Annual report 2016

Ethias SA

Ethias SA

Rue des Croisiers 24 - 4000 LIEGE www.ethias.be info@ethias.be

Insurance company licensed under number 0196 for practising 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 (Decision by the CBFA of 9 January 2007, Belgian Statue Book of 16 January 2007).

Liège Register of Companies (RPR) VAT BE 0404.484.654 Account Belfius Bank: BE72 0910 0078 4416 BIC: GKCCBEBB.

NATIONAL HEAD OFFICE
Rue des Croisiers 24
4000 LIEGE
Tel. + 32 (0)4 220 31 11
Fax + 32 (0)4 220 30 05

HEAD OFFICE FOR FLANDERS
Prins-Bisschopssingel 73
3500 HASSELT
Tel. + 32 (0)11 28 21 11
Fax + 32 (0)11 28 20 20

HEAD OFFICE FOR THE
GERMAN-SPEAKING REGION
Klötzerbahn 24-26
4700 EUPEN
Tel. + 32 (0)87 59 10 00
Fax + 32 (0)87 59 10 09

Ethias, a strong identity and a strong brand

Our excellent normalized earnings (EUR 254 million) (see following pages) allowed us to perform two "Switch" operations (V and VI) and to supply the flashing-light reserve. Ultimately, the year 2016 closes with a net profit of EUR 80 million.

The "Switch VI" operation alone reduced the reserves of the FIRST Account by 57%, allowing 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).

Following the success of this operation, the agency Fitch placed 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.

Given the volatility of the Solvency II margins in the current macroeconomic environment, our regulator also asked us to provide him with a financial recovery programme and a restoration plan. The financial recovery programme, submitted on 30 September, included in particular the implementation of a financial reinsurance programme, the implementation of complementary "Switch" actions and the integration of Whestia. In order to take into account the positive impact of Switch VI, the NBB subsequently asked us to complete the financial recovery programme by February 15, 2017 and the restoration plan by February 28, 2017.

Our premium income is stable: EUR 2.4 billion (1.3 billion in Non-Life and 1.1 billion in Life).

We also have a combined ratio of 91.9%, well below the target of 95%.

Digital transformation is afoot

Our digital transformation has reached its cruising speed by means of the Century project. Internally, there is a hive of activity going on to create the insurance products factory of the 21st century. The first product, viz. car insurance, is expected by end-2017.

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**.

On the other hand, a study that we have carried out among a representative sample of insured in the Public and Social Profit Sector shows that 98 % of our insured 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 company's Belgian identity and anchorage are also highlighted and appreciated by these insured clients.

Philippe Lallemand

Chairman of the Management Committee

Erik De Lembre

Chairman of the Board of Directors

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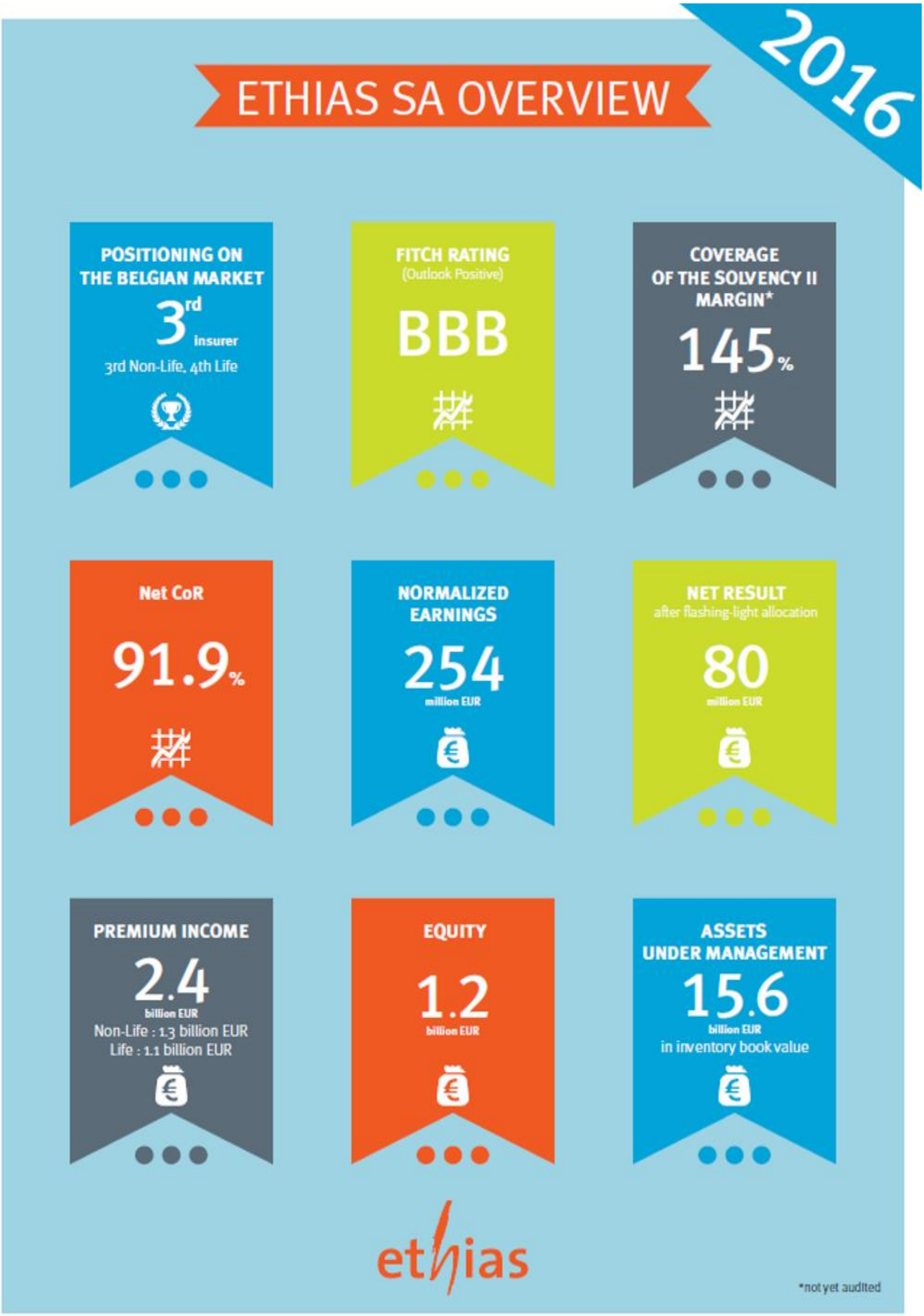

2016
ETHIAS SA OVERVIEW
POSITIONING ON THE BELGIAN MARKET
3rd insurer
3rd Non-Life, 4th Life
FITCH RATING
(Outlook Positive)
BBB
COVERAGE OF THE SOLVENCY II MARGIN*
145%
Net CoR
91.9%
NORMALIZED EARNINGS
254
million EUR
NET RESULT
after flashing-light allocation
80
million EUR
PREMIUM INCOME
2.4
billion EUR
Non-Life : 1.3 billion EUR
Life : 1.1 billion EUR
EQUITY
1.2
billion EUR
ASSETS UNDER MANAGEMENT
15.6
billion EUR
in inventory book value
ethias
*not yet audited

