:				
- Decided		-	-	
- Cancelled		-	-	
Year end		31,058,927	72,345,152	
c) Reductions in value				
Previous year end	28,730,055	74,058,722	6,697,009	-
Changes during the year:				
- Decided	7,838,195	8,894,084	12,515,244	-
- Written back as excessive	-	-	(4,235,400)	-
- Cancelled	(7,462,972)	(937,004)	-	-
Year end	29,105,278	82,015,802	14,976,853	-
c) Amounts not called up				
Previous year end			-	
Changes during the year:			-	
Year end			-	
Net book value, year end	**78,644,360**	**266,072,014**	**314,046,007**	**-**

Name	Asset items concerned			
	C.II.3. Share interests in companies linked by a participating interest	C.II.4. Certificates, bonds and receivables in companies linked by a participating interest	C.III.1. Shares, share interests and other variable income securities	C.III.2. Bonds and other fixed-income securities
a) Acquisition value				
Previous year end	140,201,386	50,266,100	322,367,254	12,608,485,974
Changes during the year:				
- Acquisitions	17,489,209	-	160,753,668	2,640,472,215
- Disposals and withdrawals	(19,351,940)	(7,499,424)	(149,502,960)	(2,614,742,479)
- Reclassified between headings	(60,494,646)	-	60,494,646	-
- Other changes	-	-	-	-
Year end	77,844,009	42,766,676	394,112,608	12,634,215,710
b) Increase in value				
Previous year end	5,560,612		-	
Changes during the year:				
- Decided	-		-	
- Cancelled	-		-	
Year end	5,560,612		-	
c) Reductions in value				
Previous year end	16,264,167	-	2,038,985	26,920,326
Changes during the year:				
- Decided	144,750	-	8,256,272	74,478,844
- Written back as excessive	(1,843,370)	-	(5,556,799)	(49,641,325)
- Cancelled	(555,011)	-	(656,170)	(8,520,213)
Year end	14,010,534	-	4,082,288	43,237,632
c) Amounts not called up				
Previous year end	9,198,728		49,150	
Changes during the year:	(7,021,638)		4,351,600	
Year end	2,177,090		4,400,750	
Net book value, year end	**67,216,995**	**42,766,676**	**385,629,570**	**12,590,978,078**

N° 2. Statement of share interests and social rights held in other companies

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by directly Number	%	by the subsidiaries %	Data extracted from the last available annual report: Financial statements as of	Currency	Equity (+) or (-) (in thousands of currency units)	Net profit or loss (+) or (-) (in thousands of currency units)
Air Properties S.A. Rue Léon Laval 12, L-3372 Leudelange B179.427	110,925	51.00	0.00	30/09/2016	EUR	6,372	-1,392
AME SA Rue des Croisiers, 24 B-4000 Liège BE 0466.883.467	200,000	100.00	0.00	31/12/2015	EUR	134	6,274
Ankaret Invest SA Rue des Croisiers, 24 B-4000 Liège BE 0438.840.866	2,368,879	100.00	0.00	31/12/2015	EUR	17,467	-109
Archeion S.A. Rue des Croisiers, 24 4000 Liège BE 0832.269.896	28,410	100.00	0.00	31/12/2015	EUR	2,089	94
Ariane Building SA Place Saint-Jacques, 11/104 B-4000 Liège BE 0862.467.382	8,050	25.00	0.00	31/12/2015	EUR	-3,366	-2,618
Ariane Real Estate SA Rue des Croisiers, 24 B-4000 Liège BE 0898.866.435	200	100.00	0.00	31/12/2015	EUR	8,968	-134
Assurcard nv Fonteinstraat, 1A/301 B-3000 Leuven NN 475.433.127	900	20.00	0.00	31/12/2015	EUR	2,898	201
Aviabel Compagnie Belge d'Assurances Aviation Avenue Louise, 54 B-1050 Brussels NN 403.248.004	4,940	24.70	0.00	31/12/2015	EUR	38,970	3,913
Bedrijvencentrum Meetjesland-Kerkstraat 108 B- 9050 Gentbrugge BE 0452.586.063	32	27.59	0.00	31/12/2015	EUR	385	-28
Bedrijvencentrum Regio Geraardsbergen Herenveld, 2 B-9500 Geraardsbergen BE 0456.832.584	32	27.12	0.00	31/12/2015	EUR	691	28
Bora SA Rue des Croisiers, 24 B-4000 Liège BE 0444.533.281	484	100.00	0.00	31/12/2015	EUR	6,800	-150
Brussels I3 Funds nv Witte Patersstraat, 4 B-1040 Etterbeek BE 0477.925.433	1,090	18.17	0.00	31/12/2015	EUR	2,885	1,468
Centrexperts NV Leuvensesteenweg,510/30 B-1930 Zaventem BE 0463.891.315	80	10.00	0.00	31/12/2015	EUR	107	52
Cerep Loi 1 SA Avenue Ariane, 5 B-1200 Woluwé-Saint-Lambert BE 0866.441.909	195,667	35.00	0.00	31/12/2015	EUR	5,425	-1,632
Crédit populaire Seraing Place Comunale Hôtel de Ville, 1 B-4100 Seraing BE 0403.943.335	400	10.00	0.00	31/12/2015	EUR	237	-1
De Oostendse Haard VZW Nieuwpoortsesteenweg, 205 B-8400 Ostend BE 0405.277.282	1,400	16.16	0.00	31/12/2015	EUR	21,427	266
E.D.A. SA Avenue de la Cokerie, 9 B – 4030 Grivegnée BE 0823.162.982	10	10.00	0.00	31/12/2015	EUR	202	133
Epimède Rue Lambert Lombard, 3 B - 4000 Liège BE 0634.750.380	2,080	20.00	0.00	30/06/2016	EUR	4,682	-528
Ethias Distribution Epargne Crédit SA Rue des Croisiers, 24 B-4000 Liège BE 0508.712.243	999	99.90	0.10	31/12/2015	EUR	260	-4
Ethias Patrimoine SA Rue des Croisiers, 24 B-4000 Liège NN 894.377.612	40	100.00	0.00	31/12/2015	EUR	21,282	953

