ANNUAL REPORT 2017

Ethias Group

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

TABLE OF CONTENTS

INTRODUCTION

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

These consolidated financial statements were approved by the Board of Directors of Ethias SA on 25 April 2018.

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

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

KEY FIGURES

Essential data of the consolidated income statement

In thousands of euros	31 December 2017	31 December 2016	Change during the year
Non-Life			
Public bodies and Companies	756,549	735,681	2.84%
Private Individuals	577,419	574,403	0.53%
Premium collection Non-Life	**1,333,968**	**1,310,084**	**1.82%**
Life			
Public bodies and Companies	1,049,314	1,047,348	0.19%
Private Individuals	56,248	48,361	16.31%
Premium collection Life	**1,105,562**	**1,095,709**	**0.90%**
Total premium collection Life and Non-Life	**2,439,530**	**2,405,792**	**1.40%**
Consolidated revenues	**2,671,093**	**2,847,123**	**-6.18%**
Net profit (loss) on current transactions after tax	160,742	424,261	
Share of the associates in the result	(26)	(4)	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	-	-	
Net consolidated profit (loss) attributable to:	**160,716**	**424,257**	
Group's share	158,054	423,907	
Non-controlling interests	2,662	350	

Essential data of the consolidated financial position

In thousands of euros	31 December 2017	31 December 2016	Change
Total assets	18,755,425	19,498,621	-3.81%
Equity of the Group	**2,475,077**	**2,257,379**	**9.64%**
Non-controlling interests	45,490	47,502	-4.23%

Regulatory coefficients

	31 December 2017	31 December 2016	Change
Solvency II ratio (*) of the company Ethias SA	**205% (**)**	**144.90%**	**41.48%**

(*) The SII margin is calculated according to the standard formula.

Taking into account a dividend payment of 268 million euros allowing Vitrufin to have the necessary cash to reimburse its senior loan in January 2019, brings the margin to 183% (**).

(**) not yet audited/

Other key figures

	31 December 2017	31 December 2016	Change
Number of employees	**3,171**	**3,245**	**-2.29%**

GOVERNANCE REPORT

(ON MARCH 22, 2018)

1 The Executive Committee

Name	Function
Philippe Lallemand	Chairman of the Executive Committee - Chief Executive Officer
Benoît Verwilghen	Vice-Chairman of the Executive Committee - Vice-CEO - Chief Client Officer
Brigitte Buyle	Member of the Executive Committee - Chief Digital Transformation Officer
Cécile Flandre	Member of the Executive Committee – Chief Financial Officer (as from August 3, 2017)
Frank Jeusette	Member of the Executive Committee – Chief Risk Officer
Luc Kranzen	Member of the Executive Committee – Chief Services Officer

2 The Board of Directors

Name	Function
Erik De Lembre	Chair (until May 17, 2017)
Myriam Van Varenbergh	Chair (as from May 17, 2017)
Jacques Braggaar	Director
Brigitte Buyle	Director (until October 11, 2017)
Marc Descheemaecker	Director (as from May 17, 2017)
Kathleen Desmedt	Director (as from October 11, 2017)
Claude Desseille	Director (until May 17, 2017)
Philippe Donnay	Director (independent) (as from May 17, 2017)
Willy Duron	Director (until May 17, 2017)
Cécile Flandre	Director (as from August 16, 2017)
Jean-Pierre Grafé	Director (until May 17, 2017)
Olivier Henin	Director
Frank Jeusette	Director
Luc Kranzen	Director (until October 11, 2017)
Philippe Lallemand	Director
Ingrid Loos	Director (independent) (as from October 11, 2017)
Marc Meurant	Director (as from October 11, 2017)
Philip Neyt	Director
Anne-Marie Seeuws	Director (independent) (as from October 11, 2017)
Karl Van Brom	Director
Bruno van Lierde	Director (independent) (as from May 17, 2017)
Benoît Verwilghen	Director

3 The Audit and Risk Committee

Name	Function
Claude Desseille	Chair (until May 17, 2017)
Bruno van Lierde	Chair (as from May 17, 2017)
Erik De Lembre	Member (until April 25, 2017)
Marc Descheemaecker	Member (as from May 17, 2017)
Philippe Donnay	Member (as from May 17, 2017)
Willy Duron	Member (until May 17, 2017)
Jean-Pierre Grafé	Member (until May 17, 2017)
Ingrid Loos	Member (as from October 20, 2017)
Marc Meurant	Member (as from October 20, 2017)

4 The Appointments and Remuneration Committee

Name	Function
Erik De Lembre	Chair (until May 17, 2017)
Myriam Van Varenbergh	Chair (as from June 23, 2017)
Jacques Braggaar	Member
Philippe Donnay	Member (from June 23, 2017 until October 20, 2017)
Olivier Henin	Member
Anne-Marie Seeuws	Member (as from October 20, 2017)

5 The Statutory Auditor

PwC - Reviseurs d'Entreprises SCCRL (B00009)

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

Represented by K. Cappoen, accredited auditor

A01969 - Appointed for the financial years 2017, 2018, 2019.

6 External offices exercised by the leaders of the Group (on January 31, 2018)

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

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

6.1 Directors of Ethias SA

Name	Company	Registered office	Office exercised
Jacques Braggaar	Mutualité Solidaris Mons-Wallonie Picarde	Rue du Fort 48 7800 Ath	Director
Marc Descheemaecker	European Investment Bank	Boulevard Konrad Adenauer 98-100 L-2950 Luxembourg	Director
	Brussels Airport Company	Boulevard A. Reyers 80 1030 Brussels	Chairman of the Board of Directors
	De Lijn	Motstraat 20 2800 Mechelen	Chairman of the Board of Directors
	European Investment Fund	Avenue J.F. Kennedy 37b L-2968 Luxembourg	Director
	GIMV (Investment company - Listed company)	Karel Oomsstraat 37 2018 Antwerp	Director
	High Council for Diamond	Hoveniersstraat 22 2018 Antwerp	Independent director
	NMBS/SNCB	Rue de France 46 1060 Brussels	Director
Donnay Philippe	Walloon Agency for Export and Foreign Investment (AWEX)	Place Sainctelette 2 1080 Brussels	Vice-Chairman of the Board of Directors
	Federal Planning Bureau	Avenue des Arts 47-49 1000 Brussels	Planning Commissioner
	National Accounts Institute	Rue du Progrès 50 1210 Brussels	Director
	Reacfin	Place de l'Université 25 1348 Louvain-la-Neuve	Independent director
Henin Olivier	Brussels Airport Company	Boulevard A. Reyers 80 1030 Brussels	Director
	Eurogare	Place De Bronckaert 26 4000 Liège	Director
	Fedimmo	Chaussée de Wavre 1945 1160 Brussels	Chairman of the Board of Directors
	Lineas	Boulevard du roi Albert II 37 1030 Brussels	Director
	Sabena Aerospace Engineering	Avenue E. Mounier 2 1200 Brussels	Director
	NMBS/SNCB	Rue de France 56 1060 Brussels	Chief financial officer
	Federal Shareholding and Investment Company (Financial Holding)	Avenue Louise 54/1 1050 Brussels	Vice-Chairman of the Board of Directors
	Thi Factory	Place Marcel Broodthaers 4 1060 Brussels	Director
Meurant Marc	AMIFOR (Insurance company)	Galerie du Centre 1000 Brussels	Chairman of the Board of Directors
	BIA Group	Rue du Cerf 200 1332 Genval	Director
	CPH Life (Insurance company)	Rue Perdue 7 7500 Tournai	Director
	M.M.H. (Insurance company)	Boulevard A. de Fontaine 15 6000 Charleroi	Executive Director
	Smart Plan	Rue de Linthout 120 1040 Brussels	Chairman of the Board of Directors
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
Van Lierde Bruno	Buy Way (Credit institution)	Rue de l'Evêque 26 1000 Brussels	Chairman of the Board of Directors
	Look and Fin	Allée de la Recherche 12 1070 Brussels	Director
	Sopartec	Place de l'université 1 1348 Louvain-la-Neuve	Chairman of the Board of Directors
	Tempora	Rue des Anciens Etangs 44-46 1190 Brussels	Chairman of the Board of Directors
Van Varenbergh Myriam	Fluidda	Groeningenlei 132 2550 Kontich	Director
	Vandenbussche	Groendreef 21 9880 Aalter	Director

6.2 Effective leaders of Ethias SA

Name	Company	Registered office	Office exercised
Cécile Flandre	Elia Asset	Boulevard de l'Empereur 20 1000 Brussels	Director
	Elia System Operator (Listed company)	Boulevard de l'Empereur 20 1000 Brussels	Director
Philippe Lallemand	Techspace Aero	route de Liers 121 4041 Herstal	Director
	Wespavia (Financial holding)	avenue Maurice Destenay 13 4000 Liège	Director
Benoit Verwilghen	Fin.Co	Duboisstraat 48, 2060 Antwerp	Director

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

The Audit and Risk Committee is composed of five non-executive directors, amongst whom three independent directors. To strengthen the efficiency of this committee, the chairman and the vice-chairman of the Executive Committee, the CRO, the internal auditor and, where appropriate, the accredited statutory auditor also attend these meetings, but without being member.

The Audit and Risk Committee is chaired by Bruno van Lierde and is also composed of Ingrid Loos, Marc Descheemaecker, Philippe Donnay and Marc Meurant.

M. van Lierde is a graduate in law and economics (UC Louvain), and has completed the Stanford Executive Programme. He has extensive experience in financial services, having advised, as Senior Partner and Managing Director of the Boston Consulting Group, the general management of banks and insurance companies on strategy, mergers and acquisitions, organization, major change and performance improvement programmes. He is Chairman of the Board of Buy Way, Sopartec, Tempora, the International Chamber of Commerce (Belgium) and SOS Children's Villages (Belgium). He is a member of the Board of Directors of Look&Fin and Europe Hospitals (Cliniques de l'Europe). He is Professor of Strategy at the Solvay Brussels School of Economics and Management.

M. van Lierde meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

M. Descheemaecker has a degree in applied economics and a post-graduate degree in European Economic Studies. He was Managing Director of the SNCB, Executive Vice-President of the ISS group and Managing Director of ISS Belgium. He is currently Chairman of Brussels Airport Company and De Lijn, independent director of HRD Antwerp (Diamant High Council) and director of Vitrufin, the EIB, the EIF, GIMV and the SNCB, where he is also Chairman of the Audit Committee.

Mr. Donnay holds a licentiate and a master's degree in economics.

After having been a macro-economist at Banque Degroof Luxembourg, Chief Economist at the FEB and Chief of Staff - General and Strategic Policy Units of the Deputy Prime Minister and Minister of Employment and Equal Opportunities and the Deputy Prime Minister and Minister for the Interior and Equal Opportunities, he is currently Planning Commissioner. He is also an independent director of Reacfin, director of Vitrufin and of the National Accounts Institute, Vice-Chairman of AWEX, member of the High Council of Employment, the High Council of Finance, the Study Committee on Ageing, the Belgian Institute of Public Finance and Chairman of the Scientific Committee "Economic Budget".

He meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

Ms. Loos holds a degree in applied economics, a master in economics and a master in change management.

She has made a career in the financial sector by holding senior positions in credit granting, financial engineering, risk management and internal audit and as Secretary-General of Fortis. Ms. Loos is also an independent member of the audit committee of local authorities in the Flemish region and was a director at PwC Belgium advisory, practising corporate governance, risk management and internal control.

She meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

Mr. Meurant is a civil engineer in applied mathematics and has a degree in actuarial sciences.

He has acquired a solid experience in the insurance world, having been a member of the executive committee and then CEO of Winterthur-Europe Assurances for Belgium and Luxembourg. He was then CEO of CPH Life where he led the implementation of the SII regulation. He was also a director of BBL Life and BBL Insurance, Touring Assurances, Atelia, Verheyen, Winterhur Czech Republic and a member of the Executive Committee of Assuralia.

Mr. Meurant is also currently risk manager and executive director of MMH, Chairman of Smartplan, Amifor as well as director of CPH Life and BIA Group.

8 Justification for the independence and competence of the members of the Appointments and Remuneration Committee of Ethias SA

The Appointments and Remuneration Committee is composed of four non-executive directors. It is chaired by Myriam Van Varenbergh, Chair of the Board of Directors, and is also composed of Anne-Marie Seeuws, Jacques Braggaar and Olivier Henin.

Ms. Van Varenbergh has a law degree (and has also followed additional licentiates in tax law and corporate law). She works as a lawyer specializing in corporate law. For several years, Ms. Van Varenberg has been a member of the Board of Directors of various companies, including Fluidda NV and Vandenbussche NV, as well as the Flemish Regulator for the Media and the Luca School of Arts.

She is also a member of the Superior Council of Justice, of the Notary Nomination Commission and of the Flemish Council for Electoral Disputes. She was chair of the non-profit association “Amazone” and of the Council for Equal Opportunities between Men and Women.

She is currently still active in several associations, in particular as treasurer of the European Women Lawyers Association. She is also a member 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. He was Deputy Secretary General, member of the French-speaking and National Management Committee of UNMS, where he was in charge of human resources management of the Directorate-General, and director of several non-profit associations linked to mutual organizations. He was also a director and member of Sowaer's Nomination and Remuneration Committee. He is currently Secretary General of the Socialist Party. He is still a director of Solidaris. Mr. Braggaar has a thorough knowledge of Ethias, having been a director of Ethias Droit Commun (now EthiasCo). He is also a director-member of the executive committee of Vitrufin.

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 Chairman of Fedimmo, Vice-Chairman of the SFPI and Director of Brussels Airport, Sabena Aerospace Engineering, Thi Factory, Eurogare and Lineas. Mr. Henin is also Chairman of EthiasCo.

Ms. Seeuws has a degree in applied economics.

She has acquired solid experience in the insurance world, having been a director-member of the executive committee of Baloise Insurance, a director of Euromex Insurance, a director-member and then chair of the executive committee of Nateus Life Insurance, Nateus Insurance, Audi Insurance and a director of Nateus Netherlands and Korfina Insurance (representing Nateus).

She meets the independence criteria defined in Article 526 ter of the Belgian Company Code.

MANAGEMENT REPORT

1 The year 2017 in a number of dates and key facts

1.1 Strengthening solvency

The major efforts made by the company as a whole have borne fruit and have considerably improved the solvency II margin, which stood at 205% (*) before dividend at end-2017. After taking into account a dividend of 150 million euros that will be proposed to the General Assembly, and the forecast of an interim dividend of 118 million euros that should be decided by the Board of Directors during the second half of 2018, the SII ratio (not yet audited) amounts to 183% (*), compared to 146% at end-2016.

The financial recovery programme was accepted by the NBB on March 29, 2017. The regulator has confirmed that, given the result of the "Switch VI" operation (offering an exit premium of 25% upon full surrender) 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 could be considered as closed. Furthermore, considering the changes made to the company's risk profile following the "Switch VI" operation, the Bank has asked Ethias SA to provide an updated version of the restoration plan by November 30, 2017. This was communicated to the NBB within the aforementioned deadline and was not the subject of any comments from the NBB.

(*) not yet audited.

1.2 Signing of an agreement with the shareholders in May 2017

The shareholders wished to provide a prospect of stability in the shareholding for a period of 2 years. This commitment enables the company to refocus on its insurance business by further strengthening its business model for the benefit of all its stakeholders and at the service of its clients.

This decision is part of a global agreement, comprising mainly the following elements:

- The objective of simplifying the legal structures;
- Strengthening corporate governance;
- The reaffirmed willingness to maintain the two company offices (Liège and Hasselt) and to preserve the quality of the social relations that characterize the company.

1.3 Governance

Following agreements between shareholders (the "Saint Philippe" agreements) on May 8, 2017 and introducing an age limit of 70 years within the Board of Directors, four directors resigned (Erik De Lembre, Jean-Pierre Grafé, Willy Duron and Claude Desseille) and four new directors were appointed by the ordinary general assembly of May 17, 2017 (Myriam Van Varenbergh, Marc Descheemaecker, Philippe Donnay et Bruno van Lierde).

The by-laws of Ethias SA were also amended at the general assembly of October 11, 2017 to form the Board of Directors with twelve non-executive directors (including four independent directors) and four executive directors. The other two members of the Executive Committee (Brigitte Buyle and Luc Kranzen) resigned as executive directors as of October 11, 2017, remaining however permanent guests of the Board of Directors, without the right to vote. Four new non-executive directors were also appointed on this occasion (Kathleen Desmedt, Ingrid Loos, Marc Meurant and Anne-Marie Seeuws). As a result, the composition of the Board of Directors respects a linguistic parity as well as Article 518bis of the Companies Code relating to the gender of the directors.

In addition, the by-laws now provide for an age limit to exercising the term of office of director, set at 70 years. Any director is deemed to have resigned as of right on the date of his/her 70th birthday and is replaced by a new director.

1.4 Distribution of a dividend

At Ethias SA's General Assembly of May 17, 2017, it was decided to distribute a dividend of 45 million euros to the parent company Vitrufin in order to enable it to hold the necessary liquidities for the payment of the residual coupons relating to its senior loan of 278 million euros. A dividend of 150 million euros will also be proposed to the General Assembly of May 16, 2018. This payment, supplemented by an interim dividend of 118 million euros to be decided by the Board of Directors and paid in the second half of 2018, will allow Vitrufin to have the necessary cash to reimburse its senior loan in January 2019.

1.5 Acquisition and merger by absorption of Whestia

In 2017, Ethias SA, which already held 25% of Whestia's capital, acquired all the shares. After agreement by the NBB, the transfer of the shares and payment of the transfer price took place on April 3, 2017. The absorption merger of Whestia by Ethias took place on June 23, 2017, with retroactive effect as of January 1, 2017.

1.6 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 has recognized the improvement in Ethias' capital position and the reduction in its sensitivity to interest rates.

On June 27, 2017, Fitch raised the rating for financial strength to BBB+ with stable outlook so as to reflect the closure of the financial recovery programme.

1.7 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 closure of the commitments was officially confirmed by the Commission to the Belgian State on June 30, 2017.

1.8 "Switch VII" operation

Ethias wishes to definitively dispose of its FIRST A portfolio and has begun a divestiture process for the portfolio. If this sale is carried out, it will have no effect on the terms and conditions of the insurance contracts concerned. However, in the event of a transfer to a non-Belgian insurer in the European Economic Area, these contracts will lose the protection of up to EUR 100,000 granted by the Belgian Guarantee Fund.

In order to anticipate the reactions of the policyholders who might have benefited from the Switch VI action (2016) if they had become aware of this sale, Ethias decided to reiterate the action, by proposing again, within the framework of a "Switch VII" action taking place from May 29 to July 14, 2017, an exit premium equivalent to 25% of the mathematical reserve upon full surrender.

This operation was also a major success, with surrenders amounting to EUR 432 million for a gross cost of EUR 108 million. These surrenders have contributed to a significant improvement in the SII margin (estimated impact of +18%).

In addition, at 31/12/2017, Ethias anticipated the cost of the sale of the remaining FIRST A portfolio and thus recorded an estimated expense of EUR 106 million.

1.9 Acquisition of the “Work Accidents Law 1967” portfolio of Ethias DC AAM

In June 2017, Ethias SA began the process of acquiring the insurance portfolio “work accidents public sector” of Ethias Droit Commun AAM (Mutual Insurance Association).

This acquisition, realized for a price of 1.5 million euros, has come into effect on December 31, 2017, following the NBB’s agreement to the operation and the transformation of Ethias DC’s legal form into a Cooperative Company with Limited Liability. The new cooperative company is called "EthiasCo" whose activity is the holding of participating interests, the main one being Vitrufin SA.

The acquisition results in the termination of the service and reinsurance agreements between Ethias SA and Ethias Droit Commun AAM.