Presentation of Ethias SA

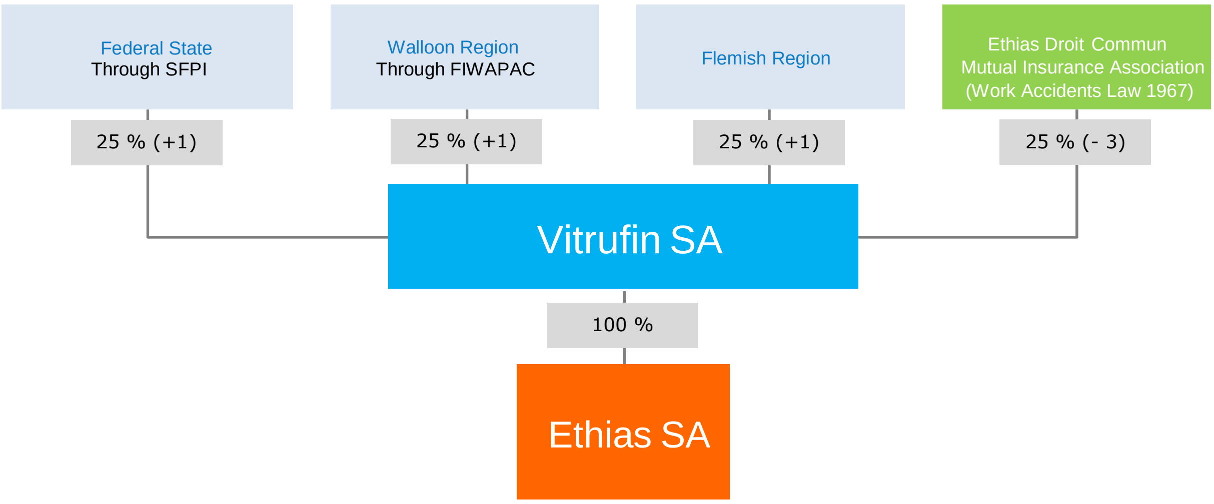
A group with a mutual insurance philosophy

A mutual insurance association is created by its members and operates for its members. Although our legal form has evolved over time, we remain imbued with this philosophy that we have translated in the slogan "*The Efficient Insurer*", i.e. to act efficiently for the well-being of our policyholders and our staff members.

In 1919, a group of municipal and provincial authorities founded the "*Société Mutuelle des Administrations Publiques*" (abbreviated as SMAP) for the insurance against fire, lightning and explosions.

This was the beginning of a rich history with various turns and many successes, leading up to a strong insurance group who today has over 1 million policyholders.

Our structure



Vitrufin SA is a holding company in which the public authorities (Belgian State, Walloon Region and Flemish Region) have acquired interests, accounting together for 75 % + 3 shares of its capital. Vitrufin owns 100% of the shares of Ethias SA.

Ethias SA is the major operational entity of the group since it centralizes all Life and Non-Life insurance activities, with the exception of the insurance against accidents at work - Public Sector (1967 Work Accidents Law).

Ethias SA is also the sole or majority shareholder of the companies of the Group, such as *Ethias Service*s (consultancy company specialized in pension insurance), *Ethias Patrimoine* (acquisition and management company for movable and real estate assets), *Ethias Sustainable Investment Fund* (institutional SICAV under Belgian law), *Ethias Distribution Epargne-Crédit* (business contributor) and *NRB* (IT company) and is present in other companies in which it has acquired interests.

Ethias Droit Commun (mutual insurance company) practises the activity of insurance against accidents at work - Public Sector (1967 Work Accidents Law), and is a shareholder of the holding company "Vitrufin SA" alongside the public investors.

Our values

The values of Ethias are:

- Humanism: the conviction that insurance must be a service that is accessible for everyone, as a sign of openness and solidarity;
- Ethics: respect for our clients and stakeholders and for the commitments we have made towards them;
- Commitment: the constant strive to offer products and services at the best price/quality ratio and customized to the needs of our clients;
- Proximity: the will to give a simple and quick answer to our clients' needs and questions, thanks to our contact possibilities and a perfect understanding of their situation.

Our values are expressed in daily life (in customer service, during claim handling, when giving information by phone ...). They are also materialized when implementing our dynamic policy of corporate social responsibility (CSR), listening to the concerns of our policyholders and public bodies.

Our commitment - "The Efficient Insurer"

Ethias is a Life and Non-life insurer committed to engage in a mutually profitable relationship with public institutions, civil servants, corporate and related retail client segments.

Ethias provides premium value-for-money products and services generating sustainable profits while leveraging its core values of humanism, ethics, commitment and proximity.

Our policyholders and our products

Private Individuals

Ethias is a direct insurer, offering a complete range of Life and Non-Life products:

- In Non-Life. Besides its flagship products, namely car insurance and home insurance, Ethias also offers assistance, health care coverage, coverage for civil liability and travel cancellation insurance.
- In Life. Following the decision by the European Commission of 12 June 2014, which obliged Ethias to stop marketing new contracts (with the exception of death insurance contracts without Life component and contracts of branch 23), Ethias has concluded distribution partnerships with Integrale, involving products of branch 21, in order to continue offering customers a full range of products.

Our customer approach revolves around a continuous development of new and even more efficient products, on the one hand, and accessible and customized solutions with the best price/quality ratio, on the other hand. Our goal is that our products are designed in such a way that they give the best possible answer to the needs of our policyholders, whether they are agents of the public service or private individuals.

Our customer base is loyal and includes over one million policyholders with insurances for personal risks.

Public Sector

Ethias has been the privileged insurance partner of the Public Sector since 1919. 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 intercommunal and semi-public bodies, schools, hospitals, public interest organizations and miscellaneous associations ...

Ethias covers all the potential risks which employees face in public services: civil liability, health care, accidents, including not only work accidents but also sporting injuries, motor vehicle and assistance ...

Ethias also covers damage to or destruction of equipment, buildings and installations.

With regard to pension insurance, Ethias is a player of major importance in the development of first and second pillar pension schemes in the public sector.

But being an insurer today is not simply covering a series of financial risks, it is all about adopting a comprehensive prevention risk policy. For several years now, Ethias has been conducting a proactive and dynamic prevention policy across all its products and services (risk prevention relating to work accidents or hazardous weather conditions), and through innovative initiatives (risk management audit via Ethias Services, road safety prevention via the Ethias Prevention Awards ...).

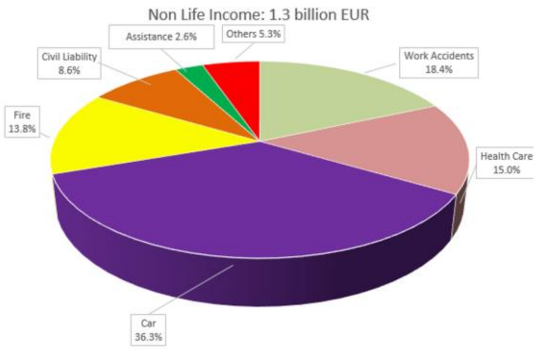
Companies

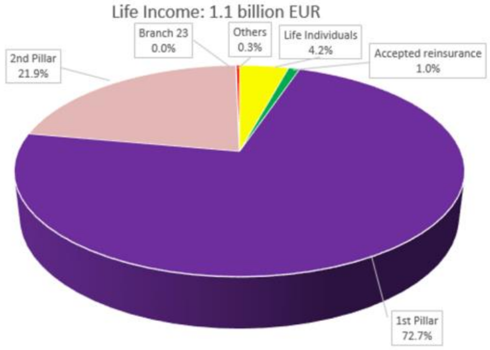
Since 2000, Ethias has also been accessible to private businesses, offering them its skills and expertise acquired in the public sector and non-profit sector. For allowing these businesses to take a lead in risk management, Ethias offers them a range of insurances responding to their specific needs and including the protection of:

- Their patrimony: car insurance, property and casualty insurance, machine breakage, all-risk insurance ...
- Their liabilities: civil liability for businesses, civil liability for directors and officers;
- Their staff: work accidents insurance, life accidents insurance, hospitalization insurance, guaranteed income insurance, group insurance.