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by			Data extracted from the last available annual report			
	directly		by the subsi-diaries	Financial statements as of	Currency	Equity	Net profit or loss
	Number	%	%			(+) or (-) (in thousands of currency units)	
Ethias Service SA Rue des Croisiers, 24 B-4000 Liège NN 825.876.113	999	99.90	0.00	31/12/2015	EUR	335	79
Ethias Sustainable Investment Fund SA (European Equities High Yield) Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	210,244	90.14	9.86	31/12/2015	EUR	118,287	28,534
Ethias Sustainable Investment Fund SA (Global Equities) Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	20,000	100.00	0.00	31/12/2015	EUR	19,239	-761
Expertisebureau Bellefroid nv Kiewitstraat 175-B 3500 Hasselt BE 0429.884.105	13	10.40	0.00	31/12/2015	EUR	741	29
Foncière du Berlaymont SPRL Rue des Croisiers, 24 B-4000 Liège BE 0833.012.640	1,000	100.00	0.00	31/12/2015	EUR	756	-111
Fonds d'économie solidaire du bassin industriel de Charleroi Boulevard Pierre Mayence,1 B – 6000 Charleroi BE 0464.424.815	5,000	13.19	0.00	31/12/2015	EUR	810	-6
Goed Arthur nv Rue des Croisiers, 24 B-4000 Liège BE 0872.354.157	1,000	100.00	0.00	31/12/2015	EUR	2,366	3
Het Gehucht NV Rue des croisiers, 24 B-4000 Liège BE 0808.840.636	500	100.00	0.00	31/12/2015	EUR	1,683	-38
Immo Hofveld SA Rue des Croisiers, 24 B-4000 Liège NN 889.535.233	1,000	100.00	0.00	31/12/2015	EUR	-281	-375
Immovivegnis SA Rue des Croisiers, 24 B-4000 Liège BE 0463.660.394	10,500	100.00	0.00	31/12/2015	EUR	149	-8
Impulse Microfinance Investment Fund Sneeuwbeslaan, 20/2 B-2610 Antwerp NN 870.792.160	1,200	10.54	0.00	31/12/2015	EUR	15,163	855
Jan Dockx SA Rue des Croisiers, 24 B-4000 Liège BE 0458.920.757	2,500	100.00	0.00	31/12/2015	EUR	2,648	-225
Koala SA Rue des Croisiers, 24 B-4000 Liège BE 0873.412.150	400	100.00	0.00	31/12/2015	EUR	4,744	-162
Les Hauts Prés SA Rue des Croisiers, 24 B-4000 Liège BE 0812.149.029	1,000	100.00	0.00	31/12/2015	EUR	6,442	-80
Lothian Developments IV Rue des Croisiers, 24 B-4000 Liège BE 0463.648.518	1,012,873	100.00	0.00	31/12/2015	EUR	3,224	2,906
L'Ouvrier chez lui SA Rue d'Amérique, 26/1 B-4500 Huy NN 401.465.578	15,000	63.58	0.00	31/12/2015	EUR	3,289	26
Maison de l'Assurance Bruxelles Square de Meeus, 29 B-1000 Brussels BE 0403.306.501	2,776	10.66	0.00	31/12/2015	EUR	2,800	126
NEB Foncière SA Rue Louvrex, 95 B-4000 Liège BE 0480.029.838	145	29.41	0.00	31/12/2015	EUR	168	-13
NEB Participations SA Rue Louvrex, 95 B-4000 Liège BE 0480.029.739	60,503	29.43	0.00	31/12/2015	EUR	63,974	4,250
Network Research Belgium SA Parc Industriel des Hauts-Sarts 2ème avenue, 65 B-4040 Herstal BE 0430.502.430	42,530	68.39	0.00	31/12/2015	EUR	99,442	8,354

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by			Data extracted from the last available annual report			
	directly		by the subsi-diaries	Financial statements as of	Currency	Equity	Net profit or loss
	Number	%	%			(+) or (-) (in thousands of currency units)	
Palais des Expositions de Charleroi s.c. Avenue de l'Europe, 21 B-6000 Charleroi NN 401.553.571	9,856	23.03	0.00	31/12/2015	EUR	2,027	372
Real Property Invest nv (RPI) Rue des Croisiers, 24 B-4000 Liège BE 0845.928.387	250	100.00	0.00	31/12/2015	EUR	152	-44
Sagitta nv Rue des Croisiers, 24 B-4000 Liège BE 0812.356.489	240	100.00	0.00	31/12/2015	EUR	3,360	81
Skarabee nv Nijverheidskaai,3/21 B-8500 Kortrijk BE 0468.210.684	25,000	31.25	0.00	31/12/2015	EUR	2,291	18
Theodorus II SA Avenue Joseph Wybran, 40 B-1070 Brussels NN 879.436.147	600	11.11	0.00	31/12/2015	EUR	2,844	-180
Vecquim SA Rue des Croisiers, 24 B-4000 Liège NN 459.183.449	600	100.00	0.00	31/12/2015	EUR	1,897	-28
Veran Real Estate SA Rue des Croisiers, 24 B-4000 Liège BE 0894.106.012	100	100.00	0.00	31/12/2015	EUR	5,799	-72
Vital Building SA Place Saint-Jacques, 11/105 B-4000 Liège NN 875.171.810	5,000	50.00	0.00	31/12/2015	EUR	4,465	-71
Whestia Assurances Wallones du Logement Quai de Brabant 17, B-6000 Charleroi NN 472.365.155	170,527	25.10	0.00	31/12/2015	EUR	12,777	83