This transaction resulted in the recognition of another intangible asset of 33.5 million euros.

1.10 Ethias 2.0

A new organizational architecture, called Ethias 2.0, was put into place in September 2017 with the main objectives being more consistency, more efficiency and more agility, to definitely put the customer at the centre of the organization. In this context, the responsibilities of the Executive Committee, chaired by Philippe Lallemand, CEO, have been redistributed: Benoît Verwilghen, Vice CEO, is in charge of managing the “Client Center”, grouping all client-driven activities for the Public/Corporate Sector and Private Individuals (marketing, distribution channels, product development). Cécile Flandre was appointed as CFO, hence replacing Benoît Verwilghen, and Luc Kranzen is in charge of managing the “Services Center”, grouping all service-oriented activities for the Public/Corporate Sector and Private Individuals (claims management). Brigitte Buyle becomes Chief Digital Transformation Officer with IT as main responsibility. Frank Jeusette remains CRO.

1.11 Establishment of a Pension Financing Body

On May 30, 2017, Ethias obtained the approval of the FSMA to begin its management of legal and supplementary pension commitments and created a pension fund, called “Ethias Pension Fund” (OFP). The creation of this multi-employer and mixed pension fund hence allows Ethias to diversify its range of pension solutions.

On the one hand, Ethias has considered that, in the current context of the financial markets, the pension fund solution is of interest for the management of supplementary pension schemes for its own employees. Thus, just under 257 million euros were transferred at the beginning of July 2017.

On the other hand, by giving its pension fund a multi-employer character, Ethias seizes the opportunity to respond to market demands since the fund is open to any company or public body, subject to compliance with a membership procedure.

1.12 The market conditions in 2017

In 2017, global economic activity accelerated. It was mainly China and the improvement in the economic situation in the euro zone that contributed to this more sustained overall growth. The United States, despite the Trump administration's inability to push through its promised major reforms, has also experienced a somewhat more sustained growth than in previous years. The economy’s picture in 2017 is therefore quite good, but the financial markets have mainly focused on the monetary policies that have been conducted and the geopolitical tensions that have crossed the past year.

As promised at the end of 2016, the Fed raised its key rates three times in 2017. The ECB, for its part, announced a reduction in its asset purchase programme (QE). It also announced that its key rates would be maintained for some time after the end of the asset purchase programme.

In addition, 2017 has seen many political and geopolitical risks. In Europe, the Brexit negotiations are difficult and the two sides may not agree on exit conditions nor reach agreement before the official separation date set in March 2019. As regards the financial markets, in this context of good macroeconomic figures but with persistent geopolitical tensions and a cautious discourse of central banks, bond yields have experienced much volatility. In fact, the 10-year OLO rate went from 0.53% at the beginning of January to 0.82% at the end of July and then gradually declined following the ECB's announcements on the Quantitative Easing and the low inflation figures. It finally closed the year at 0.63%.

The German 10-year Bund also rebounded well in the first half, offering a return at its highest at 0.54% before ending the year at 0.43%.

For the peripheral countries, performances were disparate. Portugal benefited from its good economic performance and from the upgrade of its rating by S&P and Fitch. Italy, despite its political turbulences, saw its 10-year rate rise by 10 bps over the year to end at 2.02%. Spain, for its part, has suffered little from its dramatic management of the Catalan problem with a small increase of 19 bps for its rate, ending the year at 1.57%.

In corporate bond markets, the 5-year iTraxx index started the year at 72 bps and ended the year at 45 bps. The first half of the year was quite volatile. The second half of the year was less volatile with a continuing narrowing without major credit events. The year 2017 will have broken records in terms of new issues (primary market), companies continued to refinance their debt and took advantage of low financing rates.

Equity markets followed a bullish trend, mainly driven by an improving global economic environment, as well as good corporate earnings reports. In the United States, the S&P index was up +19.42% compared to last year. European equity markets have been a little more volatile. On the one hand, investors were reassured by the diminishing risk of a break-up of the European Union, while on the other, they were concerned at the possibility of a downward revision of the accommodating measures by the ECB at the beginning of the year’s second half. The Euro Stoxx 50 index closed the year at +6.49%.

At European sector level, technology stocks literally took off (+19.34% on the technology index), followed by "Commodities" (+19.34%), "Financial Holdings" (+17.13%) and industrial stocks (+14.70%). The only sectors with a negative performance were Telecoms (-3.63%), Retail (-2.96%), Media (-2.47%) and Oil (-2.15%).

1.13 Investment policy

As in previous years, the majority of the investments in 2017 were made in government bonds and corporate bonds. As in 2016, low visibility on the expected evolution of interest rates led us to invest gradually throughout the year. Derivative programmes to hedge against a decline in interest rates have been adjusted in line with ALM objectives.

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 (direct and indirect) property investments.

The "Switch VII" operation had a significant impact on the level of liquidities, which fell sharply. 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 Executive Committee on 12 December 2017. In its investment property, Ethias SA also prefers investments which strengthen its social role, such as investments in nursing and care homes.

1.14 2017 in key dates

10 January

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

8 February

Ethias has conducted surveys amongst a representative sample of its insured in the Public and Social Profit Sectors. The results show that 98% of these insurants are satisfied with Ethias. The majority of the respondents consider Ethias to be an easy-to-access, solution-oriented insurer providing an efficient service. The insurants also highlight and appreciate the company's Belgian identity and anchorage. These studies were carried out by external and independent agencies.

15 February

Ethias has launched its new website for all its B2B customers: the public sector, the social profit sector and the private sector.

15 February

Ethias has developed “Cyber Protection”, an insurance covering both civil liability (CL) and data protection following a cyberattack.

6 March

Ethias extends AssurPharma to claims management in the event of an occupational accident. Ethias is the first insurer to offer its insurants, in the context of occupational accidents, the possibility of electronic transmission for pharmaceutical costs.

8 March

Ethias embarks on social networks: a unique opportunity to position its brand and to connect with the insured on Facebook, YouTube, Twitter and LinkedIn.

9 March

Launching of reflections on Ethias 2.0 or how to make the organizational model evolve through a transformation plan whose objective is to reinforce the relevance of the Business Model and the anchoring in the market while solving the resources challenge.

10 March

Ethias has created the web series "Avec François, c’est pas chinois!". The goal ? Demystifying the world of insurance. Its content is educational and fun. The video capsules are based on the humorous style of "YouTubers" while keeping an eye on the information content.

20 March

The Board of Directors of Ethias S.A. has appointed Mr Philippe Lallemand as CEO.

29 March

The National Bank of Belgium (NBB) considers that the financial recovery programme implemented by Ethias SA has borne fruit and can therefore be considered as closed.

26 April

Ethias has won two Decavi Insurance Awards: one for its Family Insurance and the other one for its Tenant Insurance.

8 May

The Ethias shareholders have concluded an agreement to stabilize shareholding for a period of 2 years. This commitment enables the company to refocus on its insurance business by further strengthening its business model for the benefit of all stakeholders and at the service of its clients.

29 May

Ethias has initiated the necessary steps to sell its "FIRST" life insurance portfolio (first-generation contracts). Within this framework, Ethias offers its clients an exit premium of 25% upon full surrender.

29 May

Ethias has launched the "Guaranteed Income" insurance in case of illness or private accident for contractual and/or statutory civil servants. The employer provides his employees with a supplementary financial compensation in the event of incapacity for work, and this beyond the legal provisions provided for in this regard.

30 May

Ethias Pension Fund OFP, the pension fund set up by Ethias SA and Ethias Droit Commun AAM, has obtained the approval of the FSMA to begin its management activities for statutory and supplementary pension commitments.

26 June

In order to better meet the needs of its clients, Ethias has launched a new online service: myethias health care. Through this tool, clients can now view and consult their health care coverage, as well as the ones of family members. They can also easily send expense accounts and other medical expenses, track the status of their reimbursements and take note of our requests for additional information.

27 June

The rating agency Fitch has raised Ethias' rating to BBB+ (with stable outlook). It highlights the closure of the financial recovery programme, which has allowed to improve the Solvency II ratio (156.5% at 31 March 2017, coming from 115.7% at end-September 2016).

The European Commission closes the file on state aid commitments.

14 July

The “Switch VII" operation is closed (see 1.8 “Switch VII“ operation).

1 August

The Board of Directors of Ethias SA has appointed Ms. Cécile Flandre as CFO.

15 September

Ethias renews its 3-year partnership with Blue-bike.

In case of problems, Blue-bike users will be helped by Ethias Assistance: 16,971 Blue-bike trips per month in 2017, i.e. an increase of 25%. As part of its corporate social responsibility, Ethias puts soft mobility at the heart of its concerns. Hence, the partnership tied in 2014 with Blue-bike was an obvious step. It has now been extended for another 3 years. During the “Mobility Week” in Belgium (September 16-22), Ethias and Blue-bike join forces to reduce the carbon footprint of Belgians.

15 September

The new organizational architecture Ethias 2.0 has been deployed in the company (see 1.10 Ethias 2.0).

25 September

Ethias has developed a new third-party payment system for physiotherapy care in the event of an accident at work (“AssurKine”). Thanks to this service, Ethias reimburses the physiotherapist directly. The affiliate no longer has to send the health-care provided certificate by mail in order to obtain the reimbursement of his/her care.

25 September

Ethias has opened a new Concept Store office in Genk.

4 December

Ethias has opened a new Concept Store office in Merksem (Antwerp).

12 December

The Mobility Division of the Walloon Public Service Department has awarded the 5-star label to Ethias for its participation in the **"Tous Vélos Actifs”** project. Ethias has been a pilot entity of the initiative since 2012.

27 December

Ethias Droit Commun changes its name and function and becomes a cooperative company. It is now called EthiasCo and its mission is to manage participating interests, its insurance portfolio having been transferred to Ethias SA with effect from 31 December 2017.

2 Result of the financial year

The year 2017 records a consolidated profit of 161 million euros generated by the Non-Life business (299 million euros), the Life business (101 million euros) and the non-technical result (-239 million euros).

The Non-Life operating result amounts to EUR 264 million compared to EUR 235 million in 2016. This evolution is mainly due to the changes of group insurance schemes that occurred during 2016. We see a better claims ratio (low claims frequency for Car, and Fire products), the generalization of operational excellence to all of our processes, partially offset by the recognition of certain IT expenses as a result of technological ageing and the decommissioning of old systems as part of ongoing technological modernization and lower recurring financial income in 2017. Non-Life net result amounts to 299 million euros after taking into account non-recurring financial income for 35 M€.

The Life operating result grows and amounts to 78 million euros at end-2017 (versus 41 million euros at end-2016) despite an allocation to the provision for profit sharing amounting to 33 million euros (versus 21 million euros in 2016 mainly for ring-fenced funds of the 1st pillar). This increase is mainly due to the decrease in interest rates in branch 21 (from 2.58% in 2016 to 2.18% in 2017).

Life net result at end-2017 amounts to 101 million euros and is impacted by the following exceptional items: the impact of the cost related to the Switch VI and VII operations (-109 million euros), the impact of the LAT and shadow accounting (+90 million euros, mainly due to the early exit of the remaining FIRST A reserves) and other non-recurring items (51 million euros), mainly non-recurring financial income.

Non-technical result shows a negative after-tax contribution of -239 million euros compared to 105 million euros last year, affected by exceptional elements of -145 million euros (including the cost of the sale of the remaining FIRST A portfolio for 106 million euros) and by taxes amounting to -84 million euros.

2.1 Analysis of the results of the financial year

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

3 Assessment of Internal Control

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

In terms of control environment, Ethias:

- Ethias pays attention to the respect of the integrity and the ethical values it enshrines;
- Ethias aims at reaching its objectives through a clear definition of its organic structures and of the appropriate competences and responsibilities. Our Architecture 2.0 transformation plan meets this need;
- shows its commitment to attract, train and hold competent co-workers in accordance with the objectives of its multi-year plan;
- reinforces for each of its employees the duty to give account of his internal control responsibilities.

In terms of risk assessment:

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

- identifies and regularly assesses the changes that could have a significant impact on its internal control system.

In terms of controlling activities:

- 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:

- 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 Executive 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 the subject of the following actions in 2017:

- Governance improvement;
- Implementation of an Operational Excellence programme;
- Overhaul of all internal policies;
- Strengthening of independent monitoring functions.

4 Risk Governance

We refer to note 9 of the consolidated financial statements.

5 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 programmes 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 were still generally on a downward trend given the absence of major catastrophes worldwide and the substantial capacities available.

There has been little change in reinsurance programmes between 2016 and 2017. On the whole, our reinsurance cost is stable.

6 Information regarding environmental and staffing matters

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

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

7.1 Regulatory developments - SII

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 could have a material impact on the Solvency II ratios of companies.

7.2 Regulatory developments - GDPR

To protect individuals from cybercrime, a new European regulation on the protection of personal data (GDPR - General Data Protection Regulation) will come into force in May 2018.

The obligations arising from the GDPR induce a profound change in the way personal data are managed and protected. This regulation will apply to any European company that collects and processes data from its customers, suppliers and employees.

To comply with this law, it is essential to ensure transparent communication about the types of data stored, their use and the purpose. Moreover, personal data kept by the company must be perfectly protected, which implies in particular:

- Increased data transmission security between Ethias and its customers (websites, etc.), its external networks (doctors, experts, etc.), its suppliers (AssurCard, etc.);
- Data backup in a secure location;
- Identification of the persons within Ethias who have the right to access the data.

Ethias is actively working to comply with this regulation in order to be ready within the deadline, through the implementation of a transversal action plan including the establishment of an ad hoc governance, raising awareness amongst all employees of data protection issues, determining the obligations of our subcontractors and partners with regard to the GDPR, implementing data confidentiality principles, analyzing risks and securing our data processing.

7.3 Technological developments

Ethias has embarked on a major technological transformation programme 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 programme also includes the modernization of the IT architecture supporting the Non-Life business through the Guidewire application, the development of robots enabling the automation of certain tasks and the deployment of supplementary CRM tools.

To prepare for the integration and use of Guidewire within Ethias, an implementation programme 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 programme also focuses on accompanying measures and training needed to facilitate this transformation.

The investments made in the IT projects “Century”, “Digital”, "CRM” and “modernization of the architecture” over the last 3 years, until the end of 2017, amount to 69.5 million euros.

8 Research & Development

In terms of innovation, 2017 was a particularly productive year:

- In February 2017, Ethias launched “**Cyber Protection**”, an insurance covering both civil liability (CL) and data protection following a cyberattack.
- In March 2017, Ethias created the **web series** "Avec François, c’est pas chinois!" on YouTube to demystify and simplify the insurance world in a didactic and fun way.
- In May 2017, Ethias launched the **"Guaranteed Income" insurance** in case of illness or private accident for contractual and/or statutory civil servants. The employer provides his employees with a supplementary financial compensation in the event of incapacity for work, and this beyond the legal provisions provided for in this regard.
- In June 2017, Ethias developed a new online service: **myethias healthcare**. Through this tool, clients can now view and consult their health care coverage, as well as the ones of family members. They can also easily send expense accounts and other medical expenses, track the status of their reimbursements and take note of requests for additional information. This new service is available free of charge to beneficiaries of a group health care insurance, taken out by their employer, and to clients who have taken out hospital insurance on an individual basis.

- In September 2017, Ethias introduced a new third-party payment system for physiotherapy care in the event of an accident at work (“**AssurKine**”). Thanks to this service, Ethias reimburses the physiotherapist directly and the affiliate no longer has to send a certificate of care by mail to obtain the reimbursement.

9 Other activities of the Group

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

This year, the results of the "Global Equities" and "High Yield" sub-funds developed favourably. As at 31 December 2017, the "Global Equities" sub-fund posted a result for the financial year of 2,768 thousand euros and is clearly increasing compared to 31 December 2016 (439 thousand euros). As for the "High Yield" sub-fund, its financial year result went from 2,532 thousand euros in 2016 to 16,784 thousand euros in 2017.

Ethias Sustainable Investment Fund shows a performance of 15% (19,552 thousand euros out of 129,637 thousand euros in assets), higher than the capitalised Euro Stoxx index, SXXT (+12.55%) mainly due to the improvement in the global economic context.

As for the NRB Group, several important elements have influenced the course of business:

- The start of activities in the new Data Centre will allow to develop server hosting and storage activities, but also to better meet the Disaster Recovery requirements of customers and regulators;
- The signing of a cloud infrastructure and mainframe services contract with IBM, which gives NRB a considerable technological lead over its competitors;
- The implementation of the "B1" plan within Xperthis;
- The implementation of several large-scale projects within the Adinfo Group and
- A new 2017-2022 Industrial Plan with an objective of growth and quality for services provided.

Within the framework of this new Industrial Plan, 6 product and solution priorities have been defined:

1. Hybrid Cloud (and distributed infrastructure): The ambition is to become the first Hybrid Cloud integrator in the BeLux as a broker
2. Mainframe: the ambition is to maintain leadership in the BeLux market and win new customers through a comprehensive service offering and a superior service quality.
3. SAP: NRB wants to become SAP's #1 partner in the cloud with a focus on the public sector and utilities.
4. Emerging services: NRB has invested in a Big Data-as-a-Service offer
5. In Application services, the hybrid Delivery model allows NRB to be the first Java Software Factory in Belgium.
6. Finally, with the subsidiaries, NRB positions itself as a provider of high-added value digital solutions for specific sectors, such as the Insurance, Energy and Public Utilities, Public and Social sectors and Healthcare.

The NRB sub-group contributes 7.4 million euros to the consolidated result, after elimination of intra-group transactions, including 2.4 million euros in third-party interests.

10 Events occurring after the closing on 31/12/2017

On April 16, 2018, Ethias concluded a sale agreement relating to its remaining FIRST A portfolio with a non-Belgian insurer from the European Economic Area, implying that the aforementioned contracts lose the benefit of the protection of up to 100,000 euros granted by the Belgian Guarantee Fund. This sale is subject to the approval of the Belgian regulator. The closing should take place before the end of 2018. Ethias will manage the transferred contracts for a maximum period of 2 years. The impact of this transaction has been provisioned in the 2017 financial statements for 106 million euros.

O. Hinin
Director

K. Van Bom
Director

CONSOLIDATED FINANCIAL STATEMENTS

In order to ensure consistency between the valuation method used in Solvency II and the valuation method used in IFRS, we have included in IFRS, since the 1st of January 2017, the “Accrued Interests Not Yet Due” in the value of the corresponding asset or liability.

In order to improve the comparability of information between periods, we present in this Consolidated Financial Statement a third statement of financial position as at the beginning of the previous period, as required by the IAS 1 standard § 40-44.

In several other financial statements, we also present the restated previous period in order to facilitate comparability of the two periods.

In Statement 1 "Consolidated Balance Sheet", compared to the publication of December 31, 2016, the “Accrued Interests Not Yet Due”, EUR 227 million (EUR 245 million at December 31, 2015), which were included under "Other assets", have been reclassified under the headings "Available-for-sale financial assets" for EUR 215 million (EUR 231 million at December 31, 2015), at the level of the heading "Financial assets at fair value through profit or loss" for EUR 9 million (EUR 11 million at 31 December 2015) and at the level of the heading "Loans, deposits and other financial investments recognized at amortized cost” for EUR 3 million (EUR 3 million at December 31, 2015).

On the liabilities side, the “Accrued Interests Not Yet Due”, EUR 21.8 million (EUR 12 million at December 31, 2015), which were included under "Other liabilities", have been reclassified under the headings "Subordinated debts" for EUR 21.9 million (EUR 12 million at December 31, 2015) and at the level of the heading “Other financial debts” for EUR -0,1 million (Accrued Interests Not Yet Due on the repos).

For the other financial statements, when this reclassification has an impact on the table presented, you will find the amounts restated at the level of the reference column with the words "restated".