Partition of premium income 2016 for Ethias SA

The premium income stands at EUR 2.4 billion by end-2016 and is relatively balanced between Life and Non-Life activities. It is split per product as follows:





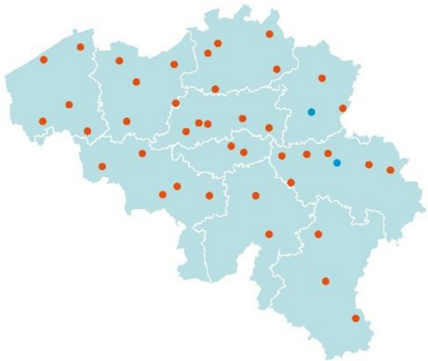
The majority of Ethias' activities are focused on the Belgian market. Ethias is the country's third-largest insurer, for all activities combined, with a 9% market share, and is the country's premier insurer of the public sector and its agents.

Our distribution network

Ethias is the only major direct insurer in Belgium, where brokers and bankinsurers have a predominant position.

For private individuals, Ethias distributes its products via three direct distribution channels:

- insurance advisors, located throughout the country, in a network of 42 offices;



- two "Contact Centres", where 70 officers respond daily to over 3,000 calls from clients;
- a website with over 365,000 visitors per month:
    - a secure personal space (named "My Ethias"), allowing policyholders to consult their insurances and to declare certain claims;
    - the online underwriting of 7 insurance products, possible since October 2015 and covering the entire process (from quote to payment).

A team of inspectors and prevention specialists is at the service of local public authorities and companies, with the collaboration of specialized brokers for private businesses. With the Ethias Extranet, public authorities and companies can obtain all the required information on the nature and type of products offered by Ethias, they can calculate one or more quotes and directly subscribe online the insurance contract(s) they require in view of an optimal protection.

Business Plan 2017-2021

The strategic axes of the company remain profitability, growth, innovation and corporate values. The actions are adapted each year to take account of the changes in our environment and within the company.

For Private Individuals, we continue the work to make insurance easier and accessible to all, with the objectives of profitable growth and of maintaining our position as a direct insurer in Belgium. The strategic actions focus on 5 axes: CRM (customer relationship management), omnichanneling, target markets (civil servants and Flanders), innovation and excellence in technical management.

For the Public Sector, in Non-Life, we intend to consolidate our position as a multi-product insurer amongst public bodies and to continue the development of the corporate and social profit segments. In Life, we have the ambition to be an all-round player in first and second pension pillar management.

In a transversal way, the company is engaged in an ambitious plan of technological transformation.

At the same time, the organizational architecture will be adapted to meet the new challenges (technological transformation, regulatory changes, etc.).

Trophies and main innovations in 2016

As in previous years, Ethias SA also received various awards:

- Three DECAVI trophies, in the following flagship categories, were awarded to our company thanks to the quality of our products and the relevance of our marketing approach:
  - Ethias SA won the trophy for **best tenant insurance**.
  - For the second year in a row, Ethias SA won the trophy for **best Civil Liability Car Insurance** with the "Ethias Young Drivers", an insurance for young drivers that is very successful.
  - The **Life Insurance Innovation Trophy** for **Autonomia**, a branch 21 product aiming at people aged between 50 and 70. This new product allows them to benefit from a life annuity at a later age so as to make the most of their lives, with total autonomy. Autonomia also means the freedom to use one's investment as desired and without having to demonstrate a situation of dependency or to provide any justification. With this product, Ethias SA plays its role of societal insurer in search of a solution to the problem of an ageing population.
- 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.
- Our new Flagship Store in the centre of Brussels has recently been awarded the Brussels Commerce Design Award.

Ethias constantly strives to innovate its range of products and services. This results in the following concrete initiatives:

- For Private Individuals:
  - 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.
  - In order to support young people who are entering working life, Ethias SA launched in 2016 **"startlife.be"**, a fully innovative digital content platform specially designed for young people. The platform provides useful and relevant articles, fun facts, practical tips and contests. This platform quickly enabled us to generate significant traffic to our Ethias.be website.
- For the Public & Corporate Sector:
  - **Autonomia:** In our determination to anticipate the societal challenges of the years to come, we have developed this innovative and flexible pension annuity product that meets the needs of senior citizens (see above).
  - **Assurpharma:** Ethias SA offers a new service to its "health care" policyholders, i.e. access to the Assurpharma system. This is a project in the healthcare sector (Assuralia) which aims to facilitate the reimbursement of pharmaceutical costs by allowing the transmission of BVAC certificates by electronic means.
  - **Ethias Pension Corner:** A platform for sharing knowledge on legal pensions (1st pillar) and on supplementary pensions (2nd pillar), which includes all current legislation, books and reference notes, etc. In the field of pensions, one can certainly say that it is one of the most advanced and innovative initiatives in recent years.

GOVERNANCE (ON 31 JANUARY 2017)

The Management Committee

Name	Function
Benoît Verwilghen	Chairman of the management committee a.i. Chief financial officer
Brigitte Buyle	Chief information officer
Frank Jeusette	Chief risk officer
Luc Kranzen	Departments private individuals
Philippe Lallemand	Departments public sector / companies and human resources

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

The Audit and Risk Committee

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

The Appointments and Remuneration Committee

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

The Statutory Auditor

PwC - Reviseurs d'Entreprises sccrl

Woluwe Garden, Woluwedal 18 – B-1932 Sint-Stevens-Woluwe

Represented by K. Cappoen, Accredited Auditor

MANAGEMENT REPORT

Preliminary comment

This report takes into account the regulations of the Royal Decree of 17 November 1994 on the financial statements of insurance companies and the Belgian Corporate Code.

Commitment of Ethias

Ethias is a Life and Non-life insurer committed to engage in a mutually profitable relationship with public institutions, civil servants, corporate and related retail client segments.

Ethias provides premium value-for-money products and services generating sustainable profits while leveraging its core values of humanism, ethics, commitment and proximity.

Report of the Board of Directors of Ethias SA to the Board of Directors of Vitrufin SA on 17 May 2017 in lieu of the General Assembly of Ethias SA.

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 SA 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 SA 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 9, 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 "Switch" operations (EUR 202 million) directly impacts the 2016 result of Ethias SA, 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 24 % on the Solvency II margin).

1.2 Terrorist attacks

Following the Brussels attacks of 22 March 2016, many work accident and strict 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).

In this context of suffering and distress for the victims and their relatives, Ethias immediately mobilized a task force to ensure a flexible and rapid compensation process despite the complexity of the various intervention systems and the plurality of interveners involved.

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 SA to the tax administration. Ethias SA 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 SA and the tax administration, calls into question the foundations of the enrolments operated since 1993 chargeable to Ethias SA.

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 SA 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 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 145 % (*) 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.
(*) Non-audited ratio

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 SA 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 SA 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!

11 August

NRB participates for 50% in the setting-up of the company BelgiumDC, 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 of September

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 SA once again wins the Decavi Award for Innovation. With Autonomia, Ethias SA 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).