N° 3. Actual value of investments

Asset items	Amounts
C. Investments	**17,361,183,420**
I. Land and properties	308,251,341
II. Investments in associates and share interests	513,241,249
- Associates	343,566,772
1. Share interests	343,566,772
2. Certificates, bonds and receivables	-
- Other companies linked by a participating interest	169,674,477
3. Share interests	126,907,801
4. Certificates, bonds and receivables	42,766,676
III. Other financial investments	15,414,297,284
1. Shares, share interests and other variable income securities	477,735,851
2. Bonds and other fixed-income securities	14,061,716,657
4. Mortgage loans and mortgage credits	479,555,862
5. Other loans	376,217,312
6. Deposits with credit institutions	3,564,086
7. Others	15,507,519
IV. Deposits with ceding companies	1,125,393,543

N° 3bis. Derivative financial instruments not measured at fair value

Estimate of the fair value of each class of derivative financial instruments not measured at fair value in the accounts, with indications on the nature and the volume of the instruments	Net book value	Fair value
FWD BUY: Forward buy on bonds, volume: 451,500,000 EUR	-	51,824,373
SWAPTION: swaption pay, volume: 924.000.000 EUR	14,119,780	15,483,350

N° 5. Statement of capital

	Amounts	Number of shares
A. Share capital		
1. Subscribed capital (item A.I.1. of the liabilities)		
- Previous year end	1,000,000,000	xxxxxxxxxxxxxxx
- Changes during the year:		
- Year end	1,000,000,000	xxxxxxxxxxxxxxx
2. Structure of the capital		
2.1. Shares, share interests and other variable income securities		
Shares without indication of the nominal value	1,000,000,000	20,000,000
2.2. Registered shares of bearer shares		
Registered	xxxxxxxxxxxxxxx	20,000,000
G. Ownership structure of the company at the closing date of the accounts		
Vitrufin SA	xxxxxxxxxxxxxxx	20,000,000

N° 6. Statement of provisions for other risks and charges - Other provisions

Breakdown of the liability item E.III	Amounts
Provisions for risks and expenses Material/Programming	9,800,000
Provisions for financial risks	29,100,000
Provision for employee-related litigation	6,628,929
Provisions for risks and charges	66,397,682
Provision for other litigations	1,000,000

N° 7. Statement of technical provisions and debts

Liability items concerned	Amounts
a) Breakdown of the debts (or a part of the debts) with a residual maturity of more than 5 years.	
B. Subordinated debts	460,188,941
II. Non-convertible loans	460,188,941
Total	460,188,941
b) Debts (or part of the debts) and technical provisions (or part of the technical provisions) guaranteed by collaterals or irrevocably promised on the assets of the company.	
D. Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company	408,388,776
G. Debts	254,796,146
IV. Debts toward credit institutions	254,796,146
Total	663,184,922
c) Debts with regard to taxes, remunerations and social security costs.	
1. Taxes (item G.V.1.a) of the liabilities)	
b) Non due tax debts	43,364,192
2. Remunerations and social security costs (item G.V.1.b) of the liabilities)	
b) Other debts with regard to remunerations and social security costs	36,968,302

N° 8. Statement of accruals for liabilities

Breakdown of the liability item H	Amounts
Financial income to be carried forward	673,477
Financial charges to be allocated (bond)	21,993,997

N° 10. Information on technical accounts

I. Non-Life insurance

Content		Total	Direct business			
			Total	Accidents and disease	Automobile Civil Liability	Automobile Other branches
				(branches 1 and 2)	(branch 10)	(branches 3 and 7)
1)	Gross premiums	1,310,083,800	1,189,254,863	368,220,064	246,041,351	184,178,519
2)	Earned gross premiums	1,292,621,233	1,171,777,890	367,333,969	245,034,772	184,793,089
3)	Gross damages	925,957,134	786,064,606	294,349,599	197,910,720	122,205,138
4)	Gross operating costs	214,636,548	190,989,323	34,110,976	43,922,630	31,329,858
5)	Reinsurance balance	-20,571,318	-20,407,487	-1,738,105	168,554	-664,418
6)	Commissions (art. 37)		22.173.016			

Content		Direct business				
		Marine Aviation Transport	Fire and other damages to properties	General Civil Liability	Credit and Bonding	Miscellaneous financial losses
		(branches 4,5,6,7,11 and 12)	(branches 8 and 9)	(branch 13)	(branches 14 and 15)	(branch 16)
1)	Gross premiums	356,329	192,469,767	105,378,370	101,369	16,612,348
2)	Earned gross premiums	358,197	192,044,171	104,648,614	101,369	2,741,945
3)	Gross damages	206,403	104,703,349	50,334,016	-128	10,252,083
4)	Gross operating costs	58,196	39,760,660	20,218,114	48,249	1,630,801
5)	Reinsurance balance	-	-8,296,433	-9,877,085	-	-
6)	Commissions (art. 37)					

Content		Direct business		Accepted cases
		Legal protection	Assistance	
		(branch 17)	(branch 18)	
1)	Gross premiums	38,598,074	37,298,672	120,828,937
2)	Earned gross premiums	37,790,038	36,931,726	120,843,343
3)	Gross damages	-19,136,166	25,239,592	139,892,528
4)	Gross operating costs	7,796,324	12,113,515	23,647,224
5)	Reinsurance balance	-	-	-163,831
6)	Commissions (art. 37)			

II. Life insurances

Content	Amounts
A. Direct business	
1) Gross premiums	1,132,873,328
a) 1. Individual premiums	51,772,973
2. Premiums under group insurance contracts	1,081,100,356
b) 1. Periodic premiums	974,639,513
2. Single premiums	158,233,816
c) 1. Premiums for non-bonus contracts	10,066,544
2. Premiums for bonus contracts	1,122,336,150
3. Premiums from contracts where the investment risk is not borne by the company	470,634
2) Reinsurance balance	-862,867
3) Commissions (art. 37)	667,961
B. Accepted cases	
Gross premiums:	10,866,173