1 Consolidated balance sheet

In thousands of euros	Notes	31 December 2017	31 December 2016 restated	31 December 2015 restated
Assets				
Goodwill	11.1	**59,844**	**44,762**	**44,762**
Other intangible assets	11.2	**113,170**	**93,797**	**45,965**
Operational buildings and other tangible fixed assets	11.6	**145,050**	**139,648**	**136,517**
Investment in associates	11.3	**471**	**496**	**-**
Investment properties	11.6	**487,806**	**495,366**	**432,640**
Financial assets available for sale	11.4	14,429,482	14,203,682	14,053,579
Financial assets at fair value through profit and loss	11.4	855,175	832,850	873,213
Loans, deposits and other financial investments recognized at amortized cost	11.4	593,839	654,864	848,989
Derivative financial instruments	11.5	7,443	75,346	22,986
Investments belonging to unit-linked insurance contracts		810,550	408,389	359,078
Financial investments		**16,696,488**	**16,175,131**	**16,157,845**
Reinsurers' share of technical provisions	11.13	**131,971**	**121,543**	**134,123**
Deferred tax assets	11.10	**346**	**73,764**	**170,096**
Receivables arising from insurance operations or accepted reinsurance	11.7	**211,544**	**1,344,241**	**1,291,136**
Receivables arising from ceded reinsurance operations	11.7	**91,153**	**64,359**	**57,001**
Other receivables	11.7	**152,723**	**178,872**	**277,527**
Any other assets	11.8	**24,377**	**15,305**	**13,081**
Cash and cash equivalents	11.9	**640,484**	**751,336**	**1,086,762**
Assets available for sale including assets from discontinued operations	11.11	**-**	**-**	**-**
Total assets		**18,755,425**	**19,498,621**	**19,847,455**
Liabilities				
Share capital		1,000,000	1,000,000	1,000,000
Reserves and retained earnings		935,708	556,801	(30,726)
Net profit (loss) of the period		158,054	423,907	632,526
Other items of comprehensive income		381,315	276,671	233,041
Equity of the Group		**2,475,077**	**2,257,379**	**1,834,842**
Non-controlling interests		**45,490**	**47,502**	**34,578**
Total equity	11.12	**2,520,567**	**2,304,881**	**1,869,420**
Insurance contract liabilities		8,612,319	8,540,857	8,606,896
Investment contract liabilities with discretionary participation features		4,945,948	6,196,708	7,351,547
Investment contract liabilities without discretionary participation features		3,657	3,894	3,904
Liabilities belonging to unit-linked insurance contracts		810,550	408,389	359,078
Profit sharing liabilities		34,534	24,070	37,796
Insurance and investment contract liabilities	11.13	**14,407,008**	**15,173,917**	**16,359,222**
Subordinated debts	11.14	**478,807**	**475,774**	**466,417**
Other financial debts	11.14	**402,606**	**387,102**	**56,095**
Employee benefits	11.16	**285,896**	**534,863**	**502,129**
Provisions	11.15	**150,291**	**29,796**	**62,799**
Derivative financial instruments	11.5	**4,868**	**8,014**	**19,958**
Tax payables	11.17	**30,461**	**52,168**	**49,168**
Deferred tax liabilities	11.10	**34,491**	**21,534**	**59**
Liabilities from operating activities	11.17	**231,852**	**226,556**	**215,463**
Other payables	11.17	**208,579**	**284,016**	**246,724**
Liabilities related to assets available for sale and discontinued operations	11.11	**-**	**-**	**-**
Total other liabilities		**16,234,858**	**17,193,740**	**17,978,035**
Total liabilities		**18,755,425**	**19,498,621**	**19,847,455**

The statements and notes 1 to 12 form an integral part of the consolidated financial IFRS statements as at 31 December 2017.

2 Consolidated income statement

In thousands of euros	Notes	31 December 2017	31 December 2016
Gross premiums		2,439,530	2,405,792
Premiums ceded to reinsurers		(30,921)	(36,798)
Change in the provision for unearned premiums and outstanding risks [a]		(2,013)	(17,226)
Other income from insurance activities		5,287	5,590
Revenues from insurance activities [a]	12.1	**2,411,882**	**2,357,359**
Revenues from other activities	12.4	259,211	489,765
Revenues		**2,671,093**	**2,847,123**
Net revenues from investments		478,900	539,250
Net realized gains or losses on investments		84,769	62,462
Change in fair value of investments through profit and loss [b]		44,692	(1,715)
Net financial income	12.5	**608,361**	**599,997**
NET REVENUES		**3,279,454**	**3,447,120**
Insurance service expenses		2,273,571	2,326,341
Net expenses or revenues ceded to reinsurers		(7,032)	(15,127)
Management costs [c]		287,410	273,655
Technical expenses for insurance activities	12.2	**2,553,948**	**2,584,869**
Expenses for other activities	12.4	424,962	305,725
Operating expenses		**2,978,910**	**2,890,594**
Change in depreciation and amortization on investments (net)	12.5	9,700	(9,645)
Other investment financial expenses	12.5	15,404	13,674
Finance costs	12.6	30,307	30,314
Financial expenses		**55,411**	**34,344**
NET EXPENSES		**3,034,321**	**2,924,938**
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		**245,133**	**522,183**
Income taxes	12.9	(84,391)	(97,922)
NET INCOME AFTER TAX		**160,742**	**424,261**
Share of the associates in the result		(26)	(4)
Net profit (loss) from discontinued operations		-	-
Net consolidated profit (loss) attributable to:		**160,716**	**424,257**
Group's share		158,054	423,907
Non-controlling interests		2,662	350

a) Net of reinsurance

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

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

3 Statement of consolidated comprehensive income

In thousands of euros	31 December 2017	31 December 2016
NET CONSOLIDATED PROFIT (LOSS)	**160,716**	**424,257**
Actuarial gains and losses on defined benefit pension liabilities	843	2,538
Tax on other items that will not be subsequently reclassified to the net profit (loss)	(1,445)	(863)
Items that will not be subsequently reclassified to the net profit (loss)	**(602)**	**1,675**
Change in fair value of financial assets available for sale	171,549	(47,382)
Change in fair value of derivative instruments designated as cash flow hedges	(60,980)	118,431
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	(5,323)	(29,094)
Items that could be subsequently reclassified to the net profit (loss)	**105,246**	**41,955**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**104,644**	**43,630**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**265,360**	**467,887**
Group's share	262,698	467,537
Non-controlling interests	2,662	350

4 Consolidated cash flows statement

In thousands of euros	Notes	31 December 2017	31 December 2016 restated
Net profit (loss) before tax (Total 1)		**245,133**	**522,183**
Depreciations and impairments on intangible and tangible assets	11.2, 11.6	69,894	27,347
Change in depreciations on financial instruments and investment properties	11.4, 12.5	9,700	(9,645)
Change in fair value on investments through profit or loss	11.4, 12.5	(44,692)	1,715
Provisions for risks and expenses, and other liabilities	11.15, 12.8	146,481	26,955
Change in provisions of insurance and investments contracts	11.13	(351,830)	(1,213,723)
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(484,021)	(503,647)
Corrections of the amounts that do not impact cash flows (Total 2)		**(654,469)**	**(1,670,999)**
Dividends and instalments on earned dividends		23,423	29,385
Earned financial income	12.5	421,633	472,890
Use of provision for employee benefits		(274,389)	(28,411)
Change in current receivables and debts	11.7, 11.17	876,266	45,002
Change in liabilities from insurance and investments contracts		(1,568)	(31,649)
Tax paid		(11,490)	36,666
Other changes (Total 3)		**1,033,875**	**523,883**
Net cash flows from operating activities (Total 1+2+3)		**624,539**	**(624,933)**
Shares in subsidiaries, net of acquired cash in hand	6.5.1	(460)	(24,333)
Acquisition of financial assets and investment properties	11.4, 11.6	(3,375,254)	(3,062,408)
Acquisition of intangible and tangible fixed assets	11.2, 11.6	(98,869)	(85,688)
Disposals of shares in subsidiaries, net of transferred cash	6.5.2	(408)	-
Disposals of financial assets and investment properties	11.4, 11.6	2,789,965	3,226,124
Disposals of intangible and tangible fixed assets	11.2, 11.6	7,822	4,711
Net cash flows from investing activities		**(677,203)**	**58,406**
Subscription to capital increase		-	-
Capital refund		-	(6,631)
Dividends paid by the parent company		(45,000)	(45,000)
Dividends paid to third parties		(4,386)	(4,954)
Issues of financial liabilities	11.14	12,185	157,476
Refund of financial liabilities	11.14	(3,222)	(168,703)
Interests paid on financial liabilities	12.6	(27,300)	(17,917)
Net cash flows from financing activities		**(67,723)**	**(85,729)**
Total cash flows		**(120,387)**	**(652,256)**
Cash or cash equivalents at the beginning of the period	11.9	**415,012**	**1,067,202**
Cash or cash equivalents at the end of the period	11.9	**297,621**	**415,012**
Change in the cash accounts		(120,387)	(652,256)
Impacts of exchange rate differences of foreign currency and of other transactions		2,972	21
Changes in accrued interests not yet due on cash equivalents		24	46
Change in cash		**(117,391)**	**(652,190)**

In the "Impacts of exchange rate differences of foreign currency and of **other transactions**", we find mainly the cash acquired during the merger of Whestia (3,092 thousand euros).

5 Consolidated statement of changes in equity

In thousands of euros	31 December 2017						
	Subscribed capital	Result carried forward	Financial assets available for sale	Other	Equity of the Group	Non-controlling interests	Total equity
Equity as of 1 January	**1,000,000**	**980,708**	**211,085**	**65,586**	**2,257,379**	**47,502**	**2,304,881**
Net consolidated profit (loss) attributable to:	-	158,054	-	-	158,054	2,662	160,716
Total of other items of comprehensive income	-	-	140,865	(36,221)	104,644	-	104,644
Net consolidated comprehensive income	**-**	**158,054**	**140,865**	**(36,221)**	**262,698**	**2,662**	**265,360**
Capital movements	-	-	-	-	-	-	-
Dividends	-	(45,000)	-	-	(45,000)	(4,386)	(49,386)
Change in the consolidation scope	-	-	-	-	-	(288)	(288)
Other movements	-	-	-	-	-	-	-
Equity as of 31 December	**1,000,000**	**1,093,762**	**351,950**	**29,365**	**2,475,077**	**45,490**	**2,520,567**

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

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

The column "Others" mainly includes the reserve for actuarial gains and losses on pension obligations and the revaluations of the derivative hedging instruments (both net of taxes).

At the General Assembly of Ethias SA on May 17, 2017, it was decided to distribute a dividend of EUR 45 million to the parent company Vitrufin SA. The dividends distributed for an amount of EUR 4,386 thousand (compared to EUR 4,954 thousand on 31 December 2016) mainly consist of dividends distributed outside of the Group by the NRB subgroup.

6 General information

6.1 The Group

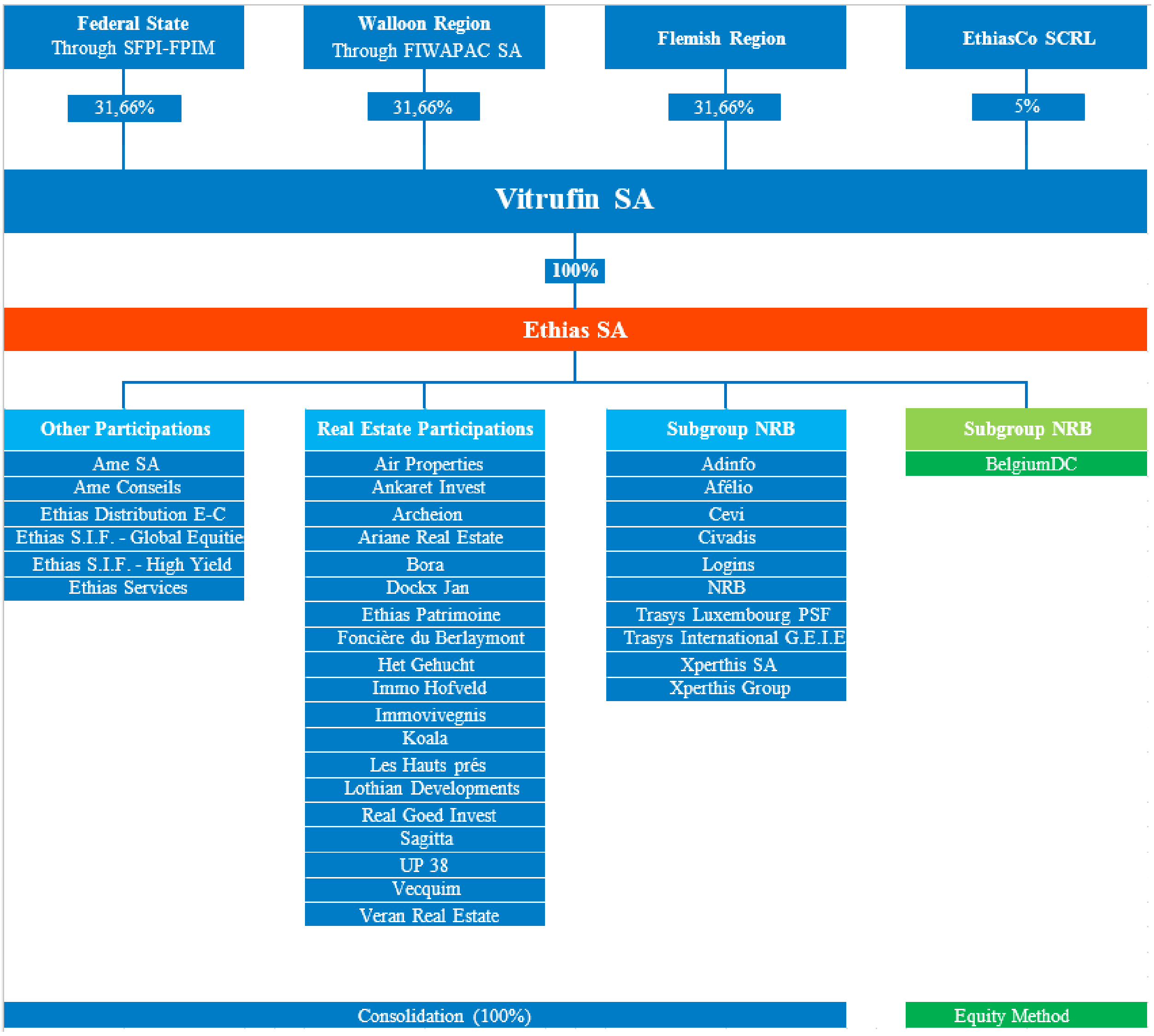
Ethias SA is the consolidating company of the Ethias Group.

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

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

The Group employs 3.171 people on 31 December 2017 compared to 3.245 on 31 December 2016.

Its legal structure is as follows:



On December 27, 2017, Ethias Droit Commun AAM (mutual insurance association) changes its name, function and becomes a cooperative company, EthiasCo SCRL.

Following the amendment of the shareholder's agreement, EthiasCo diluted its participation by a share transfer to the other 3 shareholders.

6.2 Consolidation scope

6.2.1 List of the consolidated subsidiaries

	31 December 2017					31 December 2016		
	Country	Sector	Currency	Integration percentage	Control percentage	Integration percentage	Control percentage	Change in scope
Consolidating company:								
Ethias SA	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	
Consolidated companies with 100 % consolidation:								
Ame SA	Belgium	Holding	EUR	100.00%	100.00%	100.00%	100.00%	
Ame Conseils	Luxembourg	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Distribution E-C	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Sustainable Invest. Fund - Global Equities	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Sustainable Invest. Fund - High Yield	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Services	Belgium	Other	EUR	99.90%	99.90%	99.90%	99.90%	
Air Properties	Belgium	Real estate	EUR	51.00%	51.00%	51.00%	51.00%	
Ankaret Invest	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ariane Real Estate	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Bora	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Archeion (former Développement Cauchy)	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Dockx Jan	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Patrimoine	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Foncière du Berlaymont	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Real Goed Invest (former Goed Arthur)	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	Change of name
Het Gehucht	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Immo Hofveld	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Immovivegnis	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Koala	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Les Hauts prés	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Lothian Developments IV	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Real Property Invest	Belgium	Real estate	EUR	0.00%	0.00%	100.00%	100.00%	Absorbed by Real Goed Invest
Sagitta	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sire Holding	Belgium	Real estate	EUR	0.00%	-	100.00%	100.00%	Deconsolidation
UP 38	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Vecquim	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Veran Real Estate	Belgium	Real estate	EUR	100.00%	100.00%	100.00%	100.00%	
Adinfo	Belgium	IT	EUR	34.88%	51.00%	34.88%	51.00%	
Afelio	Belgium	IT	EUR	68.36%	100.00%	51.36%	75.10%	Change in percentage of ownership
Cevi	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Ciges	Belgium	IT	EUR	0.00%	0.00%	37.61%	100.00%	Absorbed by Xperthis
Civadis	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Logins	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
NRB	Belgium	IT	EUR	68.39%	68.39%	68.39%	68.39%	
Trasys Group	Belgium	IT	EUR	0.00%	0.00%	68.39%	100.00%	Absorbed by NRB
Trasys SA	Belgium	IT	EUR	0.00%	0.00%	68.39%	100.00%	Absorbed by NRB
Trasys International G.E.I.E.	Belgium	IT	EUR	68.39%	100.00%	68.39%	100.00%	
Trasys Luxembourg PSF	Luxembourg	IT	EUR	68.39%	100.00%	68.39%	100.00%	

Trasys Technology	Belgium	IT	EUR	0.00%	0.00%	68.39%	100.00%	Absorbed by NRB
Xperthis (former Xtenso)	Belgium	IT	EUR	37.61%	100.00%	37.61%	100.00%	
Xperthis Group	Belgium	IT	EUR	37.61%	55.00%	37.61%	55.00%	
Associates and equity method:								
BelgiumDC	Belgium	IT	EUR	34.19%	50.00%	34.19%	50.00%	

6.2.2 List of the non-consolidated subsidiaries

	31 December 2017				31 December 2016	
	Country	**Sector**	**Currency**	**Percentage of ownership**	**Percentage of ownership**	**Change in scope**
Assurcard	Belgium	Insurance	EUR	20.00%	20.00%	
Aviabel	Belgium	Insurance	EUR	0.00%	24.70%	Cession
Whestia	Belgium	Insurance	EUR	0.00%	25.10%	Absorption by Ethias SA
BC Meetjesland-Maldegem	Belgium	Other	EUR	27.59%	27.58%	
BC Regio Geraardsbergen	Belgium	Other	EUR	27.12%	27.12%	
Epimède	Belgium	Other	EUR	20.00%	20.00%	
L'Ouvrier Chez Lui	Belgium	Other	EUR	63.58%	63.58%	
Palais des Expositions de Charleroi s.c.	Belgium	Other	EUR	23.03%	23.04%	
NEB Participations (former Ecetia Participations)	Belgium	Other	EUR	29.43%	29.43%	
Ariane Building	Belgium	Real estate	EUR	25.00%	25.00%	
Cerep Loi 1	Belgium	Real estate	EUR	35.00%	35.00%	
NEB Foncière (former Ecetia Immobilier)	Belgium	Real estate	EUR	29.41%	29.41%	
Sire Holding	Belgium	Real estate	EUR	100.00%	-	Deconsolidation
Thier sur la Fontaine	Belgium	Real estate	EUR	0.00%	45.00%	Cession
Vital Building	Belgium	Real estate	EUR	50.00%	50.00%	
Skarabee	Belgium	IT	EUR	31.25%	31.25%	