2 Results 2016

The year 2016 recorded normalized earnings of EUR 254 million, before allocation to the flashing light reserve (EUR -182 million) and before taking into account the following non-recurring items:

- the impact of the cost for the "Switch V" and "Switch VI" operations (EUR -202 million)
- the recovery of the tax dispute (EUR 223 million)
- other non-recurring elements and taxes (EUR -13 million)

This result was mainly generated by the Non-Life business (normalized earnings of EUR 228 million) which provides a net CoR largely under the target of 95% since several years (91.9 % at end-2016). The Life business generates normalized earnings of around EUR 45 million.

After taking into account non-recurring items (EUR 11 million), the allocation to the flashing light reserve (EUR -182 million), and after taxes and transfers to untaxed reserves (EUR -3 million), 2016 closed with a net profit of EUR 80 million.

2.1 Income

Figures in thousands of euro	31 Dec 2016	31 Dec 2015	Change (2016/2015)
Non-Life	**1,310,084**	**1,300,277**	**0.75%**
Public bodies and Companies	735,681	738,920	-0.44%
Private Individuals	574,403	561,357	2.32%
Life	**1,143,740**	**1,170,557**	**-2.29%**
Public bodies and Companies	1,094,908	1,115,539	-1.85%
Private Individuals	48,832	55,018	-11.24%
TOTAL	**2,453,824**	**2,470,834**	**-0.69%**

2.2 Part of the income by activity branch

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Non-Life	53%	53%	54%	47%	50%
Life	47%	47%	46%	53%	50%

2.3 Premiums

Figures in thousands of euro	31 Dec 2016	31 Dec 2015
Non-Life	**1,310,084**	**1,300,277**
Work accidents	**241,547**	**250,770**
Premiums Law 1971	121,916	120,365
Premiums accepted reinsurance	119,631	130,405
Non-Life	**1,068,537**	**1,049,507**
Premiums	1,067,339	1,049,384
Premiums accepted reinsurance	1,197	123
Life	**1,143,740**	**1,170,557**
Single premiums	158,234	208,255
Periodic premiums	974,640	946,786
Premiums accepted reinsurance	10,866	15,516
TOTAL	**2,453,824**	**2,470,834**

2.4 Benefits

Figures in thousands of euro	31 Dec 2016	31 Dec 2015
Non-Life	**819,447**	**802,916**
Claims incurred	796,821	764,203
Change in provision for claims to be paid		
Increase	22,626	38,713
Life	**1,852,838**	**1,898,387**
Direct benefits	2,614,793	3,902,481
Change in provision for Life insurance		
Decrease (-)	-740,265	-1,904,274
Change in the other technical provisions (Item D.)		
Decrease (-)	-21,690	-99,820
TOTAL	**2,672,285**	**2,701,303**

3 Fair review of the business development, the performance and of the position of the company

3.1 Analysis of the results of the financial year

3.1.1 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 SA 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 program 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 SA 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 SA 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 SA 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! But when the time comes, lots of questions arise. In order to support young people who are entering working life, Ethias SA 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 in 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.

3.1.2 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 SA 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 SA 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 SA plays its role of societal insurer in search of a solution to the problem of an ageing population.

Assurpharma:

Assur Pharma

Ethias SA 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 SA's 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

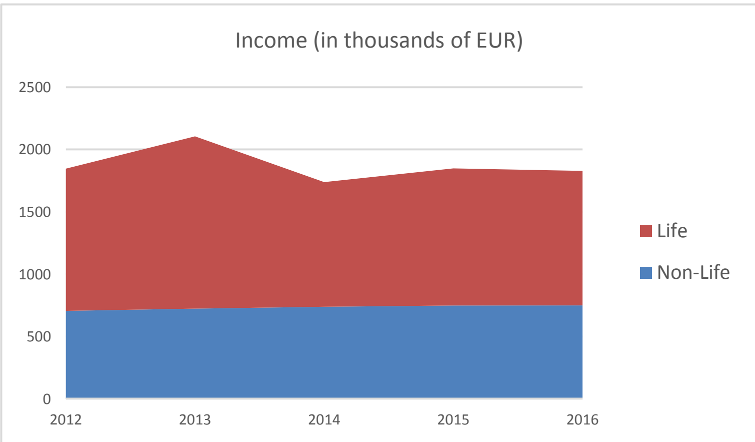
At the end of the financial year 2016, the results of the Departments Public Bodies & Companies are once again positive, both in terms of profitability as in terms of growth.

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 EUR 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.



3.1.3 Finance and asset management

3.1.3.1 Impact of the valuation rules on financial assets

Properties are capitalized at their purchase or cost price, including incidental expenses. Land is not depreciated. We remind that, in order to harmonize the depreciation principles between the Belgian and the IFRS accounting systems, the depreciation principles were adapted in 2012 for the new real estate acquisitions by favouring the component-based approach. The amount of depreciations stands at EUR 8.9 million by end-2016.

This rule also applies to the properties built on land belonging to a subsidiary and burdened by a real right of emphyteusis in favour of Ethias SA. For the other categories of assets, we remind hereafter the general principles and their impact on the accounts as at 31 December 2016.

The **associated interests and linked by a participating interest** have been subjected to impairments (net of amounts applied and impairment reversals) for an amount of EUR 8.2 million, of which EUR 7 million on the interest in "Assurance Mutuelle d'Europe" following a reduction in equity resulting in the distribution of an exceptional dividend of an equivalent amount.

The **shares** and other variable income securities are subjected to impairments when the loss exceeds 20% of the acquisition value during a period of 12 consecutive months preceding the closing. A depreciation of more than 50% (without any time constraint and of rebuttable nature) will also be interpreted as an impairment. The amount of the impairment reversals (net of amounts applied and allocations to impairments) recognized in that way for this class of assets is virtually nil at end-2016.

It should be noted that in 2016 certain interests linked by a participating interest were reclassified to shares and other fixed-income securities for an amount of EUR 60 million following a review of our internal classification criteria.

The **bonds and other fixed income securities** have on the whole been subjected to impairment reversals / releases for an amount of EUR 31 million and give rise to differences in treatment according to the kind of securities.

Within the scope of the transfer of securities to bonds, impairments previously recorded for an amount of EUR 20 million have been reversed. The difference between the acquisition value and the transfer value has been recorded at the level of the realized losses.

In accordance with the principles of Article 19 paragraph 1, impairments are systematically applied to the fixed income securities mentioned in the sub-heading C.III.2 (with the exception of the perpetual securities. Cf. below) and the receivables mentioned in the sub-headings C.III.4,5 of the assets, in order to reflect any 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:

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.

The following criteria are 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.

The application of these rules on 31 December 2015 gave rise to impairment reversals for EUR 7.5 million.

The **perpetual bonds** are valued at LoCoM (Lower of Cost or Market) in accordance with the prescription laid down in art. 31 § 4 of the Royal Decree of 17 November 1994. These bonds are assessed on the basis of their market value or, in the absence of a listing on a regulated market, on the basis of a model price. These perpetual bonds which are representing an outstanding amount of EUR 286 million in nominal value, have been subjected to impairment reversals for an amount of EUR 3 million.

The **hedging against a decrease in the interest rates** has again been carried out with the twofold objective of:

- Protecting ourselves partly against a deterioration in equity in case of an extension of the fall in the interest rates;
- Diminishing the equity volatility in economic value.

The derivative financial instruments, not qualified as hedges in the accounting sense, used within this framework, have been valued in accordance with the LoCoM principle. Impairments have been recorded on these assets for an amount of EUR 17 million. The nominal value in swaptions amounts to EUR 924 million at December 31, 2016.