III. Non-Life insurance and Life insurance, direct business

Content	Amounts
Gross premiums:	
- in Belgium	2,312,428,631
- in the other states of the EEC	9,699,560

N° 11. Statement on personnel employed

Categories	2016 Total number at closing date	2016 Total average number of persons employed (*)	2016 Number of hours worked
Personnel under employment or internship contract (**)	1,769	1,691.90	2,369,814
Temporary staff and persons made available to the company	-	0.40	698
Total	**1,769**	**1,692.30**	**2,370,512**

Categories	2015 Total number at closing date	2015 Total average number of persons employed (*)	2015 Number of hours worked
Personnel under employment or internship contract (**)	1,762	1,691.20	2,409,920
Temporary staff and persons made available to the company	-	0.30	552
Total	**1,762**	**1,691.50**	**2,410,472**

Categories	2016 Total number at closing date	2016 Total average number of persons employed (*)	2016 Number of hours worked
A. Workers entered in the register of employees and linked to the undertaking by a contract of employment or by a contract of first employment	1,769	1,692.30	2,369,814
- management staff		18	
- clerical staff		1,674.30	

Categories	2015 Total number at closing date	2015 Total average number of persons employed (*)	2015 Number of hours worked
A. Workers entered in the register of employees and linked to the undertaking by a contract of employment or by a contract of first employment	1,762	1,691.50	2,409,920
- management staff		18.80	
- clerical staff		1,672.70	

Categories	2016 Total number at closing date	2016 Total average number of persons employed (*)	2016 Number of hours worked
B. Temporary staff and persons made available to the company		0.40	698
Total		**0.40**	**698**

Categories	2015 Total number at closing date	2015 Total average number of persons employed (*)	2015 Number of hours worked
B. Temporary staff and persons made available to the company		0.30	552
Total		**0.30**	**552**

(*) The average number of employees is calculated in full time equivalents in accordance with Article 12, § 1 of the Royal Decree of 12 September 1983 implementing the law of 17 July 1975 on the accounting and the annual accounts of companies.

(**) The staff under employment or internship contract is made up of workers entered in the staff register and linked to the company by an employment contract or an internship contract within the meaning of Royal Decree N° 230 of 21 December 1983.

N° 12. Statement on all administrative and management costs, broken down by type

Name		Amounts
I.	**Employee benefit expenses**	**195,984,329**
1.	a) Remunerations	109,345,155
	b) Pensions	-
	c) Other direct social benefits	59,192,979
2.	Employers' social security contributions	33,950,270
3.	Employers' allowances and premiums for extra-legal insurances	179,302
4.	Other employee benefit expenses	(3,225,775)
5.	Provisions for pensions, remuneration and social security costs	(3,457,603)
	a) Appropriations (+)	-
	b) Expenditures and reversals (-)	(3,457,603)
II.	**Services and other goods**	**126,345,543**
III.	**Depreciation and write-down on intangible and tangible assets other than investments**	**10,365,548**
IV.	**Provisions for other risks and expenses**	**-**
	1. Allocation (+)	-
V.	**Other current expenditure**	**8,716,256**
1.	Fiscal operating costs	1,406,155
	a) Property tax	1,303,297
	b) Others	102,858
2.	Contributions to public bodies	5,171,944
4.	Others	2,138,157
VI.	**Administrative costs recovered and other current income (-)**	**(22,100,006)**
1.	Recovered administrative costs	22,100,006
	b) Others	22,100,006
Total		**319,311,669**

N° 13. Other income, other costs

		Amounts
A.	**Breakdown of the other income (item 7 of the non-technical account)**	
	Reversals of write-downs on litigations	9,495,312
	Received commissions	1,082,314
	Tax dispute	116,509,947
	Others	1,772,908
B.	**Breakdown of the other costs (item 8 of the non-technical account)**	
	Amortizations	750,008
	Impairments on receivables	10,411,065
	Capital losses realized on assets	2,021,124
	Provisions for risks and charges	60,512,913
	Others	1,676,645
	Commissions and financial costs	260,183

N° 14. Exceptional results

		Amounts
A.	**Breakdown of the exceptional income (item 11 of the non-technical account)**	
	Tax dispute	106,317,333

N° 15. Income taxes

		Amounts
A.	**Breakdown of item 15 a) 'Taxes':**	3,017,463
	1. Income taxes for the financial year:	3,017,176
	a) Refundable advance payments and prepayments	1,093,230
	d) Estimated tax supplements (included in heading G.V.1a) of liabilities)	1,923,946
	2. Income taxes on previous periods:	287
	a) Additional income taxes due or paid:	287
B.	**Main sources of differences between the profit before tax, as stated in the accounts, and the estimated taxable profit**	
	Depreciation on revaluation surplus	640,000
	Taxable technical provisions (change)	172,850,000
	Taxed financial impairments (change)	(30,810,000)
	Taxed financial provisions (change)	(15,830,000)
	Other taxed provisions and impairments (change)	10,000,000
	Reversals of write-downs on shares	(8,610,000)
	Non-deductible expenses	28,200,000
	Definitively taxed income:	(48,310,000)
	Definitively taxed income: carried forward from previous years	(29,020,000)
	Deduction of previous losses	(139,940,000)
	Deduction for risk capital	(6,160,000)
D.	**Sources of deferred tax assets:**	
	1. Deferred tax assets:	1,662,500,000
	Accumulated tax losses deductible from future taxable profits	481,010,000
	Taxed technical provisions	1,051,190,000
	Taxed impairments and financial provisions	69,540,000
	Other provisions	19,800,000
	Other reserves (off-balance-sheet)	1,110,000