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

6.3 Presentation of the NRB subgroup

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

6.3.1 Consolidated balance sheet

In thousands of euros	31 December 2017	31 December 2016
Assets		
Goodwill	**59,313**	**59,313**
Other intangible assets	**10,010**	**17,938**
Operational buildings and other tangible fixed assets	**46,858**	**43,058**
Investment in associates	**471**	**496**
Investment properties	**1,227**	**1,637**
Financial assets available for sale	232	232
Financial assets at fair value through profit and loss	26,891	26,402
Loans, deposits and other financial investments recognized at amortized cost	1,892	1,897
Financial investments	**29,015**	**28,532**
Reinsurers' share of technical provisions	**-**	**-**
Deferred tax assets	**25**	**324**
Receivables arising from insurance operations or accepted reinsurance	**-**	**-**
Receivables arising from ceded reinsurance operations	**-**	**-**
Other receivables	**70,782**	**80,441**
Any other assets	**22,259**	**13,205**
Cash and cash equivalents	**22,467**	**18,666**
Assets available for sale including assets from discontinued operations	**-**	**-**
Total assets	**262,426**	**263,612**
Liabilities		
Share capital	16,837	16,837
Reserves and retained earnings	88,045	84,372
Net profit (loss) of the period	7,695	13,674
Other items of comprehensive income	2	2
Equity of the Group	**112,579**	**114,884**
Non-controlling interests	**15,055**	**16,488**
Total equity	**127,634**	**131,372**
Insurance and investment contract liabilities	**-**	**-**
Subordinated debts	**-**	**-**
Other financial debts	**38,914**	**29,951**
Employee benefits	**6,504**	**6,679**
Provisions	**606**	**1,072**
Derivative financial instruments	**-**	**-**
Tax payables	**5,807**	**8,569**
Deferred tax liabilities	**212**	**748**
Liabilities from operating activities	**-**	**-**
Other payables	**82,747**	**85,221**
Liabilities related to assets available for sale and discontinued operations	**-**	**-**
Total other liabilities	**134,792**	**132,240**
Total liabilities	**262,426**	**263,612**

6.3.2 Consolidated income statement

In thousands of euros	31 December 2017	31 December 2016
Revenues from insurance activities [a]	**-**	**-**
Revenues from other activities	281,134	294,054
Revenues	**281,134**	**294,054**
Net revenues from investments	948	743
Net realized gains or losses on investments	12	(179)
Change in fair value of investments through profit and loss [b]	880	614
Net financial income	**1,840**	**1,178**
NET REVENUES	**282,974**	**295,233**
Insurance service expenses	-	-
Management costs [c]	-	-
Technical expenses for insurance activities	**-**	**-**
Expenses for other activities	266,136	270,332
Operating expenses	**266,136**	**270,332**
Change in depreciation and amortization on investments (net)	410	410
Other investment financial expenses	1,130	547
Finance costs	278	315
Financial expenses	**1,819**	**1,273**
NET EXPENSES	**267,955**	**271,605**
Goodwill impairment	-	-
NET PROFIT (LOSS) BEFORE TAX	**15,019**	**23,628**
Income taxes	(7,312)	(8,482)
NET INCOME AFTER TAX	**7,707**	**15,146**
Share of the associates in the result	(26)	(4)
Net consolidated profit (loss) attributable to:	**7,682**	**15,142**
Group's share	7,695	13,674
Non-controlling interests	(14)	1,468

a) Net of reinsurance

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

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

6.3.3 Statement of consolidated comprehensive income

In thousands of euros	31 December 2017	31 December 2016
NET CONSOLIDATED PROFIT (LOSS)	**7,682**	**15,142**
Actuarial gains and losses on defined benefit pension liabilities	-	-
Other items that will not be subsequently reclassified to the net profit (loss)	-	-
Other items of comprehensive income from companies accounted for using the equity method that will not be subsequently reclassified to the net profit (loss)	-	-
Change in fair value of assets/liabilities available for sale	-	-
Tax on other items that will not be subsequently reclassified to the net profit (loss)	-	-
Items that will not be subsequently reclassified to the net profit (loss)	**-**	**-**
Change in fair value of financial assets available for sale	-	-
Change in fair value of derivative instruments designated as cash flow hedges	-	-
Currency translation adjustments related to foreign activities	-	-
Gains and losses related to associates	-	-
Other gains and losses recognized in other items of comprehensive income	-	-
Other items that will not be subsequently reclassified to the net profit (loss)	-	-
Other items of comprehensive income from companies accounted for using the equity method that will be subsequently reclassified to the net (profit) loss	-	-
Change in fair value of assets/liabilities available for sale	-	-
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	-	-
Items that could be subsequently reclassified to the net profit (loss)	**-**	**-**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**-**	**-**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**7,682**	**15,142**
Group's share	7,695	13,674
Non-controlling interests	(14)	1,468

6.4 Sector information

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

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

- Segment "Individuals Non-Life": the income of this segment primarily comes from premiums received for coverage against damage to vehicles and homes, for family insurance as well as assistance insurance.
- Segment Life Individuals: Ethias sells outstanding balance insurances, following the absorption of Whestia (see “Management report - 1.4. Acquisition and merger by absorption of Whestia”). Most of the other insurance products are put into run-off. Nevertheless, the Group wishing to offer its customers a comprehensive range of financial products, continues to market the insurance products of Branch 21 - CertiFlex-8 and Rent - in partnership with the insurance company "Integrale".
- Segment "Public Bodies & Companies Non-Life": this segment mainly covers the risks for public services and their staff members for whom the Group offers since long guarantees, such as civil liability, health care, work accidents, sporting accidents, vehicle, assistance, etc. The Group also covers the damage to or destruction of material, buildings and installations.
- Segment "Public Bodies & Companies Life": this segment covers pension and contribution insurances, group insurances, individual pension commitments, director's insurances, annuity contracts, etc. This segment also covers the supplementary pension for contractual staff members of the public sector.
- The segment "Other" includes the Non-Technical activity of Ethias SA and other activities of the Group which primarily come from IT activities, including the design, development and marketing of IT solutions, real estate activities through the Group's real estate SPVs and, finally, financial activities through the SICAV "Ethias Sustainable Investment Fund".

The results of the segments for the years ended on 31 December 2017 and 2016 respectively are detailed below:

		PUBLIC BODIES & COM-PANIES	PUBLIC BODIES & COM-PANIES	INDIVI-DUALS	INDIVI-DUALS	OTHER	Statutory income statement B-Gaap	ADJUST-MENTS	Consolidated income statement IFRS
In thousands of euros	**Notes**	NON-LIFE	LIFE	NON-LIFE	LIFE	NON-TECH-NICAL	**31 December 2017**	Total Adjustments	**31 December 2017**
Gross premiums	12.1	756,549	1,093,771	577,419	56,687	-	2,484,427	(44,897)	2,439,530
Premiums ceded to reinsurers	12.3	(21,878)	(2,102)	(6,920)	(5)	-	(30,905)	(16)	(30,921)
Change in the provision for unearned premiums and outstanding risks [(a)]		(1,585)	-	(444)	-	-	(2,029)	16	(2,013)
Other income from insurance activities		558	901	597	3,246	-	5,302	(15)	5,287
Revenues from insurance activities [(a)]	12.1	**733,644**	**1,092,570**	**570,652**	**59,928**	**-**	**2,456,795**	**(44,912)**	**2,411,882**
Revenues from other activities	12.4	-	-	-	-	412,298	412,298	(153,087)	259,211
Revenues		**733,644**	**1,092,570**	**570,652**	**59,928**	**412,298**	**2,869,093**	**(198,000)**	**2,671,093**
Net revenues from investments		84,309	338,037	40,802	101,900	19,140	584,188	(105,288)	478,900
Net realized gains or losses on investments		-	-	-	-	7,177	7,177	77,592	84,769
Change in fair value of investments through profit and loss [(b)]		-	-	-	-	6,894	6,894	37,798	44,692
Net financial income	12.5	**84,309**	**338,037**	**40,802**	**101,900**	**33,210**	**598,259**	**10,103**	**608,361**
NET REVENUES		**817,953**	**1,430,608**	**611,454**	**161,828**	**445,508**	**3,467,351**	**(187,897)**	**3,279,454**
Insurance service expenses		619,617	1,318,415	298,673	204,723	-	2,441,428	(167,858)	2,273,571
Net expenses or revenues ceded to reinsurers	12.3	(6,694)	(3,156)	2,790	-	-	(7,059)	27	(7,032)
Management costs [(c)]		138,017	32,194	132,528	16,540	-	319,279	(31,869)	287,410
Technical expenses for insurance activities	12.2	**750,940**	**1,347,453**	**433,991**	**221,264**	**-**	**2,753,647**	**(199,699)**	**2,553,948**
Expenses for other activities	12.4	-	-	-	-	546,806	546,806	(121,844)	424,962
Operating expenses		**750,940**	**1,347,453**	**433,991**	**221,264**	**546,806**	**3,300,453**	**(321,543)**	**2,978,910**
Change in depreciation and amortization on investments (net)	12.5	-	-	-	-	8,427	8,427	1,273	9,700
Other investment financial expenses	12.5	-	-	-	-	2,820	2,820	12,584	15,404
Finance costs	12.6	-	-	-	-	8,837	8,837	21,470	30,307
Financial expenses		**-**	**-**	**-**	**-**	**20,085**	**20,085**	**35,326**	**55,411**
NET EXPENSES		**750,940**	**1,347,453**	**433,991**	**221,264**	**566,891**	**3,320,538**	**(286,217)**	**3,034,321**
Goodwill impairment		-	-	-	-	-	-	-	-
NET PROFIT (LOSS) BEFORE TAX		**67,013**	**83,155**	**177,463**	**(59,435)**	**(121,382)**	**146,813**	**98,320**	**245,133**
Income taxes	12.9	-	-	-	-	(11,303)	(11,303)	(73,088)	(84,391)
Transfer/Charge to untaxed reserves		-	-	-	-	(1,192)	(1,192)	1,192	-
NET INCOME AFTER TAX		**67,013**	**83,155**	**177,463**	**(59,435)**	**(133,877)**	**134,319**	**26,423**	**160,742**
Share of the associates in the result		-	-	-	-	-	-	(26)	(26)
Net profit (loss) from discontinued operations		-	-	-	-	-	-	-	-
Net consolidated profit (loss) attributable to:		**67,013**	**83,155**	**177,463**	**(59,435)**	**(133,877)**	**134,319**	**26,397**	**160,716**
Group's share							134,319	23,735	158,054
Non-controlling interests								2,662	2,662

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

a) Net of reinsurance

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

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

The data by segment are prepared and evaluated based upon the Belgian accounting standards (BGAAP) and therefore do not follow the same valuation rules as those used for the IFRS consolidated financial statements as described in the notes to the financial statements. Hence, a column was added in the tables above, reconciling the BGAAP statutory financial statements and the IFRS consolidated financial statements.

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

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

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

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

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

Regarding the BGAAP result of Ethias SA:

- Total income of 2017 amounts to 2.484 billion euros, i.e. an increase by 1.2% compared to the previous year.
- The year 2017 recorded an operating result of 285 million euros, up 12% over the previous year.
- This result is mainly generated by the Non-Life business (operating result of 228 million euros). The Life business generates an operating result of around EUR 75 million, up more than 65% compared to 2016.
- After taking into account non-recurring items (the cost of the Switch operations relating to the FIRST A surrenders and the estimated cost of the sale of the remaining FIRST A portfolio for a total of 215 million euros, non-recurring financial income for 69 million euros and the cost of other non-recurring items for 33 million euros), the net result amounts to 105.8 million euros. This net result grows by more than 31 % compared to the previous year.

The sum of the results of the Group's other activities, in BGAAP and before eliminations and consolidation adjustments, amounts to 28.5 million euros.

After consolidation adjustments and IFRS, the group's net result amounts to 160.7 million euros, of which the group's share amounts to 158 million euros.

The Non-Life and Life chapters detail the technical results of Ethias SA’s activities in BGAAP.

6.4.1 Non-Life

Non-Life income amounts to 1,334 million euros at end-2017 and grows by 1.8% compared to 2016. It breaks down as follows between the segments “Private Individuals” and “Public Bodies & Companies”:

- The income for Private Individuals is stable and amounts to 577 million euros at end-2017 (versus 574 million euros at end-2016).
- The income for Public Bodies & Companies amounts to 757 million euros at end-2017 and grows compared to end-2016 (736 million euros) thanks in particular to the development of the “corporate” activity.

The Non-Life operating result is stable and amounts to 228 million euros by end-2017. This result was recorded thanks to a better claims ratio (low claims frequency for Car, and Fire products) and the generalization of operational excellence to all of our processes, offset by the recognition of certain IT expenses as a result of technological ageing and the decommissioning of old systems as part of ongoing technological modernization and lower recurring financial income in 2017.

Non-Life net result amounts to 244 million euros after taking into account non-recurring financial income for 16 million euros.

Ethias SA has an excellent net combined ratio of 90.8 %.

6.4.2 Life

Income at end-2017 is stable compared to 2016 and amounts to 1,150 million euros, including 57 million euros in Private Individuals and 1,093 million euros in Public Bodies & Companies.

Life business for Private Individuals was this year impacted by the “Switch VII” operation. The action was a major success with surrenders amounting to 432 million euros for a cost of 108 million euros. The reserves of this portfolio represent no more than 177 million euros at end-2017.

Life income in Private Individuals increased in 2017 (+ 16%) mainly due to the integration of Whestia’s outstanding balance insurance portfolio following the merger by absorption of Whestia by Ethias SA (with effect from 1 January 2017).

Life income in Public Bodies & Companies exceeds 1 billion euros 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 854 million euros (growing) and 236 million euros (decreasing).

Life reserves (excluding flashing-light provisions) amount to 9,573 million euros at end-2017 (versus 10,222 million euros at end-2016). This decrease is mainly explained by:

- a decrease in reserves in branch 21 from 9,814 million euros to 8,762 million euros following the FIRST A surrenders (“Switch VII” operation) and transfers to the OFP (Ethias Pension Fund) and branch 23. It should be noted that the Life reserves in Public Bodies & Companies amount to nearly 8 billion euros and that the average guaranteed interest rate for the 1st pillar is adjusted annually to take account of the changes in the 10-year OLO rate.
- an increase in branch 23 reserves of 403 million euros, reaching 811 million euros at end-2017, mainly following transfers of reserves from branch 21’s 1st and 2nd pillars to branch 23

The Life flashing-light provision amounts to 1,037 million euros at end-2017. It was not allocated in 2017: the BNB granted Ethias the exemption from the obligation to provide additional "flashing-light" provisions for the financial year 2017 as the solvency requirements were met.

Life operating result grows and amounts to 75 million euros at end-2017 (versus 45 million euros at end-2016). This increase is mainly due to the decrease in interest rates in branch 21 (from 2.58% in 2016 to 2.18% in 2017). It should be noted that a provision for profit-sharing of 33 million euros was set up in the financial year 2017 (versus 21 million euros in 2016, mainly on 1st-pillar ring-fenced funds).

Life net result at end-2017 amounts to 23.7 million euros and is impacted by the following exceptional items:

- the impact of the cost for the "Switch VII" operation (-108 million euros)
- other non-recurring items (57 million euros), mainly non-recurring financial income

6.4.3 Non-technical

In 2017, the non-technical result of the insurance activities shows an after-tax contribution of -162.4 million euros, compared to 145.0 million euros in 2016, influenced by exceptional items of 135.3 million euros, including the cost of the sale of the remaining FIRST A portfolio of 106 million euros.

Non-technical income after tax from other activities amounts to 28.5 million euros in 2017 compared to 19.9 million euros in 2016.

6.4.4 Adjustments

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

6.4.4.1 IFRS adjustments

The recognition of employee benefits, in accordance with IAS 19, decreases Life income by 37.8 million euros, insurance payments by 270.1 million euros and increases Life technical provisions by 229.8 million euros; overheads related to claims handling costs, administrative costs, acquisition costs and financial management costs, and expenses for other activities decrease by 15.5 million euros. The total impact from IAS 19 thus amounts to EUR 17.9 million.

The recognition of Life technical provisions according to IFRS 4 positively impacts the result of 89 million euros. This result is mainly due to the adjustment of provisions recognized in 2017 for 97 million euros following the update of the adequacy test for Life technical provisions. The shadow accounting adjustment for products classified as FVPL amounts to EUR -7 million. In Non-Life, the cancellation of the reversal of the provision for equalization and catastrophe amounts to -1 million euros.

The application of IAS 39 decreases the result of the financial instruments by 2.8 million euros compared to the BGAAP result.

The amortization of goodwill generated on the acquisition of Whestia, amounting to 2.6 million euros in BGAAP, is cancelled under IFRS.

The change in the fund for future allocation was cancelled, generating an adjustment of +6.7 million euros.

IFRS adjustments of subsidiaries amount to +3.6 million euros and mainly relate to the cancellation of the goodwill amortization generated by NRB's absorption of the Trasys group (+3.1 million), on formation expenses and revaluations of shares, funds and bonds.

Deferred taxes related to IFRS adjustments impact the income statement by EUR -72.9 million. These adjustments take into account changes in the corporate tax legislation since the income and expenses recognized in the IFRS result will be realized after January 1, 2018.

The sum of the IFRS adjustments represents a revenue of 44.1 million euros.

6.4.4.2 Consolidation adjustments

Consolidation adjustments consist mainly of the elimination of dividends (-18 million euros), the reversal of value adjustments (0.4 million euros), opening differences (1 million euros) and the impact of the change in the ownership percentage of the SICAV "Ethias Sustainable Investment Fund" for -1 million euros.

All consolidation adjustments represent an expense of EUR 18 million.

6.4.4.3 Eliminations of intercompany transactions

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

6.5 Acquisitions and disposals of subsidiaries

These statements represent the acquisitions and disposals of consolidated participating interests.

6.5.1 Acquisitions

In thousands of EUR	31 December 2017	31 December 2016
Intangible assets	-	-
Investment properties	-	76,009
Financial investments	-	-
Reinsurers' share of technical provisions	-	-
Other assets and tangible fixed assets	-	1,178
Cash and cash equivalents	-	-
Insurance and investment contract liabilities	-	-
Financial debts	-	(25,470)
Provisions for risks and expenses	-	-
Other liabilities	-	(4,304)
Identifiable net assets and liabilities acquired	**-**	**47,414**
Goodwill on acquisitions	-	-
Change in cash related to acquisitions from previous financial years	460	622
Non-controlling interests	-	(23,703)
Consideration paid in cash	**460**	**24,333**
Acquired cash in hand	-	-
Net cash flows	**460**	**24,333**

The Group pursued its real estate policy in 2016 by acquiring 51% of the shares of the company "Air Properties" and NRB participated for 50% in the creation of the company Belgium DC.

In the first quarter of 2017, NRB acquired 24.90% of Afelio's shares and thus becomes the sole shareholder of the company.

6.5.2 Disposals

In thousands of EUR	31 December 2017	31 December 2016
Intangible assets	-	-
Financial investments	-	-
Reinsurers' share of technical provisions	-	-
Any other assets	-	-
Cash and cash equivalents	408	-
Insurance and investment contract liabilities	-	-
Financial debts	-	-
Provisions for risks and expenses	(400)	-
Other liabilities	(8)	-
Identifiable net assets and liabilities	**-**	**-**
Gain/(loss) on disposals, net of tax	-	-
Net cash received related to disposals without loss of control	-	-
Transferred cash	(408)	-
Net cash flows	**(408)**	**-**

There was no sale in the course of the year 2017.

The above amount corresponds to the exit of the company Sire Holding from the scope of consolidation on January 1, 2017.

7 Summary of significant accounting principles

7.1 Basis of preparation of the consolidated financial statements

7.1.1 General principles

The consolidated financial statements of the Group are established on the basis of the IFRS reference document (International Financial Reporting Standards), as definitive, in force on 31 December 2017, and adopted by the European Union with effect as of that date.