The derivative financial instruments used within the framework of hedging operations are valued in accordance with the prescription laid down in art. 36, sexies of the Royal Decree of 17 November 1994. On 31 December 2016, these forward bonds nominals amount to EUR 452 million. These instruments show an unrealized gain of around EUR 52 million at the end of December 2016.

The **monetary items** are valued at the exchange rate at closing date and the non-monetary assets are maintained in euro at their purchase price. Impairments on securities in foreign currency are calculated including currency impact.

We underline that, furthermore, provisions for financial risks were reinforced for an amount of EUR 29 million. They mainly concern the risks related to the financial markets.

The Board of Directors considers that the rules adopted by Ethias SA are in accordance with the Belgian accounting standards.

3.1.3.2 Comments with regard to PIIGS[1]

Ethias SA's exposure to peripheral sovereign debts in the Euro zone is distributed as follows on 31 December 2016: Italy and Spain account respectively for 1,98 % and 2,84% of the book value of the portfolio assets.

On 31 December 2016, the unrealized gains on the PIIGS amount to EUR 159 million.

It should be noted that, in 2012, Ethias SA made use of the possibility allowed by art. 27bis §4 of the Royal Decree of 17 October 1994, namely the spreading of the impairments resulting from the transfer of Greek sovereign bonds realized in 2012 for the amount of EUR 58 million. At the end of December 2016, the total remaining stock was taken into account for 8 EUR million.

3.1.3.3 Investment policy

All the investments carried out 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 SA's intention to increase its exposure to this type of asset class through investments in nursing and care homes as well as in office buildings.

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[1] PIIGS is the acronym for Portugal, Italy, Ireland, Greece and Spain.

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 were made.

As a responsible financial partner, Ethias SA 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 SA also prefers investments which strengthen its social role, such as investments in nursing and care homes.

3.1.3.4 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.

3.1.4 Overhead Costs

General costs have increased with 8,5 % compared to 2015: EUR 338 million in 2016 against EUR 311 million in 2015. This increase is mainly due to the strengthening of the level of funding for the group insurance of the personnel.

The remuneration costs amount to EUR 175 million end 2016. Excluding the additional allocation to the group insurance, they decrease by 0.8% compared to 2015.

IT costs amount to EUR 72 million at end-2016. They increase by 9% compared to 2015 due to the amortization of the transformation program for the IT architecture.

Miscellaneous goods and services at about EUR 53 million at end-2016 decrease by 4% compared to 2015

3.2 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.

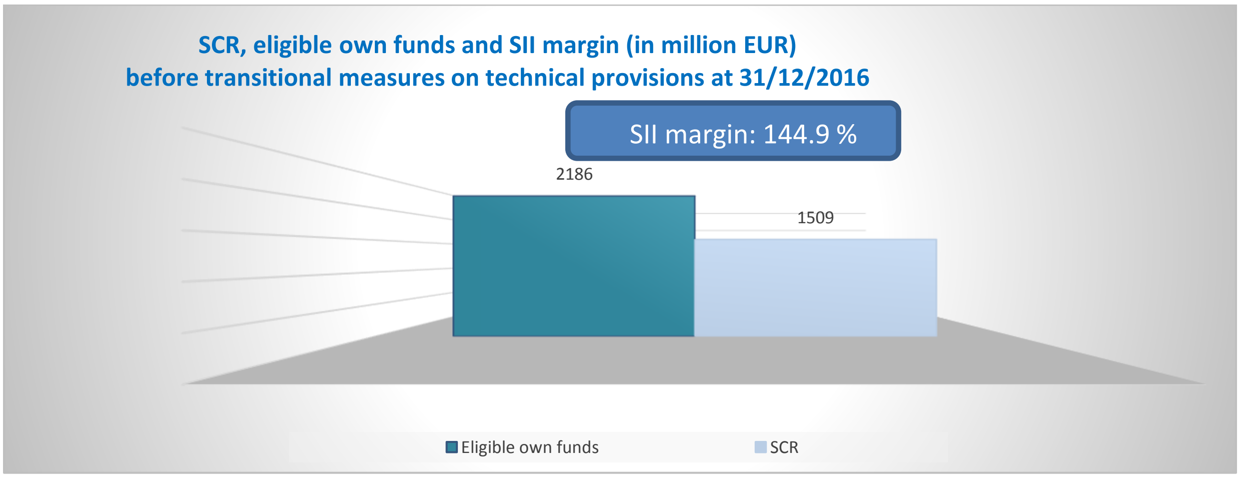
- **Capitalization contracts (Branch 26)**

  No profit sharings are provided for these contracts.

Non-Life Activities

No refunds are granted.

3.3 Solvency II margin level (non-audited ratio)



- A solvency risk was identified following the results of the European stress tests, after which Ethias SA submitted a financial recovery programme to the NBB at the end of September 2016 and an update of the latter in 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.

3.4 Evolution in equity

Figures in thousands of euro	2016				
	Subscribed capital	Revaluation surplus	Reserves	Result carried forward	Total
Equity as of 1 January	**1,000,000**	**33,185**	**24,024**	**78,892**	**1,136,101**
Result	0	0	0	79,919	79,919
Capital movements	0	0	0	0	0
Dividends	0	0	0	-45,000	-45,000
Other movements	0	-698	4,884	-4,000	186
Equity as of 31 December	**1,000,000**	**32,487**	**28,908**	**109,811**	**1,171,206**

Figures in thousands of euro	2015				
	Subscribed capital	Revaluation surplus	Reserves	Result carried forward	Total
Equity as of 1 January	**1,000,000**	**33,881**	**20,443**	**75,966**	**1,130,290**
Result	0	0	0	50,451	50,451
Capital movements	0	0	0	0	0
Dividends	0	0	0	-45,000	-45,000
Other movements	0	-696	3,581	-2,525	360
Equity as of 31 December	**1,000,000**	**33,185**	**24,024**	**78,892**	**1,136,101**

3.5 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.

In terms of control environment, Ethias:

- pays attention to the respect of the integrity and the ethical values it enshrines;
- aims at reaching its objectives through a clear definition of its organic structures and of the appropriate competences and responsibilities.
- 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.
- 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.
- 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:

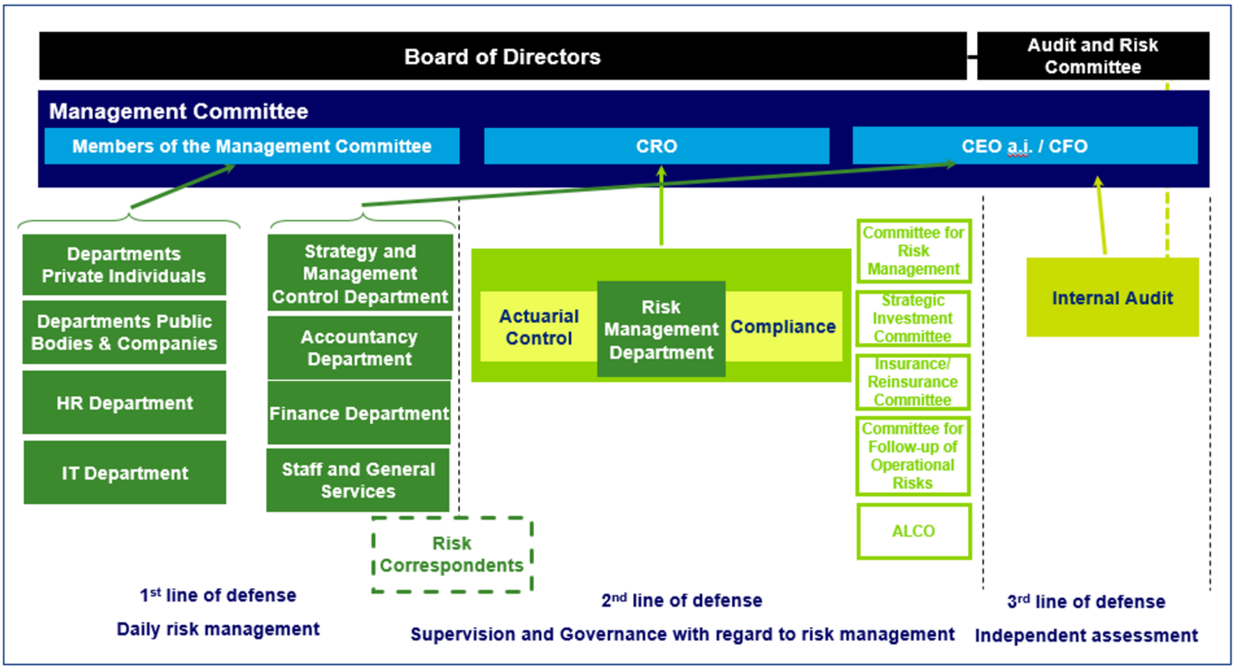
- A regular review of the internal policies tailored to the risk appetite;
- The definition of a policy on commercial gestures;
- The continuation of the Solvency II project and, in particular, the implementation of data governance, improved documentation of processes
- Employee awareness for the tasks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

3.6 Main risks (exposure and management policy) and use of the company's financial instruments

3.6.1 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 monitoring

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 risk-related problems 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 assessment 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, in order 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.

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 willingness of the management committee and of the board of directors to create "strong committees", so as to set up an 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.

3.6.2 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.

3.6.3 Risk Appetite

Ethias' risk appetite, adapted to Solvency II, has been approved by the Board of Directors and it is based on 4 main axes: solvency, profitability, liquidity and operational excellency. Each of these axes is then developed so as to specify the objectives and the guidelines to be put in place.

3.6.4 Insurance risks

The management of insurance risks is integrated in the corporate management/business management as follows :

1. In the public sector, policyholders do respect the guidelines that determine the limits with regard to subscription. These limits concern both the general and specific conditions of the contracts, the price setting and the degree of risk. They also determine the level of power that is granted according to the hierarchic level and the procedures to be followed, an "acceptance bureau" deciding at the operational level in the last instance.

2. For private individuals, the policyholders are subject to risk acceptance procedures that follow the hierarchical lines and to certain limits that are implemented in the IT systems.

3. The actuarial department and the reinsurance department determine the company's reinsurance needs. The treaties are reviewed annually according to the company's underwriting capacities and the requests from production.

4. Tariffs are established by underwriting actuaries and are submitted to the actuarial control for an opinion. The actuarial control also formulates opinions, in an independent manner, to the management committee, on the technical profitability of the products, on reinsurance, on the adequacy of the technical provisions, on ALM management and on profit sharing.

5. The insurance/reinsurance committee follows the technical risks of the existing products, analyses the mitigation actions of the technical risks, analyses the modifications to existing products or the proposals for new ones and supervises the reinsurance program. It reports to the management committee for validation.

6. The business lines annually draw up a report on the technical risks to which the company is exposed. This report highlights the portfolio's risk profiles as well as their significance and it presents the results of the adequacy analyses of the reserves. It is examined by the insurance/reinsurance committee and then submitted to the management committee who, if necessary, takes the appropriate corrective measures. It is also submitted to the audit and risk committee who reports to the board of directors.

7. Any new product or any modification to existing products is previously analysed by the "Product and Market Management" department for Private Individuals and by the departments "Life" and "Non-Life" for Public Bodies & Companies. All the aspects of the product are then considered: marketing, legal, fiscal, profitability, ALM constraints, compliance, etc., in accordance with the procedure for creating a new product or modifying an existing one validated by the Management Committee of Ethias SA dated 17 November 2014 and 21 December 2015.

3.6.5 Financial risks

The management of financial risks is integrated in the corporate management/business management as follows :

1. The financial managers must abide by the investment policies and the investment code and they shall ensure that their positions do not exceed the financial limits and do respect the asset allocation.
2. The financial department weekly organizes a tactical investment committee that decides on which actions to carry out, on the one hand, within the context of the above-mentioned constraints and, on the other hand, according to the guidelines and the decisions emanating from the strategic investment committee.
3. The strategic investment committee has the task of setting out the guidelines for investments and to monitor the portfolios according to the investment policy approved by the board of directors. It reports to the management committee for validation.
4. The composition and values of the financial portfolios are monthly monitored through the Investment Dashboard. A quarterly report regarding financial risks provides a comprehensive view of the financial risks to which the company is exposed. It contains the risk exposure profile of the assets in portfolio and presents the results of the sensitivity analyses of the portfolios' value.

3.6.6 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.

3.6.7 Operational risks

As regards operational risks, Ethias has adopted the Basel II typology which aggregates the important operational risks, likely to cause very serious losses, in seven categories:

- internal fraud,
- external fraud,
- practices regarding employment and safety at work,
- customers, products and business practises,
- execution, delivery and process management,
- damage to tangible assets,
- interruptions in business activity and system failures.

Information security and business continuity are integrated into the operational risk management with a view to optimization.

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.

3.7 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).

3.8 Information regarding environmental and staffing matters

Firmly anchored in the multiannual dynamics of its Corporate Social Responsibility (CSR), Ethias pays special attention to the environmental and social implications in all its activities. Environmentally speaking, this awareness to sustainability issues has also been the subject of several concrete achievements in the company's second "Societal Actions Plan 2009-2013", actions that will be pursued in the new plan for 2014-2019.

Amongst the actions developed within the framework of the multiannual plans, Ethias has established a firm policy in the following fields:

- Reduction of its fossil energy consumption;
- Reduction of carbon emissions generated by its business;
- Management of waste, packaging and worn consumables;
- Management of suppliers in accordance with ethical standards and with sustainability and proximity criteria.

To achieve these objectives, Ethias has launched in 2012-2013 - and has pursued since then - the following major projects that complement its previous investments:

- Socially responsible purchases: definition of selection criteria for suppliers (proximity, sustainability criteria, ethical standards, ILO, etc.);
- Environmental management: quantification of the reduction in consumption (energy, water, paper, waste), particularly upon the conclusion of a collective labour agreement (CCT 90). This led to a 5% reduction in the consumption of white paper and orange cups over a three-month period (compared to the same period in 2015). Implementation of corrective and/or innovative measures in order to reduce our emissions (automatic switch-off of lighting + machines, etc.);
- CSR certification: a measurable and objectifiable certification for Equipment & Infrastructure (ISAE 3000);
- Sustainable Real Estate: technical renovation of the regional offices;
- Mobility: adapting infrastructure to "green mobility" and incentive to "gentle mobility".

In detail, the actions undertaken in 2012-2013, and listed below, continue:

- Conclusion of electricity supply contracts favouring the "green label with guarantee of origin". This guarantees the supply of energy produced by hydroelectric, wind, cogeneration or solar means;
- In partnership with the company CO2Logic: measurement of the carbon footprint resulting in proposals for actions to reduce the footprint;
- Partnership with Bpost for the CO_2 compensation of postal mailings:
- Setting-up of a "slow food" policy in the company restaurant (98,000 meals per year) and selection of local suppliers adhering to the "Ethias Food Charter" and presenting sustainability/bio labels;

- Implementation of the "sustainable commercial agency" concept;
- Modernization of production equipment and management of heating/air conditioning;
- Introduction of "sustainable, societal and proximity" criteria in the selection of goods and suppliers;
- Application for international ISAE 3000 certification for environmental performance management.