N° 16. Other taxes and charges borne by third parties

		2016	2015
A.	**Charges:**		
	1. Charges on insurance contracts borne by third parties	238,276,217	238,507,130
	2. Other charges borne by the company	2,762,925	4,160,338
B.	**Amounts retained on behalf of third parties in respect of:**		
	1. Withholding tax on earned income	274,428,017	256,091,041
	2. Withholding tax (on dividends)	9,643,212	16,466,359

N° 17. Off-balance sheet rights and commitments

		Amounts
B.	**Personal guarantees given or irrevocably promised on behalf of third parties**	62,550,000
C.	**Real guarantees given or irrevocably promised by the company on its own assets as security for debts and commitments:**	
	a) of the company:	278,007,201
D.	**Collateral received (others than in cash):**	
	a) securities and values of reinsurers:	60,071,499
	b) others	807,244,978
H.	**Others:**	1,681,336,538
	ACQUISITION COMMITMENTS	1,546,896
	CAPS/FLOOR	60,000,000
	SWAPTIONS	924,000,000
	BOND FORWARDS COMMITMENTS	575,120,660
	LOAN COMMITMENTS INFRA	12,014,508
	BOND FUNDS COMMITMENTS	43,700,000
	MORTGAGE LOANS COMMITMENTS	1,300,000
	EQUITY FUNDS COMMITMENTS	31,214,102
	INTRA FUNDS COMMITMENTS	3,636,445
	IT PROJECTS COMMITMENT	28,803,927

N° 18. Relationships with associates and companies linked by a participating interest

Relevant items of the balance sheet	Associates		Companies linked by a participating interest	
	2016	2015	2016	2015
C. II. Investments in associates and share interests	**314,046,007**	**342,326,734**	**109,983,671**	**170,565,203**
1 + 3 Share interests	314,046,047	305,326,734	67,216,995	120,299,103
2 + 4 Certificates, bonds and receivables	-	37,000,000	42,766,676	50,266,100
- Others	-	37,000,000	42,766,676	50,266,100
C. II. Investments in associates and share interests	**-**	**-**	**574**	**2,543**
1 + 3 Share interests	-	-	574	2,543
E. Receivables	**656,319**	**37,040,448**	**635,468**	**519,148**
I. Receivables arising from direct insurance operations	45,494	-	-	1,484
III. Other receivables	610,825	37,040,448	635,468	517,664
B. Subordinated debts	**3,500,000**	**3,500,000**	**1,000,000**	**1,000,000**
G. Debts	**13,204,512**	**5,633,998**	**535**	**141,115**
I. Receivables arising from direct insurance operations	-	24,031	-	-
V. Other debts	13,204,512	5,609,967	535	141,115

Relevant items of the balance sheet	Associates	
	2016	2015
- Personal and real guarantees given or irrevocably promised by the company as a security of debts and commitments of associates	62,550,000	83,400,000

N°18bis. Relations with associates

Relations with the associates (*)	2016	2015
1. Amount of the financial fixed assets	**46,645,398**	**51,922,800**
- Share interests	46,645,398	51,922,800
- Subordinated receivables		
- Other receivables		
2. Receivables on associates	**1,027,360,061**	**1,029,141,209**
- After one year	28,108,027	23,448,420
- Within one year	999,252,034	1,005,692,789
3. Amounts owed to associates	**1,001,753,073**	**966,258,457**
- After one year		
- Within one year	1,001,753,073	966,258,457
4. Personal and real guarantees		
- Provided or irrevocably promised by the company as security for debts or commitments of affiliated entities		
- Provided or irrevocably promised by associates as security for debts or commitments of the company		
5. Other significant financial commitments		

(*) Associates in accordance with article 12 of the Belgian Company Code

N° 19. Financial relations with:

		Amounts
A.	**directors and managers:**	
1.	Outstanding receivables on these persons	656,571
4.	Direct and indirect remunerations and allocated pensions charged to the income statement	
	- to directors and managers (*)	344,278

(*) For non-executive directors and without remunerations and other benefits of the management committee

N° 19bis. Financial relations with:

	The statutory auditor and the persons with whom he is linked	Amounts
1.	**Remuneration of the statutory auditor:**	**583,000**
2.	**Fees for exceptional services or special missions accomplished within the company by the statutory auditor:**	**633,732**
-	Other control missions	577,275
-	Other missions outside the audit missions	56,457
3.	**Fees for exceptional services or special missions accomplished within the company by the persons with whom the statutory auditor is linked:**	**341,317**
-	Tax advice missions	84,899
-	Other missions outside the audit missions	256,418

Statements pursuant to Article 133, paragraph 6 of the Code of Companies
In accordance with Article 133 of the Companies Code, the "1-1" assessment of the remuneration report and fees Audit vs. Non-audit of the Statutory Auditor and the persons linked is done for the whole of the Ethias group, to which the company belongs. Accordingly, the compliance with the "1-1" report is justified in the notes to the consolidated financial statements published by the parent company of the group, Vitrufin SA, to which we refer for more details.
The non-audit services of the Statutory Auditor and the related fees have been approved by the Statutory Audit Committee of Ethias SA.

N° 20. Valuation rules

The valuation rules applicable on the income statement are mentioned below.

Asset side of the balance sheet

Intangible assets (heading B)

They are capitalized at their purchase or cost price, including incidental expenses.

The depreciations are carried out using the linear method at the rate of 20 %.

Investments (heading C)

Land and properties (sub-heading C.I.)

They are capitalized at their purchase or cost price, including incidental expenses.

Land is not depreciated.