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

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

7.1.2 New standards, amendments and interpretations published and adopted since 1 January 2017

The following new standards and interpretations, applicable as from 1 January 2017, had no important incidence on the consolidated accounts of the Group:

- Amendments to IAS 12 - Recognition of deferred tax assets for unrealized losses.
- Amendments to IAS 7 - Disclosure Initiative.
- Annual improvements to IFRS (cycle 2014-2016) relate to the amendments of the following standards:
  - Amendment IFRS 1 impacting IFRS 1, 7 and 10 as well as IAS 19,
  - Amendment IFRS 12,
  - Amendment IFRS 28.

The annual improvements to IFRS (2012-2014) (Official Journal of the European Union of 16 December 2015) have come into force for the annual periods beginning as from 1 January 2016 and relate to IFRS 5 and 7 as well as to IAS 19 and 34. The impact of these amendments to IFRS on our financial statements is limited.

7.1.3 Future standards and interpretations

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

Furthermore, the Group has made an analysis of the standards and interpretations that will come into effect from January 1, 2018 onwards or in subsequent financial years.

IFRS 15, applicable from January 1, 2018 onwards, sets out the principles for recognition of revenue from contracts concluded with customers. Contracts that are subject to specific standards are excluded: leases, insurance contracts and financial instruments. The Group does not expect any significant impact of this standard on own funds and result. Indeed, turnover from non-insurance activities is not significant.

It follows from the application of IFRS 16, in force on January 1, 2019, that most leases must be recognized in the balance sheet, eliminating the current distinction between finance leases and operating leases for the lessee. The new standard requires the recognition of an asset (the right to use the leased asset) and a lease obligation. The only exemptions apply to contracts with a duration of 12 months or less and contracts for which the underlying asset has a low value.

Lastly, the Group is implementing projects relating to the main new standards and interpretations that could have a significant impact on the accounts, such as IFRS 17 "insurance contracts" (formerly IFRS 4), which was published on May 18, 2017 and whose date of entry into force is January 1, 2021, as well as of IFRS 9 "Financial Instruments", published on July 24, 2014, whose date of entry into force is January 1, 2018. The “deferral option”, which allows the deferred application of the latter, at the same time as IFRS 17, was chosen. In fact, the activities of Ethias SA and its subsidiaries meet the criteria of paragraph 20B of IFRS 4 because they are mainly related to insurance. The implementation of IFRS 9 and IFRS 17 will most likely have a significant impact on equity and result.

IFRS 4 currently allows a wide variety of insurance contract accounting practices. IFRS 17 will fundamentally change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features.

According to the general model prescribed by IFRS 17, insurance contracts must be measured using the following business segments:

- cash flows weighted according to discounted probabilities (fulfilment cash flows);
- a risk adjustment;
- a contractual service margin, representing the unrealised profit of the contract which is recognised as income over the hedging period.

IFRS 17 allows a choice between recognising changes in discount rates either in the income statement or directly in other items of comprehensive income. The choice should reflect the recognition of financial assets in accordance with IFRS 9.

A simplified and optional premium allocation approach is permitted for liabilities for the remaining coverage for short-term contracts, which are often underwritten by non-life insurers.

There is also a change in the general measurement model called the “variable fee approach” for certain contracts underwritten by life insurers where the policyholders share the returns of the underlying elements.

IFRS 17 is a significant development in accounting policy that will have a fundamental impact on the Group's methodology, processes, systems and results. The management has currently started a project to implement IFRS 17.

7.2 Sector information

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

7.3 Consolidation principles and methods

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

The subsidiaries are the entities controlled by the Group.

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

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

(a) The investor has authority over the issuing entity.

(b) He is exposed or is entitled to variable yields because of his links with the issuing entity.

(c) He has the capacity to exert his authority over the issuing entity so as to influence the amount of the yields which he obtains.

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

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

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

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

7.4 Business combinations

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

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

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

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

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

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

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

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

7.5 Foreign currency translation and transactions

7.5.1 Functional and reporting currency

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

7.5.2 Conversion

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

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

7.6 Intangible assets

7.6.1 Goodwill

7.6.1.1 Measurement

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

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

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

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

7.6.1.2 Impairment

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

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

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

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

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

7.6.2 Other intangible assets

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

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

The acquisition of an insurance contract in a business combination or portfolio transfer is performed in accordance with paragraphs 31, 32 and 33 of IFRS4.

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

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

7.7 Property and investment property

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

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

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

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

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

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

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

7.8 Other tangible fixed assets

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

7.9 Financial investments

7.9.1 Classification

Financial instruments are classified into the following categories:

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

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

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

7.9.2 Reclassifications

Only the following reclassifications are allowed:

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

7.9.3 Initial recognition

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

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

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

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

7.9.4 Measurement

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

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

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

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

7.9.5 Impairment

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

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

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

Financial assets available for sale

<u>Equities</u>

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

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

<u>Bonds</u>

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

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

<u>*Criteria for determining durable losses in value*</u>

- 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.

<u>*Criteria taken into account to determine whether an impairment should be recognized*</u>

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

<u>Revaluation reserve</u>

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

Financial liabilities valued at amortized cost

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

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

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

7.9.6 De-recognition

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

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

7.10 Derivative financial instruments

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

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

Hedge accounting

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

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

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

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

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

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

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

7.11 Reinsurance

Disposals

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

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

Acceptances

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

7.12 Receivables

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

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

7.13 Cash and cash equivalents

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

7.14 Equity

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

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

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

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

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

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

7.15 Insurance and investment contract liabilities

7.15.1 Classification

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

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

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

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

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

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

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

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

7.15.2 Measurement and recognition

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

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

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

Non-Life insurance contracts

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

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

Claims management costs are provisioned.

Mathematical provisions are also established to cover constituted annuities.

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

Life insurance contracts

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

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

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

Investment contracts with discretionary participation features

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

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

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

Investment contracts without discretionary participation

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

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

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

Unit-linked contracts

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

Shadow accounting and provision for deferred profit sharing

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

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

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

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

Liability Adequacy Test (LAT)

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

Embedded derivatives

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

Revenue recognition

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

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

7.16 Subordinated debts and financial debt

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

7.17 Provisions

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

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

Provisions are recognized when:

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

7.18 Lease contracts

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

The Group as lessee

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

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

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

The Group as lessor

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

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

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

7.19 Employee benefits

Post-employment benefits

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

- For defined benefit pension plans, expenses related to these plans are assessed separately for each plan using the method of "Projected Unit Credit". Under this method, the cost of the plan is recognized as expense through profit or loss so as to spread the cost evenly over the career of employees participating in pension plans. The obligations relating to the pension plans recorded on the balance sheet are valued on the basis of the present value of future cash outflows, including taxes and contributions payable by the plan, net of any costs of past services not yet recognized.

- Defined contribution pension plans are subject to the Belgian law on supplementary pensions that imposes a minimum guaranteed return on the contributions paid. Therefore, these programmes are considered under IFRS as defined benefit pension plans.

Some of the employee pension plans are insured with the insurance company Ethias SA. Therefore, the assets backing these pension plan do not meet the conditions to be considered as plan assets and are therefore considered non-financed. Therefore, the assets backing the pension plan do not meet the conditions to be considered as plan assets.

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

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

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

Short-term benefits

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

Other long-term benefits

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

Early retirement

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

Other contract termination compensation

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

7.20 Discontinued operations and available-for-sale assets

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

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

7.21 Revenue recognition

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

Income from insurance activities

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

Financial income

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

Dividends are recognized when the right to receive the dividend is established.

Other goods and services

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

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

7.22 Income taxes

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

7.23 Contingent liabilities

A contingent liability is:

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

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

7.24 Events after the reporting period

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

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

In the case of dividends, the debt corresponding to the amount not yet paid of the dividends is not recognized as long as the dividend has not been approved by the general assembly.

8 Critical accounting estimates and judgments

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

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

8.1 Fair value of financial instruments

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

The sensitivity analysis for financial risks is available in section 9.6.5.

8.2 Insurance and investment liabilities

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

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

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

The impact of the sensitivity analysis on the income statement may be consulted in section 9.5.1.2. for Non-Life and in section 9.5.2.2. for Life.

8.3 Employee benefits

The debt relating to the employee benefits is determined on the basis of an actuarial method, including a certain number of financial and demographic assumptions, described in the note 11.16.3.1. Any change in these assumptions would have an impact on the amount of this debt. An important assumption with a great sensitivity on debt is the discount rate. At the end of each reporting period, the Group determines this rate by referring to the market rate at the closing date of first category corporate bonds with a maturity comparable to the maturity of the commitments. The other major assumptions are based on the market or reflect the best estimate of the Group. The results of the sensitivity analysis may be consulted in section 11.16.3.2.

8.4 Deferred taxes

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

The preparation of consolidated financial statements requires an estimate of income taxes and deferred tax assets and liabilities under the tax laws of the various jurisdictions in which the Group operates. Under IAS 12, deferred tax assets and liabilities are to be measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. In July 2017, the Belgian government announced a major corporate tax reform that will lower Belgium's corporate tax rate from 33.99% to 29.58% in 2018 and 25% from 2020. The law affecting the reform was passed by Parliament in December 2017, which, according to IAS 12 indications, is considered as substantively enacted. Therefore, deferred taxes on temporary differences generated in Belgium are calculated on the basis of both the new tax rates and the assessment of their expected recoverability. The management considers that most or all of the temporary differences will reverse at the earliest within two years of the closing date. They were therefore valued at the tax rate of 25%.

8.5 Cost of the FIRST A portfolio

Ethias wishes to definitively dispose of its FIRST A portfolio and has begun a divestiture process for the portfolio. The cost is estimated at 106 million euros (see "Management Report - 1.7 Operation Switch VII).

9 Management of financial and insurance risks

9.1 Introduction

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

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

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

9.2 Governance with regard to risk management

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

First defence line - Daily risk supervision

The first defence line is ensured by the operational lines and the support functions (Accounting, Asset Management, IT, Human Resources ...). It is their responsibility to identify the risks posed for each operation and to respect the procedures and the limits that are set.

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 permits to benefit from the technical skills of the experts in the field.

Second defence line - Risk supervision

The second defence line includes the control functions of the risk management function, the actuarial function (actuarial control) and the Compliance function, which are responsible for ensuring that the risks have been identified and managed by the 1st line, according to the rules and procedures envisaged.

These three functions depend on the CRO, who ensures the transversal coordination of the work and the adequate exchange of relevant information.

The Chief Risk Officer, who is a member of the Executive Committee, has to make sure that the structure of Ethias' risk management is operational and has to improve its effectiveness and 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 second 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 can intervene at the operational level to initiate changes and to help the first defence line in resolving the problems.

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

- Risk Management Committee;
- the Strategic Investment Committee;
- the Insurance-Reinsurance Committee;
- the Follow-up Committee on Operational Risks;
- the Assets and Liabilities Committee (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 Executive Committee. The CRO is present in each committee dedicated to risk management. It was the will of the Executive Committee and of the Board of Directors to create "strong committees", so as to set up effective risk governance within the company. It is also with this aim in view that the responsibilities of each committee have been clearly established by means of internal regulations.

The **Risk Management Committee** is responsible for establishing the risk management strategies, monitoring the status of all risks and supervising the risk management tools, measures and actions.

The **Strategic Investment Committee** is responsible for setting out the guidelines for the investment strategy and monitoring the investment portfolios according to the risk appetite and the investment philosophy approved by the Executive Committee and the Board of Directors;

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 products and supervises the reinsurance programme.

The **Assets and Liabilities Committee (ALCO)** has the task of contributing to the protection of Ethias in its liquidity, profitability and solvency aspects, through the alignment of the company's assets and liabilities.

Third defence line - Independent assessment

The third defence line is provided by the Internal Audit, which assesses, among other things, compliance with procedures by the first and second lines of defence and, more generally, the effectiveness of the internal control system.

To ensure its independence, this entity reports hierarchically to the CEO directly and functionally to the Audit and Risk Committee.

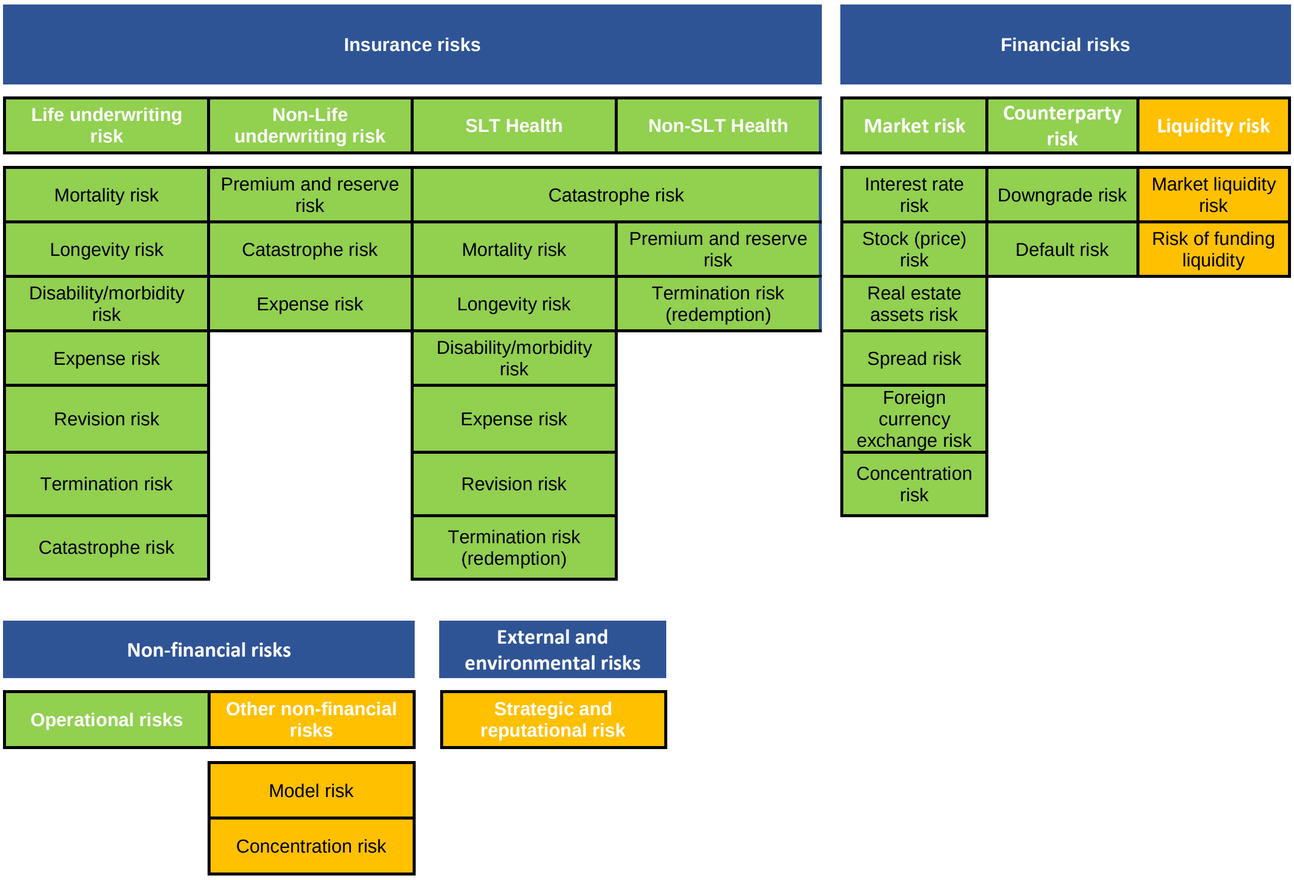
With regard to risk management, the Board of Directors of Ethias SA assumes ultimate responsibility for the effectiveness of the risk management system. To carry out its missions, it relies on the Audit and Risk Committee. The Audit and Risk Committee advises the Board of Directors on Risk Appetite and risk tolerance issues, analyzes risk reporting, challenges the implementation of the risk management system by the Executive Committee, and verifies its proper application.

9.3 Typology of risks

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

The typology adopted by Ethias is presented in the diagrams below and

- relies on the modules of the standard formula used to calculate regulatory capital requirements in the Solvency II framework (in green in the diagram)
- is completed by the risks not covered by the standard formula (in orange in the diagram).



9.4 Risk management policy

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

9.4.1 Risk appetite

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

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

9.4.2 Stress testing and capital planning process

Within the framework of the planning exercise, the company regularly carries out an evaluation of its solvency (i.e. the adequacy of its internal equity to face its global risk profile). The exercise takes the specific risk profile into account: it integrates the main risks and their interactions during the carrying out of stress tests. Stress tests are in themselves tools for measuring specific risks. On a quarterly basis, spot stress tests are performed on the coverage ratio of the SCR. These stress tests are either standardized sensitivity tests or impact tests adapted to the specific risk profile of the company. This process also is a promotion tool and a means of spreading the "Risk Management" culture within all the departments of the company.

9.5 Insurance risks

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

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

9.5.1 Non-Life

9.5.1.1 Nature and extent of the risks

Non-Life underwriting risk

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

- Premium and reserve risk

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

- Catastrophe risk

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

Special health underwriting risk

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

SLT Health (Similar to Life Techniques) underwriting risk

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

- Mortality risk

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

- Longevity risk

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

- Disability/morbidity risk

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

- Expense risk

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

- Revision risk

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

- Termination risk

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

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

- Premium and reserve risk

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

- Termination risk

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

- Catastrophe risk

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

9.5.1.2 Sensitivity analysis

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

In thousands of euros, *solely Ethias SA*	2017	2016
Reserve risk		
Increase by 10% in overheads	(14,491)	(12,431)
Increase by 5% in claims	(52,115)	(47,690)

9.5.2 Life

9.5.2.1 Nature and extent of the risks

Life underwriting risk

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

- Mortality risk

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

- Longevity risk

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

- Disability/morbidity risk

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

- Expense risk

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

- Revision risk

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

- Termination risk

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

- Catastrophe risk

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

9.5.2.2 Sensitivity analysis

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

In thousands of euros, *solely Ethias SA*	**2017**	**2016**
Mortality risk		
Increase by 15 % in mortality	15,664	31,579
Longevity risk		
Increase by 20 % in longevity	(28,154)	(48,953)
Expense risk		
Increase by 10% in overheads	(21,062)	(17,711)
Doubling of inflation instead of the base-case inflation vector	(36,179)	(38,679)

9.5.3 Concentration risk

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

- Public bodies and Companies

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

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

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

- Private Individuals

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

	31 December 2017		**31 December 2016**	
In thousands of euros	**Income**	**Part of the income**	**Income**	**Part of the income**
Non-Life insurance				
Public bodies and Companies	756,549	31%	735,681	31%
Private Individuals	577,419	24%	574,403	24%
Gross premiums	**1,333,968**	**55%**	**1,310,084**	**55%**
Public bodies and Companies	(21,894)	-1%	(26,880)	-2%
Private Individuals	(6,920)	0%	(7,050)	0%
Premiums ceded to reinsurers	**(28,814)**	**-1%**	**(33,930)**	**-1%**
Public bodies and Companies	734,655	31%	708,801	30%
Private Individuals	570,499	24%	567,353	24%
Net premiums	**1,305,154**	**54%**	**1,276,153**	**54%**
Life insurance				
Public bodies and Companies	1,049,314	44%	1,047,348	44%
Private Individuals	56,248	2%	48,361	2%
Gross premiums	**1,105,562**	**46%**	**1,095,709**	**46%**
Public bodies and Companies	(2,107)	0%	(2,867)	0%
Private Individuals	-	0%	-	0%
Premiums ceded to reinsurers	**(2,107)**	**0%**	**(2,867)**	**0%**
Public bodies and Companies	1,047,207	43%	1,044,481	44%
Private Individuals	56,248	2%	48,361	2%
Net premiums	**1,103,455**	**46%**	**1,092,841**	**46%**
Total amount Life and Non-Life insurance	**2,408,609**	**100%**	**2,368,995**	**100%**

9.5.4 Reinsurance

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

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

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

Non-Life management

The different portfolios (car, accidents at work, accidents common law, civil liability, fire, comprehensive, construction all risk and ten-year risk) are reinsured by excess of loss treaties. Reinsurance intervenes whenever a damage or an event exceeds the amount determined according to risk aversion.