Being well aware that carbon emissions linked to commuter traffic have a particularly strong environmental impact, Ethias has developed a mobility plan based on several pillars. The use of public transport and carpooling have thus been the subject of an internal awareness policy. Ethias, in partnership with the Walloon Region, has also supported and participated in "Tous vélos actifs", a cycling initiative to promote other commuting alternatives. For its initiative, Ethias has been awarded the 3 star label "Tous vélos actifs". Projects for adapting the real estate infrastructure accordingly are being developed. As a socially responsible company, Ethias has also supported alternative mobility programs set by public authorities, such as the "Covoit-stop" initiative. For the last two years, Ethias has put bicycles (some of which are electrical) at the disposal of its staff for short trips at lunchtime. In addition, a free electric charging station for bicycles was installed in its car parking.

Since 2008, the company applies an environmental measure to its company vehicles: a carbon emission limit rate has been set for each category of company cars. The control of carbon emissions is a priority action plan for Ethias. In addition to its CSR Report, Ethias now publishes its own "carbon report". This report includes the company's carbon footprint (calculated by CO_2logic). Within a period of five years, Ethias has succeeded in halving its carbon footprint. As an insurer, Ethias is well aware of the impact of adverse weather conditions on the claims frequency of its policyholders. Hence, Ethias also launched in 2012 a prevention service with text message warnings for public authorities in case of severe weather conditions. The concern of Ethias to percolate sustainable behaviour throughout society is reflected in the company's willingness to offer innovative tariffs for the insurance of electric or hybrid cars or vehicles of which the driver aims at reducing its annual mileage.

Furthermore, in accordance with its values of humanism and ethics, Ethias has ensured that the general terms of all purchase orders include an article according to which suppliers commit themselves (as well as their potential subcontractors and manufacturers) to respect the basic principles of the International Labour Organization (ILO): prohibition of child labour, respect for freedom of association, elimination of all forms of forced labour, prohibition of discrimination in employment and occupation. The company also makes its subcontractors aware of this problem. The Ethical Investment Code of Ethias includes a blacklist of investments, based on international referencing entrusted to an external agency (RFA), and also integrates these criteria regarding the ILO standards, in addition to the ban on businesses directly or indirectly involved in the production or the sale of controversial arms (depleted uranium, cluster bombs or anti-personnel landmines). Our company restaurant favours local and seasonal products with organic label. Since 2014, Ethias has continued in this direction by integrating variants of "eco sustainable" labelled products and techniques into its works tenders. This reflection should allow to offer a genuine "responsible" alternative.

From a social point of view, our policy is to support the transformation process that is needed to meet the challenges of the next decade and to strengthen our organization. The many actions undertaken to strengthen Ethias have and will have an impact on the workforce. On the other hand, the context will require us, over the next few years, to optimize the allocation of resources in order to limit structural recruiting. In this context, the Human Resources Department, with the support of the Management Committee, initiated a profound reflection for reinventing Ethias' organizational architecture and for meeting our challenges:

- Delivering a superior customer experience in a digital world
- Developing the company's financial flexibility and competitive advantage
- Developing a modern and engaging working environment for the teams.

Thus, different HR levers have been or will be deployed such as a new salary policy and Talent Management. In this context of change, our investment in training will be intensified. To this end, we have set up a specific program for supporting change without losing sight of technical training. In the face of these developments, it remains important to maintain a very high level of technical (insurance), commercial and management expertise.

The work conditions, of which the quality is the result of a constant and constructive dialogue with the trade union organizations, are considered essential motivational factors.

4 Events occurring after the financial year was closed

4.1 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.

4.2 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 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.

4.3 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 confirmed by the Commission after examination of the situation at end-2016

4.4 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.

4.5 Integration of Whestia

In the course of March 2017, The NBB agreed on the disposal of the shares of the company Whestia to Ethias SA, 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 end-June 2017, the merger between Whestia and Ethias SA.

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

5.1 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.

5.2 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.

5.3 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 4nd quarter of 2017.

6 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 programme 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. Developments and improvements are still needed, at present, to continue the implementation of the Solvency II value chain, in particular to ensure compliance with the pillars 1 and 3 of the legislation. The teams create new internal models of risk calculation and integrate them into the chain, with each new version allowing to reach a bit closer the ambitious objectives set by Solvency II.

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.

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, 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 SA 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.

8 Justification for the competence of the members of the Audit and Risk Committee of Ethias SA

The appointments and remuneration committee is composed of three non-executive directors. It is chaired by Mr Erik De Lembre, chairman of the board of directors, and is also comprised of Mr Braggaar en Mr Henin.

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 Vitrufin SA.

Mr Braggaar holds a degree in criminology. He held the position of head of HR-budget in various ministerial offices and was director of several non-profit associations related to mutuality. After serving as Deputy Secretary General, and as member of the Francophone and National Management Committee of the UNMS, where he was in charge of managing the human resources of the Directorate-General, he is currently the Secretary General of the Socialist Party. He has also director of the SOWAER since 2000 and a member of its appointments and remuneration committee.
Mr Braggaar has a thorough knowledge of Ethias, having been a director of Ethias Droit Commun from 2001 to 2014. He is also been a member of the Vitrufin management committee since 2014.

Mr Henin is licensed in law and holds a DEA in economic law. He was director of cabinet in various ministers, director of the European Investment Bank, a representative of the Minister of Finance at the Council of Regency of the NBB and a government commissioner on the Board of Directors of the Deposit and Financial Instrument Protection Fund. He is currently CFO of the SNCB and sits on the board of directors of the SFPI, Brussels Airport, B-Logistics, Eurofima and Fedimmo.
Mr Henin is also chairman of the board of directors of Ethias Droit Commun.

9 Conflicts of interests

If a director has directly or indirectly a conflicting interest of a financial nature in a decision or transaction under the control of the board of directors, he or she must communicate it to the other directors prior to the deliberations of the board of directors. His/Her declaration and the reasons justifying the opposing interest that exists on his/her behalf must be included in the minutes of the board of directors who takes the decision.

(1) At its **meeting on 6 September 2016**, the board of directors examined the "**Situation of the chairman of the management committee**".

Mr Bernard Thiry abstained from taking part in the deliberation and the vote of the board of directors, being found that he had, within the meaning of Article 523 of the Belgian Company Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the termination of the collaboration with him.

Extract from the minutes of this meeting:

"[…] the board of directors unanimously decides to terminate the appointment of Mr. Thiry as a member and chairman of the board of directors of Ethias SA as of today. It also mandates the appointments and remuneration committee to determine the financial terms and conditions of this departure.
In order to meet the requirements of Article 523 of the Belgian Company Code, the board of directors notes that the nature of the decision that it has taken is the end of Mr Thiry's term as member and chairman of the management committee and the delegation of powers to the appointments and remuneration committee to determine the terms and conditions of this departure. Mr Thiry therefore potentially had an opposing interest of financial nature, corresponding to the remuneration relative to the exercise of these functions. The board of directors justifies the decision taken by the interest of the company and its good, serene and collegial management. The revenue consequences are ultimately the suspension of Mr Thiry's remuneration. "

(2) At its **meeting of 18 November 2016**, the board of directors held a "**Strategic reflection on the participation of Ethias SA in NRB**".