Immovable properties acquired before 1 January 2011 are depreciated using the linear method at the following rates:

- Immovable properties: 2 %
- Alterations: 10 %

Immovable properties acquired after 1 January 2011 are divided in the following categories:

- Structural work
- Roof
- External woodwork
- Special techniques
- Finishing

These immovable properties are depreciated on a straight-line basis over the expected useful life of each component, after deduction of their residual value, provided that they can be determined reliably.

Investments in associates and share interests (sub-heading C.II)

These investments are subjected to depreciation in case of durable impairments. Additional or exceptional impairments can be recognized on a proposal from the Management Committee.

Other financial investments (sub-heading C.III.)

Shares, share interests and other variable income securities (C.III.1)

These investments are subjected to impairments in case of durable capital loss. The existence of a significant unrealized loss with regard to the purchase price, determined on the basis of the weighted average price over a period of 12 consecutive months preceding the closing, is a criterion of durable impairment. The capital loss is qualified as important when it exceeds the purchase price by 20 % in a normal market context. This criterion can be submitted to the Management Committee for consideration when the markets are more volatile.

Additional or exceptional impairments can be recognized on a proposal from the Management Committee. The impact of these impairments are included in the notes accompanying the income statement provided that they represent an important amount.

In case of disposal of securities, the book value, used to calculate the realized gains and losses, is determined on the basis of the weighted average price.

Bonds and other fixed-income securities (C.III.2)

These investments are recognized in the balance sheet at their purchase price.

However, when their actuarial yield, calculated at the time of the purchase (taking into account their redemption amount at maturity) differs from their nominal yield, the difference between the purchase and the redemption amount is recognized through profit or loss, pro rata temporis for the remaining duration of the securities, as elements of the interest yields on these securities and is recorded as increase of reduction of their purchase price. Taking into account the actuarial yield at the time of the purchase, this difference is recognized through profit or loss on a discounted basis.

In accordance with the principles of Article 19 paragraph 1, impairments are systematically applied to the bonds, mentioned in the item C.III.2. of assets, in order to reflect the risk that the counterparties of such securities and receivables do not fully or partially honour their commitments relating thereto, including, but not limited to, the probability that the reimbursement of these securities and receivables is in whole or partly uncertain or compromised. When the market value of these securities and receivables is permanently lower than their net book value, this circumstance is, unless proved otherwise, presumed to be an other-than-temporary impairment which is to be considered for the application of this provision.

The application of the above rules and the decision to recognize an impairment or not is subject to an analysis at each balance sheet closing date. In that analysis, we take into account the following criteria to identify durable losses in value, on the one hand, and to assess whether the recognition of an impairment is required:

<u>Criteria for determining durable losses in value</u>

- The insurance portfolio / the relevant separate management;
- The ability of the company to hold these securities to maturity;
- The duration of the unrealized loss observed.

<u>Criteria taken into account to determine whether an impairment should be recognized</u>

- A significant increase in credit spreads for listed issuers;
- A significant deterioration in credit rating;
- A voluntary or imposed restructuring of the debt;
- The occurrence of a credit event under ISDA rules;
- Significant financial difficulties;
- A failure to pay interests or principal;
- The disappearance of an active market for that financial asset because of financial difficulties;
- A significant decrease in the value of collateral or underlying assets.

With regard to the perpetual loans, the difference between their purchase price and their lower market value is to be considered as a permanent impairment so that these securities are valuated at the lowest value between their book value and their market value.

In case of disposal of securities, the book value, used to calculate the realized gains and losses, is determined on the basis of the weighted average price.

Within the framework of an arbitrage operation, the realized gains and losses on the balance sheet are maintained and recognized through profit or loss over the term of the re-investment.

Mortgage loans and mortgage credits - Other loans (C.III.4 & C.III.5)

Impairments are applied to this loans according to the same rule as the one applied to item C.III.2 above.

Investments related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)

These investments are recognized in the balance sheet at their actual value (market value).

Deposits with credit institutions (sub-heading C.III.6)
Receivables (heading E)

Available values (sub-heading F.II)

These items are recognized at their nominal of purchase price.

Impairments are registered to take into account the uncertainties of their recovery.

Reinsurers' share of technical provisions (heading D. bis)

This item shows the reinsurers' commitment. The amounts recorded are obtained in accordance with the various applicable reinsurance treaties.

Other asset elements (heading F)

Tangible assets (sub-heading F.I)

The tangible assets are capitalized at their purchase or cost price, including incidental expenses.

The depreciations are carried out using the linear method at the following rates:

- plant, machinery, electronic equipment: 33 1/3 %
- rolling stock: 25 %
- office furniture and equipment: 10 %

The office furniture and equipment of which the purchase price is lower than EUR 250,00, are depreciated within the first year.

- medical devices: 20 %

Liability side of the balance sheet

Technical provisions (heading C)

These provisions are calculated with prudence, taking into account the statutory and regulatory dispositions established by different control organizations.

The provision for equalization and catastrophe is valuated using the actuarial method.

Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)

These provisions are estimated based on the actual value of the assets under heading D.

Provisions for other risks and expenses (heading E)

The provisions for foreseeable risks and expenses are determined with prudence, sincerity and good faith.

The provisions with regard to the previous financial years are regularly reviewed and recognized through profit or loss if they serve no longer any purpose.

Deposits received from reinsurers (heading F) and debts (heading G)

These items are recognized at their nominal value.

Other particular rules

Accounts denominated in currencies

The monetary items are valorized in euro at the spot price at the closing date of the financial year.

The non-monetary items are maintained in euro at their purchase price.

The balance of the negative differences resulting from the conversion of monetary items, other than the technical provisions, is recognized through profit or loss. The balance of the positive differences is recognized in the accruals as deferrable proceed.

Derivative financial instruments

The derivative financial instruments, used on a speculative basis, follow the prudence principle. This means that the unrealized losses are subjected to impairments of are used to constitute provisions for financial risks. However, the unrealized gains are not recognized through profit or loss.