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

Life management

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

Non-Life and Life management

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

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

9.6 Financial risks

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

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

9.6.1 Counterparty risk

9.6.1.1 Nature and extent of the risks

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

The counterparty risk can be subdivided into:

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

9.6.1.2 Maximum exposure and mitigation of credit risk

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

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

	2017					
In thousands of euros, *in the market value at the Group's level*	**Maximum exposure to credit risk**	**Cash**	**Securities**	**Real estate properties**	**Total amount of received guarantees**	**Unsecured exposure**
Available for sale	644,595	-	-	-	-	644,595
Designated at fair value through profit or loss	138,721	-	-	-	-	138,721
Held for trading	24,933	-	-	-	-	24,933
Share interests, shares and investment funds	**808,249**	**-**	-	-	-	**808,249**
Available for sale	13,784,886	-	652,537	-	652,537	13,132,349
Designated at fair value through profit or loss	691,521	-	-	-	-	691,521
Bonds	**14,476,407**	**-**	**652,537**	**-**	**652,537**	**13,823,870**
Loans and deposits recognized at amortized cost	619,699	-	-	402,150	402,150	217,549
Other investments	**619,699**	**-**	-	**402,150**	**402,150**	**217,549**
Held for trading	169	458	-	-	458	(288)
Held for cash flow hedging	7,273	7,061	-	-	7,061	212
Derivative financial assets	**7,443**	**7,519**	-	-	**7,519**	**(76)**
Receivables arising from insurance operations or accepted reinsurance	**211,544**	**-**	**-**	**-**	**-**	**211,544**
Receivables arising from ceded reinsurance operations	**91,153**	**-**	**78,608**	**-**	**78,608**	**12,545**
Other receivables	**152,723**	**-**	**3,847**	**-**	**3,847**	**148,876**
Cash and cash equivalents	**640,482**	**-**	**-**	**-**	**-**	**640,482**
Total amount of exposure to credit risk	**17,007,699**	**7,519**	**734,992**	**402,150**	**1,144,660**	**15,863,039**

In thousands of euros, *in the market value at the Group's level*	2016 restated					
	Maximum exposure to credit risk	**Cash**	**Securities**	**Real estate properties**	**Total amount of received guarantees**	**Unsecured exposure**
Available for sale	591,289	-	-	-	-	591,289
Designated at fair value through profit or loss	135,471	-	-	-	-	135,471
Held for trading	20,303	-	-	-	-	20,303
Share interests, shares and investment funds	**747,064**	**-**	**-**	**-**	**-**	**747,064**
Available for sale	13,612,393	-	818,500	-	818,500	12,793,893
Designated at fair value through profit or loss	677,076	-	-	-	-	677,076
Bonds	**14,289,469**	**-**	**818,500**	**-**	**818,500**	**13,470,969**
Loans and deposits recognized at amortized cost	691,672	-	-	455,048	455,048	236,624
Other investments	**691,672**	**-**	**-**	**455,048**	**455,048**	**236,624**
Held for trading	15,508	13,648	-	-	13,648	1,859
Held for cash flow hedging	54,226	58,995	-	-	58,995	(4,769)
Derivative financial assets	**69,734**	**72,643**	**-**	**-**	**72,643**	**(2,909)**
Receivables arising from insurance operations or accepted reinsurance	**1,344,241**	**-**	**-**	**-**	**-**	**1,344,241**
Receivables arising from ceded reinsurance operations	**64,359**	**-**	**60,071**	**-**	**60,071**	**4,288**
Other receivables	**178,872**	**-**	**4,128**	**-**	**4,128**	**174,743**
Cash and cash equivalents	**751,336**	**-**	**-**	**-**	**-**	**751,336**
Total amount of exposure to credit risk	**18,136,746**	**72,643**	**882,700**	**455,048**	**1,410,391**	**16,726,354**

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

Share interests, shares and investment funds

The breakdown of the Group's exposure towards price risk on shares can be found in appendix 9.6.4.3.

Bonds

The bond portfolio of the Group contains a certain number of securities backed by various types of assets. It consists, among others, of covered bonds (about 4.5% of the bond portfolio in 2017, compared to 6 % in 2016).

Covered bonds are debt securities issued by a credit institution and whereof the payment is guaranteed by specifically dedicated (or "*hedging assets*") assets. The holders of covered bonds have, in the event of insolvency of the issuer, a "*dual recourse*" on the issuer's general assets on the one hand, and on the specifically dedicated assets, on the other hand. They represent EUR 652,537 thousand on 31/12/2017 and EUR 818,500 thousand on 31/12/2016.

Loans and deposits

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

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

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

Derivative financial assets

In 2016, a total amount of EUR 72,643 thousand was recognized as collateral in order to cover operations related to derivative financial instruments. In 2017, the amount of collateral received on derivative products amounts to EUR 7,519 thousand.

Receivables

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

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

9.6.2 Concentration risk

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

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

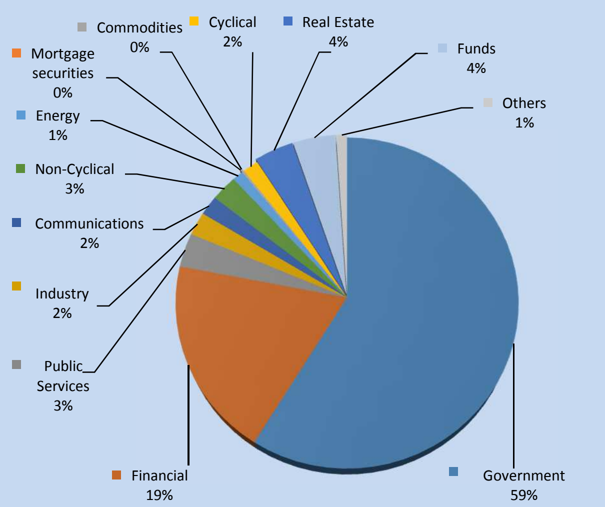
Sectoral distribution

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

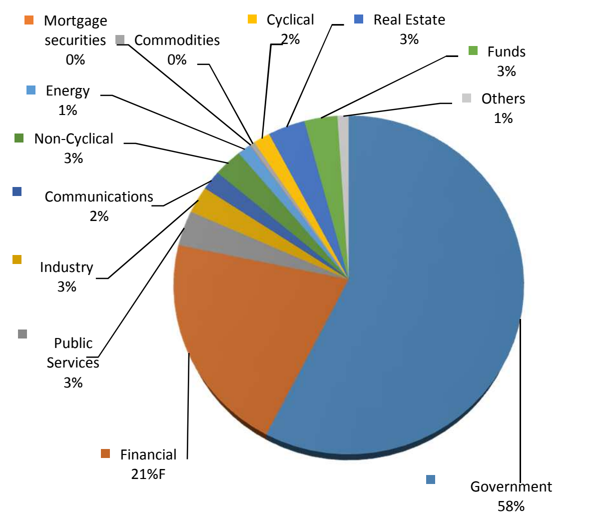
In 2017 and 2016, the sectoral distribution of the shares and investment funds as well as of the bonds and equivalent stocks invested by the Group, appears as follows:

Bonds and equivalent stocks:

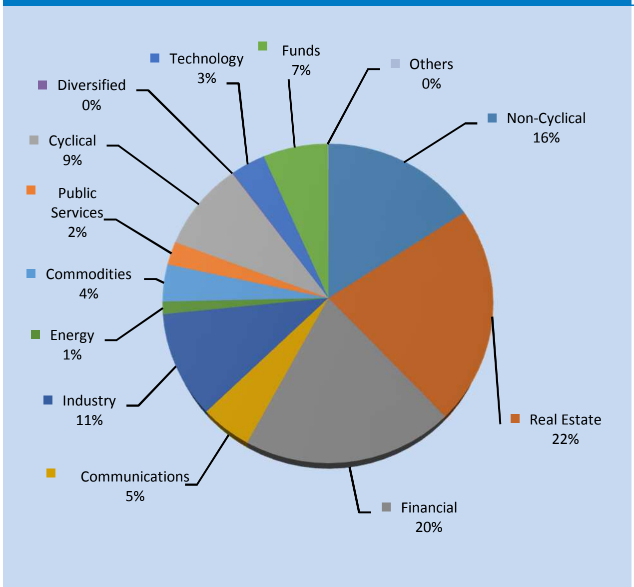
31 December 2017
Market value allocation at Group level

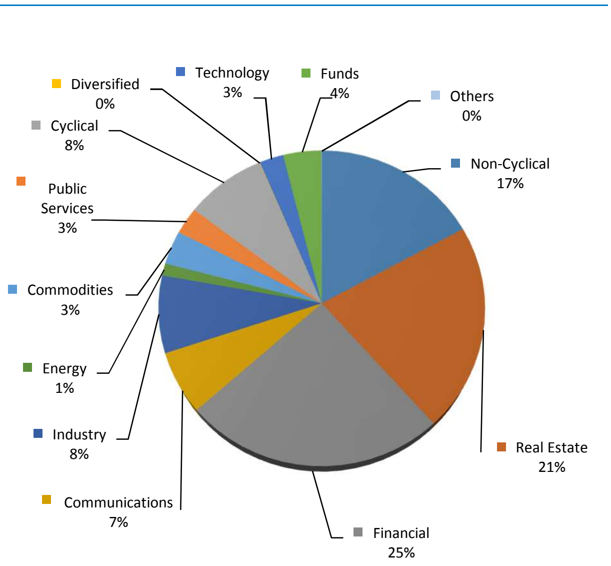


31 December 2016 restated
Market value allocation at Group level



Shares, participations and investment funds:





Exposure to sovereign risk

In 2017, the part invested by the Group in sovereign or supranational risk amounts to 61% of the total amount of the fair value of all the bonds (i.e. EUR 8,871,221 thousand on a total of EUR 14,476,407 thousand). End-2016, this ratio amounted to 60% (i.e. EUR 8.603.024 thousand on a total of EUR 14,289,469 thousand).

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

In thousands of euros, in market value, at Group level	31 December 2017	31 December 2016 restated
Germany	317,550	241,199
Austria	86,519	80,813
Belgium	5,005,489	5,118,752
Spain	547,763	500,279
Central and Eastern Europe	389,617	388,310
France	1,340,525	1,360,124
Ireland	340,781	254,470
Italy	355,310	354,113
The Netherlands	32,139	45,255
Scandinavia	5,314	5,341
Portugal	83,617	101,221
Supranational securities	354,426	144,899
Other	12,170	8,249
Total	**8,871,221**	**8,603,024**

Within the framework of its credit risk management, the Group analyses the details of its exposure to the sovereign risk as mentioned above whilst including all debts issued or guaranteed by governments, in fair value, without restriction to their activity sector. By way of example, the Group considers the securities of companies active in public services but guaranteed by the Belgian state as governmental and similar debts. This explains why the total amount of exposure to the sovereign risk, EUR 8,871,221 thousand per December 31, 2017 (against EUR 8,603,024 thousand per December 31, 2016), is higher than the amount mentioned under the sector "Governmental", i.e. EUR 8,514,898 thousand (against EUR 8,226,590 thousand for the year 2016).

9.6.3 Liquidity risk

9.6.3.1 Nature and extent of the risks

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

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

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

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

9.6.3.2 ALM risks

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

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

9.6.3.3 Analysis of contractual maturities

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

	2017							
		Expected cash flows (undiscounted)						
In thousands of euros *Only Ethias SA*	Book value	Total amount of undiscounted flows	Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	Undetermined maturity
Assets								
Bonds and equivalent stocks	14,460,216	14,964,697	1,082,626	4,228,371	2,627,786	3,504,985	3,520,929	-
Share interests, shares and investment funds	1,074,018	1,452,164	42,650	264,622	241,425	412,750	490,717	-
Loans and deposits	756,404	1,135,511	151,262	350,963	303,293	263,009	66,985	-
Investment properties	194,047	684,415	17,176	103,279	86,549	230,166	247,246	-
Cash and cash equivalents	601,524	535,948	286,710	5,780	32,459	101,746	109,253	-
Investments belonging to unit-linked insurance contracts	810,550	785,975	785,975	-	-	-	-	-
Derivatives	7,443	-	-	-	-	-	-	-
Total assets	**17,904,201**	**19,558,710**	**2,366,399**	**4,953,015**	**3,291,512**	**4,512,656**	**4,435,130**	**-**
Liabilities								
Insurance and investment contract liabilities	13,695,991	14,821,499	2,133,391	3,791,385	2,319,631	3,417,719	3,159,372	-
Liabilities belonging to unit-linked insurance contracts	810,550	748,547	748,547	-	-	-	-	-
Subordinated debts	482,475	724,101	29,287	111,070	572,324	5,844	5,576	-
Other financial debts	342,863	387,300	-	132,706	12,500	148,394	93,700	-
Derivatives	4,868	-	-	-	-	-	-	-
Total liabilities	**15,336,746**	**16,681,446**	**2,911,225**	**4,035,161**	**2,904,454**	**3,571,957**	**3,258,649**	**-**

	2016 restated							
		Expected cash flows (undiscounted)						
In thousands of euros *Only Ethias SA*	Book value	Total amount of undiscounted flows	Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	Undetermined maturity
Assets								
Bonds and equivalent stocks	14,279,027	15,116,646	1,160,611	3,992,219	3,262,760	3,411,540	3,289,516	-
Share interests, shares and investment funds	949,673	1,150,279	38,097	284,308	236,625	348,040	243,209	-
Loans and deposits	823,133	1,252,252	104,923	374,391	327,461	345,364	100,112	-
Investment properties	190,908	457,832	16,004	66,865	91,270	152,033	131,660	-
Cash and cash equivalents	715,541	205,677	261,487	(435,943)	96,344	241,993	41,796	-
Investments belonging to unit-linked insurance contracts	408,389	264,257	(602,306)	373,542	189,868	150,891	152,262	-
Derivatives	75,346	-	-	-	-	-	-	-
Total assets	**17,442,016**	**18,446,943**	**978,817**	**4,655,382**	**4,204,328**	**4,649,861**	**3,958,555**	**-**
Liabilities								
Insurance and investment contract liabilities	14,860,016	16,558,543	1,959,053	3,716,464	2,594,406	4,088,657	4,199,964	-
Liabilities belonging to unit-linked insurance contracts	408,389	262,942	(599,309)	371,684	188,923	150,140	151,504	-
Subordinated debts	479,442	726,260	25,966	96,447	586,413	3,435	-	14,000
Other financial debts	336,324	223,579	-	223,579	-	-	-	-
Derivatives	8,014	-	-	-	-	-	-	-
Total liabilities	**16,092,185**	**17,771,325**	**1,385,710**	**4,408,174**	**3,369,741**	**4,242,233**	**4,351,468**	**14,000**

The projection of cash flows is based on several assumptions.

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

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

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

At end-2017, and following the "Switch VII" action, a significant volume of repos was recorded. On the other hand, for ALM reasons, a significant portion of forward bond purchases acquired in previous years has been reversed and replaced by forward swaps with variable terms and with optional periods between 1 and 3 years.

The cash deficit observed in 2018 is the direct consequence of several strategic elements that occurred in the portfolios during 2017 ("Switch VII" action, which consumed a significant part of the available cash) as well as the expected cash position for the year 2017 following previous Switch operations. The overall cash position of the company is nevertheless not at risk given the dynamic management put in place.

A methodological change has occurred in the constitution of this appendix. Unit-linked insurance contracts are assumed to expire in the year.

9.6.4 Market risk

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

It covers interest rate risk (sensitivity to changes in the interest rate curve), stock price risk (sensitivity to changes in the level or volatility of the stock market value), risk on real estate assets (sensitivity to changes in the level or volatility of the market value of real estate assets), spread risk (sensitivity to changes in the level or volatility of credit spreads related to the risk-free interest rate curve), foreign exchange risk (sensitivity to changes in the level or volatility of exchange rates), as well as the concentration risk.

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

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

9.6.4.1 Interest rate risk

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

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

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

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

9.6.4.2 Credit spread risk

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

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

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

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

	2017						
In thousands of euros *In market value,* *At Group level*	**AAA**	**AA**	**A**	**BBB**	**BB and below**	**No rating**	**Total**
Bonds and equivalent stocks	696,222	6,836,416	2,466,184	3,523,048	213,432	741,105	14,476,407
Loans and deposits	-	-	1,798	21	-	617,880	619,699
Receivables	-	-	-	-	-	455,420	455,420
Cash and cash equivalents	-	124	560,470	6,129	969	72,791	640,482
Total	**696,222**	**6,836,540**	**3,028,452**	**3,529,197**	**214,401**	**1,887,195**	**16,192,007**

	2016 restated						
In thousands of euros *In market value,* *At Group level*	**AAA**	**AA**	**A**	**BBB**	**BB and below**	**No rating**	**Total**
Bonds and equivalent stocks	793,351	6,740,252	2,332,678	3,527,332	328,320	567,536	14,289,469
Loans and deposits	-	-	1,825	-	-	689,848	691,672
Receivables	-	-	829	-	-	1,586,643	1,587,472
Cash and cash equivalents	-	-	675,339	304	162	75,532	751,336
Total	**793,351**	**6,740,252**	**3,010,670**	**3,527,636**	**328,482**	**2,919,558**	**17,319,949**

In terms of the rating distribution of "Bonds and similar securities", we have seen an increase of nearly 200 million euros for the exposure in "No rating" since the beginning of the year. This is mainly explained by the increase in exposure to money market funds.

9.6.4.3 Stock price risk

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

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

	2017		2016	
In thousands of euros *In market value, at Group level*	**Fair value**	**% of the value in the balance**	**Fair value**	**% of the value in the balance**
Participating interests	103,396	0,55%	133,630	0.69%
Equities	538,431	2,87%	491,331	2.52%
Investment funds	166,422	0,89%	122,102	0.63%
Total	**808,249**	**4,31%**	**747,064**	**3.83%**

9.6.4.4 Price risk on investment properties

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

In 2017, the market value of the Group's investment properties amounts to EUR 586,027 thousand (i.e. 3.12% of total assets) against EUR 552,712 thousand (i.e. 2.83% of total assets) in 2016.

9.6.4.5 Foreign currency exchange risk

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

9.6.5 Analysis of sensitivity to financial risks

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

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

	2017	
In thousands of euros, *only Ethias SA (and plus Ethias S.I.F. in the case of shares)*	**Estimated impact on the income statement**	**Estimated impact on other comprehensive income items**
Interest rate risk (excluding derivatives)		
Increase in the yield curve by 100 basis points	(15,221)	(958,655)
Decrease in the yield curve by 100 basis points	15,221	958,655
Credit spread risk		
Increase in the credit spread by 100 basis points	(25,963)	(956,564)
Decrease in the credit spread by 100 basis points	25,963	956,564
Stock price risk		
Stock price decrease by 39 %	(73,219)	(183,184)
Stock price increase by 39 %	60,178	195,910

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

Sensitivities to interest rates and credit spreads have increased slightly in terms of the estimated impact following the change to dirty value. In terms of equity risk, we observe a more significant increase as exposure levels at end- 2017 are higher than those at end-2016, mainly due to the increase in market values.