MM. Erik De Lembre and Claude Desseille abstained from taking part in the deliberation and the vote of the board of directors, being found they had, within the meaning of Article 523 of the Belgian Company Code, an opposing interest of financial nature in the decision that the board of directors was likely to take with regard to the participation of Ethias SA in NRB, serving on the boards of these two companies while being paid by both.

Extract from the minutes of this meeting:

"[…] the board of directors unanimously decides that the orientation of the management committee (a status quo scenario with a re-examination without any predisposition for the solution to be adopted in the medium-term) should be accepted.
In order to meet the requirements of Article 523 of the Belgian Company Code, the board of directors notes that the decision it has taken to retain, at this stage, Ethias SA's interest in NRB has no patrimonial impact on the company nor on the directors concerned. It justifies this decision by the interest of the company. "

10 External offices exercised by the leaders of Ethias SA (on 31/01/2017)

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 Ethias SA in other companies than those with which Ethias SA 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".

Directors of Ethias SA			
Name	**Company**	**Registered office**	**Office exercised**
Braggaar Jacques	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
De Lembre Erik	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
Desseille Claude	2 I Immo Invest	Bois Héros 15 1380 Lasne	Chairman of the Board of Directors
	Actualic	avenue des Myrtilles 56 1180 Brussels	Manager
	Moury Management	rue Sainte-Marie 24 4000 Liège	Independent director
	Warehouses Estates Belgium (Listed company)	avenue Jean Mermoz 29 6041 Gosselies	CEO - Director
Duron Willy	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
Grafé Jean-Pierre	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
Henin Olivier	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
Neyt Philip	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

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

11 Statutory auditor's report on the financial statements 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 strategie 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 2016

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Kurt Cappoen
Réviseur d'Entreprises / Bedrijfsrevisor

12 Details of balance sheet and income statement items

12.1 Balance

12.1.1 Assets

Heading B. Intangible assets

I. Formation expenses: relating to the issue expenses of subordinated bonds.

II. Intangible assets: these are the amounts invested as "rights" in the "tax shelter" and amounts relating to IT developments.

Heading C. Investments

I. Land and buildings

1. Real estate for corporate purposes: company buildings
2. Other: includes buildings intended for rental as well as advance payments on business properties under construction.

Heading E. Receivables

I. Receivables arising from direct insurance operations

1. Policyholders: essentially relating to the amounts due from our policyholders.
3. Other: includes the amounts due from various insurance companies, the projected recoveries and the benefits paid in 2016 but with effect in 2017.

II. Receivables arising from reinsurance operations: regroups receivables due from reinsurers.

III Other receivables: includes guarantees received, individual mortgagors and affiliate organizations, interests on cash at bank and in hand relating to 2016 and collected in 2017, various tax receivables and various receivables in accepted reinsurance.

Heading F. Other asset items

I. Tangible assets: include facilities, machinery, electronic equipment, tools, furniture, rolling stock, fitting-out of buildings and stock.

II. Cash at bank and in hand: cash in hand and assets in different banks with a term of less than one month.

Heading G. Accruals

I. Interest and rent received but not yet due: income from portfolio securities and bank deposits received in the financial year 2016 but will be collected in 2017.

12.1.2 Liabilities

Heading E. Provisions for other risks and expenses

III. Other provisions: mainly relating to provisions for the retirement plan "60+" and for financial risks.

Heading G. Debts

I. Debt arising from direct insurance operations: includes premiums paid prior to maturity, amounts due to various applicants and benefits to be paid.

IV. Debts toward credit institutions: mainly includes repo and collateral.

V. Other debts

2. Other: essentially includes the suppliers, invoices to be received, unallocated payments, unliquidated capital on loans, stock exchange operations to be paid.

Heading H. Accruals.

Mainly includes interests not yet due on bond loans.

12.2 Income statement

12.2.1 Technical account

Heading 2: Investment revenues - Life technical account.

Heading 2bis: Investment revenues - Non-Life technical account.

bb) Income from other investments: investment revenues that are assets covering technical provisions and technical debts are recognized under these items.

Heading 3: Other technical income, net of reinsurance - Non-Life technical account.

This is income related to RDR management (Direct Settlement Compensation) and quota share reinsurance products (95 %).

Heading 5: Change in other technical provisions, net of reinsurance - Non-Life technical account.

This is the change in the indexation provision in Law 1971 and the part (95 %) of the change in the indexation fund in Law 1967.

Heading 6: Change in other technical provisions, net of reinsurance - Life technical account.

This includes the change in the provision for Life insurance.

Heading 8: Other technical expenses, net of reinsurance - Non-Life technical account.

Mainly includes the amount of the capital transferred to the Accidents at Work Fund (FAT) in Law 1971.

Heading 11: Other technical expenses, net of reinsurance - Life technical account.

These are mainly the tax on profit sharing and the tax on certain mathematical provisions Life and the contribution to the Deposit Protection Fund.

12.2.2 Non-technical account

Heading 7: Other income.

This item mainly includes commissions received from co-insurers, default interests and reversed impairments on receivables and recoveries in interests of the tax dispute.

Heading 8: Other expenses.

These include depreciations with regard to machinery, electronic equipment, furniture and rolling stock, intangible assets, losses on write-offs of receivables, capital losses on receivables as well as a provision for other risks and expenses and the allocation to the plan "60+".

13 Balance, income statement and notes

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 xxx.

13.1 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**	**1,136,101,426**
	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	78,892,262
		1. Profit carried forward	109,811,413	78,892,262
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 other 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	61,033,399
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**

13.2 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**
	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	-78,892,262
F.	**Profit to be distributed (-)**	**-45,000,000**	**-45,000,000**
	1. Remuneration of capital	45,000,000	45,000,000

13.3 Note

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	directly %	by the subsi-diaries %	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 Crooisiers, 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

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 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
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

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		by the subsidiaries	Data extracted from the last available annual report: Financial statements as of	Currency	Equity	Net profit or loss
	Number	%	%			(+) or (-) (in thousands of currency units)	
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
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 Wallonnes 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	**17,361,183,417**
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	3,564,083
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, interest rate risk. Volume: 451,500,000 EUR	-	51,824,373
SWAPTION: swaption, interest rate risk. 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 Issue and REPO)	21,993,997

N° 10. Information on technical accounts

I. Non-Life insurance

Content		Total	Direct business			
			Total	Accidents and disease (branches 1 and 2)	Automobile Civil Liability (branch 10)	Automobile Other branches (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	1,691.9	2,369,814
Temporary staff and persons made available to the company	-	0.40	698
Total	1,769	1,692.3	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	1,691.2	2,409,920
Temporary staff and persons made available to the company	-	0.30	552
Total	**1,762**	**1,691.5**	**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		18.8	
- clerical staff		1,672.7	

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
	Disallowed expenses (without ISOC):	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:	1,622,650,000
	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 COMMITMENTS	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**
- Of more than 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**
- Of more than 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:

Criteria for determining durable losses in value

- 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.

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.

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 for impairment losses
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.

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 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 145 % (*) 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.

(*) Non-audited ratio

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 SA to the tax administration. Ethias SA 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 SA and the tax administration, calls into question the foundations of the enrolments operated since 1993 chargeable to Ethias SA.

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 SA 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.

13.4 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	2,088,404.73	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
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

ethias

HUMANISME

HUMANISM

ETHICS

COMMITMENT

PROXIMITY