The forward transaction in micro hedging or concluded within the framework of the ALM management are symmetrically valuated with the allocation of costs and income of the hedged items for the residual lifetime of these items. Forward transactions for hedging purposes are forward transactions having the purpose of the effect to compensate or to reduce the risk on an asset, a liability, a right, an obligation, an off-balance sheet commitment or a set of items that are homogeneous in nature with regard to their sensitivity to interest rate variations.

Finally, the hedging transactions or the transactions concluded within the framework of the ALM management must be recognized as such and this, from the conclusion of the transaction.

N° 22. Declaration regarding the consolidated income statement

A. Information to be completed by all companies:

- The company prepares and publishes a consolidated income statement and a consolidated annual report in accordance with the Royal Decree on the consolidated income statement of insurance and reinsurance companies:
  yes / no (*): Yes

N° 23. Additional information to be provided by the company on the basis of the decree of 17/11/1994

The company mentions the additional information required, if applicable:

Art. 27 bis § 3, last paragraph	Amounts
2. Bonds and other fixed-income securities	(35,774,132)

Derivative financial instruments used	
Swaptions	10 acquisition transactions and 21 maturity transactions
Forward Buy	4 acquisition transactions and 9 disposal transactions
Cap/floor	2 maturity transactions

Profit and loss accounts	Result	Reversal of impairment losses	Provision
Swaptions	(18,029,465)	5,417,034	-
Cap/floor	-	(40,296)	-

Additional information:

Solvency II

We refer to item 3.6.2. in the management report of Ethias SA.

Solvency improvement programme

Given the volatility of the Solvency II margins within the current macroeconomic context, the National Bank of Belgium asked the company to provide:

- By 30 September 2016, pursuant to Article 510 of the Solvency II law, a realistic financial recovery programme aimed at re-establishing the level of eligible own funds covering the solvency capital requirement of the group;
- By 30 November 2016, pursuant to Articles 204 et seq. of the Solvency II law, a restoration plan providing for the measures that may be implemented in the event of a further significant deterioration in the situation of Ethias SA. The restoration plan must therefore include measures that should be implemented only when the level of SII margin becomes insufficient.

The financial recovery programme, submitted on 30 September, included in particular the introduction of a financial reinsurance program, the implementation of complementary "Switch" actions and the integration of Whestia with retroactive effect as of January 1, 2017.

The "Switch VI" action was achieved with the success described in Chapter 1.1. This has made it possible to fundamentally improve the solvency situation and the risk profile of the company. In fact, with a net impact of 24%, it contributed, in combination with other measures, to restoring the SII margin at a level of 144.9% (*) at end-December 2016 (level determined on the basis of the quarterly QRT at end-December, in accordance with the standard formula and without the transitional measure on technical provisions). In order to take into account the positive impact of Switch VI, the NBB asked us to complete the financial recovery programme by February 15, 2017 and the restoration plan by February 28, 2017.

The financial recovery programme was accepted by the NBB on March 29, 2017.

(*) not yet audited

Tax dispute

There was a significant dispute between Ethias SA and the tax administration about the "pension insurances" of various public entities (provinces, municipalities, inter-community and other public institutions) so as to ensure the statutory pensions of their regular permanent staff and their dependants.

The administration namely took the view that these contracts did not strictly correspond to life insurance contracts but were investment contracts and that, consequently, the annual interest granted by Ethias SA to the reserves of these contracts were indeed movable income for the public entities / policyholders and therefore had to be subject to withholding tax.

Hence, the tax administration has successively enrolled the withholding tax on the interests paid during:

- the financial years 2002 to 2004;
- the financial years 1991 to 1994;

- the financial years 2005 to 2006;
- the financial year 2008.

These enrolments were the subject of a complaint addressed by Ethias to the tax administration. Ethias had, however, paid, on a purely precautionary basis, the amounts of withholding tax enrolled as well as the increases applied by the tax administration for a total amount of EUR 378 million.

Judicial proceedings were initiated, at the end of which the Liège Court of Appeal ruled in favour of the tax administration by its judgment of November 28, 2014. However, this judgment concerned only the enrolments for the financial years 2002 to 2004.

On January 9, 2015, and within the frame of a totally different case, the Court of Cassation issued a judgment in principle and established a case law which, applied in the frame of the dispute between Ethias and the tax administration, calls into question the foundations of the enrolments operated since 1993 chargeable to Ethias.

The findings of this judgment of the Court of Cassation of January 9, 2015 were transposed into a tax circular dated June 15, 2015 (AGFisc No. 27/2015 No. Ci.RH.233.486), which established a relief in favour of Ethias SA for the withholding taxes enrolled for the years not decided by the judgment of the Court of Appeal of November 28, 2014, namely the financial years 1993, 1994, 2005 and 2006.

On this basis, Ethias also lodged an appeal in cassation in early 2016 seeking the annulment of the judgment of the Liège Court of Appeal of November 28, 2014, the outcome of which should be rendered no earlier than 2018.

As regards the financial year 2008, the tax administration had proceeded in 2015 to the relief for an amount of EUR 44 million, considering more particularly and after verification that the conditions for a specific exemption applicable to this type of agreements since January 1, 2007 were met.

4. Social balance sheet

Number of the joint committee competent for the company: 306

Situation of the persons employed

Employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.