9.7 Non-financial risks

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

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

- Internal fraud

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

- External fraud

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

- Practices regarding employment and safety at work

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

- Customers, products and business practises

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

- Execution, delivery and process management

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

- Damage to physical assets

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

- Interruptions in business activity and system failures

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

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

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

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

The Chief Risk Officer has also implemented:

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

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

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

10 Capital management

10.1 Capital management purposes

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

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

10.2 Solvency II margin level

The SII margin of Ethias SA at end-December 2017 (not yet audited), based on the standard formula, amounts to 205% (*). The Board of Directors of Ethias SA of March 22, decided to propose to the General Assembly of May 16 the payment of a dividend of 150 million euros. This payment, supplemented by the granting of an interim dividend of 118 million euros which should be decided by the Board of Directors and paid in the second half of 2018, will allow Vitrufin to have the necessary cash to reimburse its senior loan in January 2019 and will increase the margin to 183% (*).

In 2017, the “Switch VII” operation launched in May (offering a 25% exit premium to holders of a FIRST A contract upon full surrender) led to a significant improvement in the SII margin level, the impact being estimated at 18%.

(*) not yet audited.

10.3 Financial rating

The agency Fitch raised the rating for financial strength of Ethias SA to BBB+ with stable outlook so as to reflect the closure of the financial recovery programme.

11 Explanatory notes to the consolidated balance sheet

11.1 Goodwill

11.1.1 Evolution of goodwill

In thousands of euros	31 December 2017	31 December 2016
Gross value on 1 January	**44,762**	**44,762**
Accumulated impairments on 1 January	-	-
Net book value on 1 January	**44,762**	**44,762**
Acquisitions	-	-
Other changes	15,082	-
Net book value on 31 December	**59,844**	**44,762**

The integration of Whestia (see "Management report - 1.4 Acquisition and merger by absorption of Whestia) has generated a Goodwill with a value of EUR 15 million at the level of Ethias SA.

11.1.2 Impairment test on goodwill

The goodwill (44,762 thousand euros) is allocated to a single cash generating unit corresponding to activities other than those of insurance companies. This unit includes service activities and IT solutions of the NRB subgroup.

Goodwill of 15,082 thousand euros is generated by the integration of Whestia. (see 11.1.1 Evolution of goodwill)

The Group carried out an impairment test on the goodwill and concluded that no impairment had to be recognized in December 2017. This decision was, in particular, based on the fact that the goodwill was recently recognized (2010-2017). The valuation conditions of the relevant activities did not significantly evolve between the acquisition date of the various subsidiaries involved and the closing date. The expected future profitability allows to justify the book value of the goodwill.

11.2 Other intangible assets

	31 December 2017		
In thousands of euros	Software and IT developments	Other intangible assets	Total
Gross value on 1 January	**143,930**	**7,129**	**151,059**
Accumulated amortization on 1 January	(52,396)	(4,867)	(57,262)
Accumulated impairments on 1 January	-	-	-
Net book value on 1 January	**91,535**	**2,262**	**93,797**
Acquisitions	40,670	34,301	74,972
Disposals	-	-	-
Reclassifications	-	-	-
Change in the consolidation scope	-	-	-
Net amortization	(54,861)	(738)	(55,599)
Impairments	-	-	-
Other changes	-	-	-
Net book value on 31 December	**77,344**	**35,826**	**113,170**

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

An additional amortization of 31 million euros was recorded in IT software and developments as a result of technological ageing and the decommissioning of old systems as part of ongoing technological upgrades.

An intangible asset of 33.5 million euros was recognized following the acquisition of the “Work Accidents Law 1967” portfolio from Ethias DC AAM (see "Management Report - 1.8 Acquisition of the “Work Accidents Law 1967” portfolio of Ethias DC AAM).

11.3 Investment in associates and joint ventures

11.3.1 Information about associates and joint ventures

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

In thousands of euros	Percentage of ownership	Assets	Liabilities	Equity	Revenues	Net profit or loss
Belgium DC	34.19%	4,868	4,268	599	4	(51)
Total on 31 December 2017		**4,868**	**4,268**	**599**	**4**	**(51)**
BelgiumDC	34.19%	993	342	651	-	(7)
Total on 31 December 2016		**993**	**342**	**651**	**-**	**(7)**

Belgium DC is held for 50 % by NRB.

11.3.2 Evolution of investments in associates and joint ventures

In thousands of euros	2017	2016
Net book value on 1 January	**496**	**-**
Interests sold during the financial year	-	-
Interests acquired during the financial year	-	500
Reclassifications	-	-
Share in the result of the financial year	(26)	(4)
Dividends paid	-	-
Other changes	-	-
Net book value on 31 December	**471**	**496**

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

11.4 Financial investments

11.4.1 Overview of financial investments by category

	31 December 2017					
In thousands of euros	Cost price	Impairments	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
Available for sale	59,408	(14,654)	58,642	-	103,396	103,396
Participating interests	**59,408**	**(14,654)**	**58,642**	**-**	**103,396**	**103,396**
Available for sale	294,981	(4,331)	97,504	-	388,155	388,155
Designated at fair value through profit or loss	118,766	-	-	6,577	125,343	125,343
Held for trading	26,432	-	-	(1,499)	24,933	24,933
Equities	**440,179**	**(4,331)**	**97,504**	**5,078**	**538,431**	**538,431**
Available for sale	132,438	(5,003)	25,610	-	153,044	153,044
Designated at fair value through profit or loss	12,237	-	-	1,141	13,378	13,378
Investment funds	**144,675**	**(5,003)**	**25,610**	**1,141**	**166,422**	**166,422**
Available for sale	12,694,500	(11,339)	1,101,726	-	13,784,886	13,784,886
Designated at fair value through profit or loss	638,808	-	-	52,713	691,521	691,521
Bonds	**13,333,308**	**(11,339)**	**1,101,726**	**52,713**	**14,476,407**	**14,476,407**
Loans and deposits	603,502	(9,663)	-	-	593,839	619,699
Other investments	**603,502**	**(9,663)**	**-**	**-**	**593,839**	**619,699**
Held for trading	24,041	-	-	(23,872)	169	169
Held for cash flow hedging	-	-	7,273	-	7,273	7,273
Derivative financial assets	**24,041**	**-**	**7,273**	**(23,872)**	**7,443**	**7,443**
Investments belonging to unit-linked insurance contracts	**770,958**	**-**	**-**	**39,592**	**810,550**	**810,550**
Total	**15,376,072**	**(44,990)**	**1,290,755**	**74,651**	**16,696,488**	**16,722,347**

	31 December 2016 restated					
In thousands of euros	Cost price	Impairments	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
Available for sale	78,072	(14,596)	70,154	-	133,630	133,630
Participating interests	**78,072**	**(14,596)**	**70,154**	**-**	**133,630**	**133,630**
Available for sale	274,643	(4,290)	77,664	-	348,017	348,017
Designated at fair value through profit or loss	125,762	-	-	(2,751)	123,011	123,011
Held for trading	21,440	-	-	(1,136)	20,303	20,303
Equities	**421,844**	**(4,290)**	**77,664**	**(3,887)**	**491,331**	**491,331**
Available for sale	93,885	(5,150)	20,908	-	109,642	109,642
Designated at fair value through profit or loss	11,945	-	-	515	12,460	12,460
Investment funds	**105,830**	**(5,150)**	**20,908**	**515**	**122,102**	**122,102**
Available for sale	12,252,018	(11,239)	1,371,614	-	13,612,393	13,612,393
Designated at fair value through profit or loss	667,909	-	-	9,167	677,076	677,076
Bonds	**12,919,927**	**(11,239)**	**1,371,614**	**9,167**	**14,289,469**	**14,289,469**
Loans and deposits	671,784	(16,920)	-	-	654,864	691,672
Other investments	**671,784**	**(16,920)**	**-**	**-**	**654,864**	**691,672**
Held for trading	36,831	-	-	(21,324)	15,508	15,508
Held for cash flow hedging	-	-	59,839	-	59,839	59,839
Derivative financial assets	**36,831**	**-**	**59,839**	**(21,324)**	**75,346**	**75,346**
Investments belonging to unit-linked insurance contracts	**355,357**	**-**	**-**	**53,032**	**408,389**	**408,389**
Total	**14,589,646**	**(52,196)**	**1,600,178**	**37,502**	**16,175,131**	**16,211,940**

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

The fair value of loans is classified as Level 3. Indeed, the valuation approach is based on a deterministic model and includes data that are not directly observable in the markets.

11.4.2 Evolution of financial investments

	31 December 2017						
	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Loans, deposits and other financial investments	Derivative financial instruments (assets)	Investments belonging to unit-linked insurance contracts	Total
Opening balance on 1 January	**14,203,682**	**812,547**	**20,303**	**654,864**	**75,346**	**408,389**	**16,175,131**
Acquisitions	2,349,087	76,600	80,497	13,224	19,955	832,432	**3,371,797**
Reclassifications between categories	-	-	-	-	-	-	**-**
De-recognition following exercise option	-	-	-	-	(29,938)	-	**(29,938)**
Profits and losses realized on hedging instruments not yet recognized through profit or loss	1,777	-	-	-	-	-	**1,777**
Disposals and reimbursements	(2,004,902)	(108,735)	(74,335)	(76,158)	(10,528)	(459,699)	**(2,734,355)**
Foreign currency translation differences on monetary assets	(16)	-	-	-	-	-	**(16)**
Adjustment at fair value	(218,044)	45,720	(1,533)	-	(47,394)	25,412	**(195,838)**
Amortizations	(27,418)	3,798	-	-	-	4,019	**(19,600)**
Changes in accrued interests not yet due	(6,642)	310	-	(346)	-	(4)	**(6,682)**
Impairments	(905)	-	-	(141)	-	-	**(1,046)**
Change in the consolidation scope	-	-	-	-	-	-	**-**
Other changes	132,863	-	-	2,396	-	-	**135,259**
Net book value on 31 December	**14,429,482**	**830,242**	**24,933**	**593,839**	**7,443**	**810,550**	**16,696,488**

	31 December 2016 restated						
	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Financial assets held for trading	Loans, deposits and other financial investments	Derivative financial instruments (assets)	Investments belonging to unit-linked insurance contracts	Total
Opening balance on 1 January	**14,053,579**	**863,587**	**9,626**	**848,989**	**22,986**	**359,078**	**16,157,845**
Acquisitions	2,572,873	54,630	112,796	39,830	24,405	252,407	**3,056,940**
Reclassifications between categories	55,266	-	-	(55,266)	-	-	**-**
De-recognition following exercise option	-	-	-	-	(70,176)	-	**(70,176)**
Profits and losses realized on hedging instruments not yet recognized through profit or loss	61,529	-	-	-	-	-	**61,529**
Disposals and reimbursements	(2,626,795)	(108,346)	(100,502)	(178,119)	(6,871)	(213,177)	**(3,233,811)**
Foreign currency translation differences on monetary assets	284	-	-	-	-	-	**284**
Adjustment at fair value	129,540	1,361	(1,616)	-	105,003	9,209	**243,498**
Amortizations	(27,300)	3,149	-	-	-	871	**(23,280)**
Changes in accrued interests not yet due	(15,869)	(1,834)	-	(397)	-	-	**(18,100)**
Impairments	576	-	-	(173)	-	-	**402**
Change in the consolidation scope	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	**-**
Net book value on 31 December	**14,203,682**	**812,547**	**20,303**	**654,864**	**75,346**	**408,389**	**16,175,131**

Adjustments to the fair value for derivatives break down into EUR -22,628 thousand for derivative hedging instruments (against EUR 115,970 thousand in December 2016) and EUR -24,766 thousand for derivative trading instruments on 31 December 2017 (against EUR -10,967 thousand in December 2016).

The item "Other changes" (EUR 135,259 thousand) includes the impact of the merger by absorption of Whestia.

The amount of EUR 132,863 thousand in "Available-for-sale investments" breaks down into a reversal of bonds for EUR 162,330 thousand, a reversal of funds for EUR 19,281 thousand and the cancelling of Whestia's participating interest for EUR -48,748 thousand, following the merger.

11.4.3 Evolution of impairments on investments

11.4.3.1 Impairment on available-for-sale investments

In thousands of euros	31 December 2017	31 December 2016
Balance on 1 January	**(35,276)**	**(48,085)**
Provision for impairments	(905)	(7,723)
Reversals of impairments	-	8,299
Reversals due to disposals	1,804	22,234
Change in the consolidation scope	-	-
Reclassifications	(950)	(10,000)
Other changes	-	-
Balance on 31 December	**(35,327)**	**(35,276)**

11.4.3.2 Impairments on loans, deposits and other financial investments

In thousands of euros	31 December 2017	31 December 2016
Balance on 1 January	**(16,920)**	**(26,755)**
Provision for impairments	(141)	(303)
Reversals of impairments	-	130
Reversals due to disposals	7,398	138
Change in the consolidation scope	-	-
Reclassifications	-	9,870
Other changes	-	-
Balance on 31 December	**(9,663)**	**(16,920)**

11.4.3.3 Past due financial investments

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

	31 December 2017							
					Net book value of unimpaired assets based on the following periods:			
In thousands of euros	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not expired	Expired by up to 6 months	Expired less than 12 months	Expired by more than 12 months
Available-for-sale investments	13,796,226	(11,339)	13,784,886	-	13,784,886	-	-	-
Financial assets unlisted on an active market	-	-	-	-	-	-	-	-
Loans, deposits and other financial investments	603,502	(9,663)	593,839	1,920	589,275	1,445	787	412
Total	**14,399,728**	**(21,002)**	**14,378,726**	**1,920**	**14,374,161**	**1,445**	**787**	**412**

In thousands of euros	31 December 2016 restated							
	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Net book value of unimpaired assets based on the following periods:			
					Not expired	Expired by up to 6 months	Expired less than 12 months	Expired by more than 12 months
Available-for-sale investments	13,623,632	(11,239)	13,612,393	-	13,612,393	-	-	-
Financial assets unlisted on an active market	-	-	-	-	-	-	-	-
Loans, deposits and other financial investments	671,784	(16,920)	654,864	(263)	651,099	1,989	1,008	1,030
Total	**14.295.416**	**(28.160)**	**14.267.256**	**(263)**	**14.263.492**	**1.989**	**1.008**	**1.030**

11.4.4 Definition of fair value of financial instruments

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

In thousands of EUR	31 December 2017			
	Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
Financial assets				
Available for sale	-	-	103,396	103,396
Participating interests	**-**	**-**	**103,396**	**103,396**
Available for sale	388,155	-	-	388,155
Designated at fair value through profit or loss	125,343	-	-	125,343
Held for trading	24,933	-	-	24,933
Equities	**538,431**	**-**	**-**	**538,431**
Available for sale	69,001	83,837	206	153,044
Designated at fair value through profit or loss	13,378	-	-	13,378
Held for trading	-	-	-	-
Investment funds	**82,379**	**83,837**	**206**	**166,422**
Available for sale	12,599,723	1,115,217	69,947	13,784,886
Designated at fair value through profit or loss	147,837	491,058	52,625	691,521
Held for trading	-	-	-	-
Bonds	**12,747,561**	**1,606,275**	**122,571**	**14,476,407**
Held for trading	-	169	-	169
Held for cash flow hedging	-	7,273	-	7,273
Derivative financial assets	**-**	**7,443**	**-**	**7,443**
Investments belonging to unit-linked insurance contracts	**738,980**	**71,570**	**-**	**810,550**
Total financial assets	**14,107,350**	**1,769,124**	**226,174**	**16,102,649**
Financial liabilities				
Investment contracts hedged by assets at fair value	742,637	71,570	-	814,206
Held for trading	-	-	-	-
Held for cash flow hedging	-	4,868	-	4,868
Derivative financial liabilities	**-**	**4,868**	**-**	**4,868**
Total financial liabilities	**742,637**	**76,438**	**-**	**819,074**

In thousands of EUR	Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
	31 December 2016 restated			
Financial assets				
Available for sale	-	-	133,630	133,630
Participating interests	**-**	**-**	**133,630**	**133,630**
Available for sale	347,688	-	329	348,017
Designated at fair value through profit or loss	123,011	-	-	123,011
Held for trading	20,303	-	-	20,303
Equities	**491,002**	**-**	**329**	**491,331**
Available for sale	31,469	78,174	-	109,642
Designated at fair value through profit or loss	12,460	-	-	12,460
Held for trading	-	-	-	-
Investment funds	**43,929**	**78,174**	**-**	**122,102**
Available for sale	12,424,111	1,110,006	78,275	13,612,393
Designated at fair value through profit or loss	120,854	437,101	119,120	677,076
Held for trading	-	-	-	-
Bonds	**12,544,965**	**1,547,108**	**197,396**	**14,289,469**
Held for trading	-	15,508	-	15,508
Held for cash flow hedging	-	59,839	-	59,839
Derivative financial assets	**-**	**75,346**	**-**	**75,346**
Investments belonging to unit-linked insurance contracts	**337,545**	**70,843**	**-**	**408,389**
Total financial assets	**13,417,442**	**1,771,471**	**331,355**	**15,520,267**
Financial liabilities				
Investment contracts hedged by assets at fair value	341,439	70,843	-	412,283
Held for trading	-	-	-	-
Held for cash flow hedging	-	8,014	-	8,014
Derivative financial liabilities	**-**	**8,014**	**-**	**8,014**
Total financial liabilities	**341,439**	**78,858**	**-**	**420,297**

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

11.4.5 Distribution between the various hierarchic levels

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

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

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

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

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

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

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

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

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

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

Level 2: Valuation methods based on observable market data

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

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

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

Level 3: Valuation methods not based on observable market data

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

The valuation of this portfolio is based on the discounting of future cash flows by using the interest rate curve, the credit spread and maturity assumptions when it comes to perpetual bonds. The valuation of assets recognized in level 3 stands at 122,778 thousand euros at December 31, 2017 compared with 197,396 thousand euros at December 31, 2016.

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

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

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

In thousands of EUR	31 December 2017		31 December 2016	
	From level 1 to level 2	From level 2 to level 1	From level 1 to level 2	From level 2 to level 1
Financial assets				
Available for sale	-	-	-	-
Participating interests	**-**	**-**	**-**	**-**
Available for sale	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Equities	**-**	**-**	**-**	**-**
Available for sale	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Investment funds	**-**	**-**	**-**	**-**
Available for sale	97,567	73,177	63,622	219,121
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Bonds	**97,567**	**73,177**	**63,622**	**219,121**
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial assets	**-**	**-**	**-**	**-**
Investments belonging to unit-linked insurance contracts	**-**	**-**	**-**	**2,537**
Total financial assets	**97,567**	**73,177**	**63,622**	**221,658**
Financial liabilities				
Investment contracts hedged by assets at fair value	-	-	-	2,537
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial liabilities	**-**	**-**	**-**	**-**
Total financial liabilities	**-**	**-**	**-**	**2,537**

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

Transfers between investments from level 1 to level 2 (thus for EUR 97,567 thousand against EUR 63,622 thousand in 2016) involve securities of which BGN (Bloomberg generic) was the source of the market price and which, in the absence of the latter, were ultimately valued by the price given by a counterparty. The contrary is true for transfers from level 2 to level 1. For the latter, these are securities for which the price of a counterparty was the source of the market price and which ultimately benefited from the BGN market price as pricing source (thus for EUR 73,177 thousand against EUR 219,121 thousand in 2016).