2016	Total	Men	Women
Average amount of employees			
Full-time	1,456.39	824.50	631.89
Part-time	310.07	67.84	242.23
Total in full-time equivalents (FTE)	1,678.46	872.58	805.88
Number of hours actually worked			
Full-time	2,088,404.47	1,214,353.46	874,051.27
Part-time	281,409.29	50,264.57	231,144.72
Total	2,369,814.02	1,264,618.03	1,105,195.99
Employee benefit expenses			
Full-time	167,802,304.63	103,294,137.79	64,508,166.84
Part-time	28,182,023.52	9,265,721.73	18,916,301.79
Total	195,984,328.15	112,559,859.52	83,424,468.63
Amount of benefits granted in addition to wages	**239,058**	**137,298**	**101,759**

2015	Total	Men	Women
Average amount of employees	**1,723.50**	**889.54**	**833.96**
Number of hours actually worked	**2,409,919**	**1,247,341**	**1,162,578**
Employee benefit expenses	**176,364,827**	**100,611,339**	**75,753,488**
Amount of benefits granted in addition to wages	**273,770**	**156,178**	**117,592**

2016	Full-time	Part-time	Total (FTE)
Number of employees	**1,489.00**	**280.00**	**1,692.30**
By type of employment contract			
Permanent contract	1,435.00	280.00	1,638.30
Fixed-term contract	51.00		51.00
Replacement contract	3.00		3.00
By sex and educational level			
Men	844.00	50.00	880.00
primary education			
secondary education	169.00	19.00	180.90
higher non-university education	429.00	19.00	442.40
university education	246.00	12.00	256.70
Women	643.00	230.00	812.30
primary education			
secondary education	110.00	58.00	152.40
higher non-university education	321.00	128.00	417.50
university education	212.00	44.00	242.40
By professional category			
Management staff	18.00		18.00
Clerical staff	1,471.00	280.00	1,674.30

Temporary staff and persons made available to the company

2016	Temporary staff
Average number of persons employed	0.40
Number of hours actually worked	698.42
Costs for the company	17,178.19

Table of the staff turnover during the financial year

Entries	Full-time	Part-time	Total (FTE)
Number of employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.	**64**	**0**	**64**
By type of employment contract			
Permanent contract	21	0	21
Fixed-term contract	40	0	40
Replacement contract	3	0	3

Exits	Full-time	Part-time	Total (FTE)
Number of employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.	**52**	**5**	**55.40**
By type of employment contract			
Permanent contract	39	5	42.40
Fixed-term contract	11		11.00
Replacement contract	2		2.00
By reason of termination of the contract			
Retirement	5.00	1.00	5.80
Unemployment with company allowance	8.00	2.00	9.30
Dismissal	2.00		2.00
Other reason	37.00	2.00	38.30

Information about training for employees during the financial year

2016	Men	Women
Formal initiatives of continuing vocational training paid by the employer		
Number of employees involved	421	361
Number of hours of training	5,393.53	4,024.32
Net costs for the company	925,705.50	757,559.70
of which gross costs directly linked to trainings	771,034.20	624,931.80
of which contributions and deposits paid to collective funds	174,651.80	149,760.80
of which allowances and other financial benefits received (to be deducted)	19,980.50	17,132.90
Less formal or informal initiatives of continuing vocational training paid by the employer		
Number of employees involved	896	873
Number of hours of training	4,620	4,468.50
Net costs for the company	309,540	299,389.50

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETHIAS SA ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

As required by law and the Company's articles of association, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the annual accounts, as well as the required additional statements. The annual accounts include the balance sheet as at 31 December 2016, the income statement for the year then ended, and the disclosures.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Ethias SA ("the Company") for the year ended 31 December 2016, prepared in accordance with the financial-reporting framework applicable to the insurance companies in Belgium, which show a balance sheet total of EUR 17.543.140.781 and a to be allocated profit for the year of EUR 79.919.151 .

The board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with the financial-reporting framework applicable for insurance companies in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts.

We have obtained from the board of directors and company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified Opinion

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2016 and of its results for the year 31 December 2016 then ended in accordance with the financial-reporting framework applicable for insurance companies in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report, for the compliance with the applicable legal and regulatory requirements regarding bookkeeping, the Companies' Code and the Company's articles of association.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statements which do not impact our opinion on the annual accounts:

- The directors' report, prepared in accordance with articles 95 and 96 of the Companies' Code and to be deposited in accordance with article 100 of the Companies' Code, includes, both in terms of form and content, the information required by the Companies' Code, is consistent with the financial statements, and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- The social balance sheet, to be deposited in accordance with article 100 of the Companies' Code, includes, both in terms of form and content, the legally required information and does not present any material inconsistencies with the information we have at our disposition in our audit file.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable for insurance companies in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you.

- In accordance with article 523 of the Companies' Code, we are required to report on the following operations that occurred during the financial year ended 31 December 2016:
  - The meeting of the Board of Directors held on 6 September 2016 decided that Mr. Bernard Thiry had a conflicting interest of a patrimonial nature with regard to the decision that the Board of Directors could make concerning his mandate as a member and chairman of the Executive Committee of Ethias SA/NV. Mr. Bernard Thiry did not participate to that Board meeting. The Board of Directors has found that the decision that was made in connection with the termination of the mandate of Mr. Bernard Thiry as a member and chairman of the Executive Committee has a patrimonial impact on the Company that will depend on the terms and conditions governing that retirement as delegated to, and to be determined by, the Appointment & Remuneration Committee.
  - During the meeting of the Board of Directors of 18 November 2016, Erik De Lembre and Claude Desseille, Directors of the Company, stated that they had a conflicting interest of a patrimonial nature with regard to the deliberation of the Board of Directors on the strategic reflection about the future of Network Research Belgium SA/NV, a subsidiary of Ethias SA/NV. The conflicting interest lies in the fact that both Directors also serve as remunerated members of the Board of Directors of Network Research Belgium SA/NV. Both Directors do not participate in neither the deliberation nor the vote on the agenda item. The Board of Directors has found that the decision made to maintain, at this stage, the holding interest in Network Research Belgium SA/NV, has no patrimonial impact for either the Company or the aforementioned Directors.

Luik, 17 May 2017

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Kurt Cappoen
Réviseur d'Entreprises / Bedrijfsrevisor