11.4.7 Evolution of investments estimated at fair value in level 3

	31 December 2017		
In thousands of EUR	Available-for-sale investments	Financial assets at fair value through profit or loss	Total
Opening balance on 1 January	**212,234**	**119,120**	**331,355**
Acquisitions	40,965	13,892	54,857
Reclassifications between categories	-	-	-
Reclassification to level 3	200	-	200
Exit from level 3	-	(85,901)	(85,901)
Disposals and reimbursements	(35,551)	-	(35,551)
Adjustment at fair value through equity	4,847	-	4,847
Adjustment at fair value through profit or loss	-	5,516	5,516
Changes in accrued interests not yet due	(235)	(2)	(237)
Impairments through profit or loss	(162)	-	(162)
Other changes	(48,748)	-	(48,748)
Closing balance on 31 December	**173,549**	**52,625**	**226,174**

	31 December 2016 restated		
In thousands of EUR	Available-for-sale investments	Financial assets at fair value through profit or loss	Total
Opening balance on 1 January	**194,700**	**95,107**	**289,807**
Acquisitions	28,658	-	28,658
Reclassifications between categories	(8,609)	-	(8,609)
Reclassification to level 3	18,294	23,947	42,241
Exit from level 3	-	-	-
Disposals and reimbursements	(27,338)	-	(27,338)
Adjustment at fair value through equity	5,533	-	5,533
Adjustment at fair value through profit or loss	-	415	415
Changes in accrued interests not yet due	1,107	(349)	757
Impairments through profit or loss	(110)	-	(110)
Other changes	-	-	-
Closing balance on 31 December	**212,234**	**119,120**	**331,355**

The amount of the acquisitions (40,965 thousand euros - AFS) includes the acquisition of the Whestia participating interest for 36,624 thousand euros and the capital increases of the shore fund for 4,000 thousand euros. The amount of acquisitions (13,892 thousand euros - FVPL) comes from the acquisition of EthiasCo SCRL’s portfolio (formerly Ethias AAM DC). The disposals (35,551 thousand euros - AFS) are explained by the sale of the Aviabel participating interest (21,000 thousand euros) and the balance by repayments for the ZLP, ECETIA and PERTINEA.

The amount of transfer from level 3 to level 2 (85,901 thousand euros) explains the decrease in level 3. Indeed, an asset with a nominal value of 75 million valued in model price (level 3) in 2016 is valued in counterpart price (level 2) in 2017. The amount of the transfer corresponds to the market value of the security at end-2016.

The other changes on "Available-for-sale investments" concern the cancellation of the Whestia participation for -48,748 thousand euros, following the merger.

11.5 Derivative financial instruments

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

	31 December 2017					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
In thousands of euros	< 1 year	Between 1 and 5 years	> 5 year			
Interest rate swaps	-	-	-	-	-	-
Options on interest rates	2,795,000	60,000	-	2,855,000	169	-
Bond futures	-	-	-	-	-	-
Options on shares or indices	-	-	-	-	-	-
Credit swaps	-	-	-	-	-	-
Subtotal held for trading	**2,795,000**	**60,000**	**-**	**2,855,000**	**169**	**-**
Interest rate swaps	-	-	-	-	-	-
Bond futures	14,510	-	-	14,510	1,319	-
Swap futures	87,000	628,000	-	715,000	5,955	(4,868)
Subtotal held for hedging	**101,510**	**628,000**	**-**	**729,510**	**7,274**	**(4,868)**
Total	**2,896,510**	**688,000**	**-**	**3,584,510**	**7,443**	**(4,868)**

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

The hedging solutions against the fall in interest rates have again been analysed in 2017 with a twofold objective:

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

Within this framework, we continued, on the one hand, the swaptions programme to reach a nominal amount of 2.795 million euros at end-2017 and, on the other hand, the forward bond programme was largely replaced by a forwards starting swap programme to reach a nominal amount of 715 million euro as at 31 December 2017.

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

No ineffectiveness of the hedge that should be recorded in the income statement has been identified.

11.6 Tangible fixed assets and investment properties

In thousands of euros	31 December 2017 Investment properties	Operational buildings	Other tangible fixed assets	Total
Gross value to be depreciated on 1 January	**580,348**	**182,662**	**194,014**	**957,024**
Acquisitions	3,457	418	23,479	27,355
Disposals and withdrawals	(3,451)	(722)	(6,309)	(10,482)
Properties available for sale	-	-	-	-
Change in the consolidation scope	-	-	-	-
Reclassifications from one heading to another	(6,499)	3,884	(2,430)	(5,045)
Other changes	14,011	-	-	14,011
Gross value on 31 December	**587,867**	**186,243**	**208,754**	**982,864**
Depreciations and accumulated impairments on 1 January	**(84,982)**	**(84,547)**	**(152,482)**	**(322,011)**
Depreciations of the financial year	(17,136)	(5,041)	(9,254)	(31,431)
Impairments of the financial year	(159)	-	-	(159)
Reversals of the financial year	-	-	-	-
Disposals and withdrawals	-	-	-	-
Reversals following disposals	1,525	697	233	2,455
Impairment and reversal on investment properties available for sale	-	-	-	-
Change in the consolidation scope	-	-	-	-
Reclassifications from one heading to another	4,598	(1,298)	1,744	5,045
Other changes	(3,907)	-	-	(3,907)
Depreciations and accumulated impairments on 31 December	**(100,061)**	**(90,189)**	**(159,758)**	**(350,008)**
Net book value on 31 December	**487,806**	**96,054**	**48,996**	**632,856**
Fair value on 31 December	**586,027**	**138,291**	**48,996**	**773,314**

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

Other tangible fixed assets include developments on buildings, installations, machinery and equipment, furniture and rolling stock.

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

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

The valuation method is that of the perpetual capitalization of the Estimated Rental Value (ERV). Following the review of its valuation policy for assets at market value, carried out in 2017, Ethias classifies this method at level 3 of the fair value hierarchy. Indeed, the valuation methods used by the experts are not based on observable data on the real estate market. In particular, market rental values or capitalization rates should be considered as input data of level 3.

The other changes concern Whestia's investment properties, following the merger, for a net book value of 10,104 thousand euros.

11.7 Receivables

11.7.1 Breakdown of receivables by nature

	31 December 2017		
In thousands of euros	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	229,163	(17,619)	211,544
Receivables arising from ceded reinsurance operations	91,153	-	91,153
Receivables arising from other operations	58,117	(645)	57,472
Tax receivables	2,368	-	2,368
Other receivables	93,101	(217)	92,883
Total	**473,901**	**(18,481)**	**455,420**

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

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

The change in receivables arising from insurance operations is mainly due to the cancellation of the reinsurance deposit accepted in connection with the quota share agreement with Ethias DC AAM (see "Management report - 1.8 Acquisition of the "Work Accidents Law 1967" portfolio of Ethias DC AAM) for 973 million euros at end-2016 and the cancellation of the reinsurance deposit accepted in connection with the quota share agreement with Whestia (see "Management report - 1.4 Acquisition and merger by absorption of Whestia) amounting to 146 million euros at end-2016.

The increase in receivables arising from ceded reinsurance operations is due to the change in the means of hedging technical liability. In fact, in 2017, securities deposits were favoured over cash deposits, thus increasing the balance of these secured debts.

Receivables arising from other activities as well as tax receivables remain stable.

The decrease in other receivables is mainly explained by the evolution of the receivable related to the charges levied on the ring fenced funds.

11.7.2 Evolution of impairments on receivables

In thousands of euros	31 December 2017	31 December 2016
Impairments on receivables on 1 January	**(16,442)**	**(15,843)**
Provisions of the financial year	(10,018)	(10,383)
Expenditures of the financial year	1,403	1,039
Reversals of the financial year	6,632	8,348
Change in the consolidation scope	-	-
Other changes	(56)	397
Impairments on receivables on 31 December	**(18,481)**	**(16,442)**

11.7.3 Outstanding receivables

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

	31 December 2017							
					Net book value of unimpaired assets based on the following periods:			
In thousands of euros	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not expired	Expired by up to 6 months	Expired less than 12 months	Expired by more than 12 months
Receivables arising from insurance operations or accepted reinsurance	229,163	(17,619)	211,544	-	76,495	115,415	14,658	4,976
Receivables arising from ceded reinsurance operations	91,153	-	91,153	-	91,153	-	-	-
Other receivables	153,585	(862)	152,723	-	145,003	5,676	1,521	523
Total	**473,901**	**(18,481)**	**455,420**	**-**	**312,651**	**121,091**	**16,180**	**5,499**

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

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

11.8 Any other assets

In thousands of euros	31 December 2017	31 December 2016 restated
Interest and rent accrued but not yet due	435	707
Other accruals	9,421	7,894
Any other assets	14,521	6,704
Total	**24,377**	**15,305**

11.9 Cash and cash equivalents

In thousands of euros	31 December 2017	31 December 2016 restated
Cash at bank and in hand	580,404	700,755
Cash equivalents	60,080	50,581
Total of the cash and cash equivalents	**640,484**	**751,336**
Payables arising from repurchase operations (repo)	(334,840)	(254,751)
Bank overdraft and other debts included in the cash flow statement	(8,023)	(81,572)
Cash and cash equivalents regarding the groups intended to be transferred	-	-
Total of the repurchase operations, cash and cash equivalents in the cash flow table	**297,621**	**415,012**

Cash equivalents consist mainly of treasury bonds.

Since 2014, hedge accounting has been introduced. At 31 December 2017, the amount received in collateral for the swaptions totals EUR 458 thousand (compared to EUR 14,377 thousand on 31 December 2016), EUR 500 thousand for repurchase agreement transactions (compared to EUR 8,200 thousand at 31 December 2016) and EUR 7,061 thousand (compared to EUR 58,995 thousand at 31 December 2016) for the swap forwards and bonds.

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

11.10 Deferred tax assets and liabilities

11.10.1 Breakdown of deferred tax assets and liabilities

	31 December 2017		
In thousands of euros	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	-	746	(746)
Available-for-sale investments in other items of comprehensive income	2	300,091	(300,089)
Financial assets designated at fair value through profit or loss	-	13,477	(13,477)
Insurance and investment liabilities in other items of comprehensive income	214,788	-	214,788
Insurance and investment liabilities through profit or loss	79,809	7,829	71,980
Employee benefits in other items of comprehensive income	5,538	-	5,538
Employee benefits through profit or loss	15,186	-	15,186
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	9	28,180	(28,172)
Carried forward tax losses	845	-	845
Deferred tax assets and liabilities	**316,177**	**350,323**	**(34,145)**
Compensation through taxable entity	(315,831)	(315,831)	-
Deferred tax assets and liabilities	**346**	**34,491**	**(34,145)**

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

As at December 31, 2017, net deferred taxes amount to 34.1 million euros. This balance takes into account the changes made to the tax legislation at end-2017.

The change in net deferred taxes is mainly due to the following elements:

- The tax reform shifting the corporate tax from 33.99% to 25%
- The asymmetrical change in adjustments related to assets and liabilities causing the DTA's to decrease more than DTL's.

11.10.2 Evolution of deferred tax assets and liabilities

In thousands of euros	31 December 2017			31 December 2016		
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Net book value on 1 January	**73,764**	**21,534**	**52,230**	**170,096**	**59**	**170,038**
Changes through profit or loss	(78,204)	(5,307)	(72,896)	(76,729)	11,122	(87,851)
Change in other items of comprehensive income	4,785	11,554	(6,768)	(19,603)	10,353	(29,957)
Change in scope	-	-	-	-	-	-
Other changes	-	6,711	(6,711)	-	-	-
Net book value on 31 December	**346**	**34,491**	**(34,145)**	**73,764**	**21,534**	**52,230**

“Other changes" relate to Whestia's deferred tax liabilities as a result of the merger.

11.10.3 Deferred taxes

In thousands of euros	31 December 2017	31 December 2016
Deferred taxes for which a deferred tax asset was allocated		
Intended use within the year	-	52,230
Intended use between 1 and 2 years	-	-
Intended use between 2 and 3 years	-	-
Intended use after 3 years	-	-
Debt with maturity after 3 years	-	-
Subtotal	**-**	**52,230**
Deferred taxes for which no deferred tax asset was allocated		
Limited recoverability	-	-
Unlimited recoverability	126,167	188,039
Subtotal	**126,167**	**188,039**
Total of the allocated and non-allocated deferred taxes	**126,167**	**240,270**

The rate applied to deferred taxes in 2017 is 25%. DTA’s arising from the tax credits as reflected in the company's tax position amount to 126 million euros. They are subject to an impairment which has the consequence that they are not valued.

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

In 2017, as in 2016, no assets or liabilities were held for sale.

11.12 Equity

11.12.1 Subscribed capital

The capital issued and paid on 31 December 2017 amounts to EUR 1,000,000,000. The capital is represented by 20,000,000 shares without indication of the nominal value.

	2017	
	In thousands of euros	Number of shares
Registered shares without nominal value	1,000,000	20,000,000
Total	**1,000,000**	**20,000,000**

11.12.2 Other items of comprehensive income

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

In thousands of euros	2017	2016
Net book value on 1 January	**211,085**	**247,307**
Revaluation	(218,044)	129,540
Related taxes	178,977	(48,975)
Shadow accounting	428,269	(66,989)
Related taxes	(222,806)	22,770
Transfer resulting from disposals or impairments	(38,676)	(109,933)
Related taxes	13,146	37,366
Other changes	-	-
Net book value on 31 December	**351,950**	**211,085**

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

In thousands of euros	2017	2016
Net book value on 1 January	**(8,688)**	**(10,363)**
Recognized actuarial profits and losses	843	2,538
Related taxes	(1,445)	(863)
Other changes	-	-
Net book value on 31 December	**(9,290)**	**(8,688)**

11.12.2.3 Evolution of the reserve for hedge accounting

In thousands of euros	2017	2016
Net book value on 1 January	**74,273**	**(3,903)**
Revaluation	(30,537)	127,913
Related taxes	15,058	(43,478)
De-recognition following exercise option	(29,938)	(70,176)
Related taxes	10,176	23,853
Profits and losses realized on hedging instruments not yet recognized through profit or loss	1,777	61,529
Related taxes	(444)	(20,914)
Amortizations	(2,282)	(835)
Related taxes	571	284
Change in scope	-	-
Change in accounting method	-	-
Other changes	-	-
Net book value on 31 December	**38,654**	**74,273**

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

In 2017, forward bonds for a notional amount of 29,360 thousand euros were exercised (against 277,215 thousand euros in 2016).

The revaluation item (30,537 thousand euros) mainly records revaluations at fair value on bond futures (32,837 thousand euros) and revaluations at fair value on swap futures (1,087 thousand euros).

11.13 Insurance and investment contract liabilities

11.13.1 Summary table of insurance and investment contract liabilities

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

11.13.1.1 Liabilities related to Non-Life insurance contracts

In thousands of euros	31 December 2017	31 December 2016
Mathematical provisions	865,374	816,558
Provisions for unearned premiums	293,272	291,243
Claims provisions	2,424,636	2,287,345
Shadow accounting	-	-
Other provisions	211,592	213,496
Total insurance contract liabilities (gross)	**3,794,875**	**3,608,643**
Reinsurers' share in liabilities related to Non-Life insurance contracts	131,187	120,069
Total insurance contract liabilities (after deduction of the reinsurers' share)	**3,663,687**	**3,488,573**

11.13.1.2 Liabilities related to Life insurance contracts

In thousands of euros	31 December 2017	31 December 2016
Mathematical provisions	4,340,200	4,278,382
Claims provisions	333	2,184
Shadow accounting	476,911	651,648
Insurance contract liabilities	**4,817,444**	**4,932,214**
Liabilities related to unit-linked insurance contracts	**25,222**	**25,155**
Total insurance contract liabilities (gross)	**4,842,666**	**4,957,370**
Reinsurers' share in liabilities related to Life insurance contracts	784	1,474
Total insurance contract liabilities (after deduction of the reinsurers' share)	**4,841,883**	**4,955,895**

The decrease in the liabilities related to insurance contracts is mainly explained by the transfer of a large part of the group insurance reserves of the Ethias staff to the OFP (see "Management report - 1.10. Establishment of a Pension Financing Body ").

11.13.1.3 Investment contract liabilities

In thousands of euros	31 December 2017	31 December 2016
Mathematical provisions	4,544,470	5,548,776
Claims provisions	-	-
Shadow accounting	401,478	647,932
Investment contract liabilities with discretionary participation features	**4,945,948**	**6,196,708**
Liabilities related to unit-linked investment contracts with discretionary participation features	**715,814**	**312,390**
Mathematical provisions	3,657	3,894
Investment contract liabilities without discretionary participation features	**3,657**	**3,894**
Liabilities related to unit-linked investment contracts without discretionary participation features	**69,513**	**70,844**
Total investment contract liabilities (gross)	**5,734,932**	**6,583,835**
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total investment contract liabilities (after deduction of the reinsurers' share)	**5,734,932**	**6,583,835**

The decrease in liabilities related to investment contracts is mainly due to the “Switch VII” operation (see "Management Report - 1.7 Switch VII operation") as well as transfers to branch 23.

11.13.1.4 Profit sharing liabilities

In thousands of euros	31 December 2017	31 December 2016
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	7,198	5,409
Profit sharing related to investment contracts	27,336	18,661
Liabilities for profit sharing of policyholders	**34,534**	**24,070**

11.13.2 Evolution of liabilities related to Non-Life insurance contracts

11.13.2.1 Evolution of gross values before reinsurance

In thousands of euros	2017	2016
Insurance contract liabilities on 1 January	**3,608,643**	**3,566,546**
Claims paid in the previous years	(310,154)	(338,794)
Change in claim costs compared to the previous financial years	(40,668)	(219,190)
Addition to liabilities on claims of the current year	486,790	535,310
Transfer of received/ceded reserves	-	-
Change in gross reserves for unearned premiums	2,069	17,435
Change in the consolidation scope	-	-
Shadow accounting	-	-
Other changes	48,194	47,336
Insurance contract liabilities on 31 December	**3,794,875**	**3,608,643**

Other changes in reserves mainly include changes in mathematical provisions.

11.13.2.2 Evolution of the reinsurers' share

In thousands of euros	2017	2016
Reinsurers' share in insurance contract liabilities on 1 January	**120,069**	**132,505**
Reinsurers' share in claims costs	(11,171)	(23,498)
Change in claim costs compared to the previous financial years	13,531	17,948
Addition to liabilities on claims of the current year	8,742	(7,122)
Other changes in reserves	16	237
Reinsurers' share in insurance contract liabilities on 31 December	**131,187**	**120,069**

11.13.2.3 Development triangles

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

In thousands of euros	Claims occurrence years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2.017
Provisions for gross claims on the closing date	**1,775,606**	**1,971,444**	**2,130,765**	**2,099,521**	**2,092,978**	**2,110,994**	**2,092,494**	**2,104,045**	**2,076,655**	**2,175,915**
Accumulated payments:										
2009	381,185									
2010	588,080	408,841								
2011	719,725	604,239	395,553							
2012	843,480	775,651	630,961	424,653						
2013	937,696	898,096	804,683	652,680	397,164					
2014	1,020,267	1,006,067	942,122	829,149	621,242	392,400				
2015	1,058,073	1,051,063	997,535	902,025	715,510	529,082	317,918			
2016	1,091,957	1,091,823	1,044,866	977,346	809,244	652,016	483,331	338,794		
2.017	1,125,654	1,134,537	1,100,098	1,045,508	891,250	747,095	590,706	466,909	310,154	-
Revaluated reserves:										
2009	1,761,488									
2010	1,677,647	1,876,808								
2011	1,620,102	1,768,993	1,938,533							
2012	1,654,207	1,791,849	1,902,081	1,982,916						
2013	1,641,447	1,775,371	1,879,047	1,933,713	1,981,278					
2014	1,631,449	1,740,019	1,832,744	1,874,301	1,880,709	1,944,985				
2015	1,602,013	1,700,835	1,772,793	1,829,145	1,795,333	1,817,847	1,890,299			
2016	1,561,867	1,644,200	1,703,312	1,751,804	1,699,181	1,707,645	1,731,871	1,880,139		
2.017	1,540,814	1,617,895	1,667,512	1,713,925	1,656,289	1,631,421	1,620,225	1,706,555	1,847,647	
Current claim liabilities	415,161	483,358	567,415	668,416	765,038	884,325	1,029,519	1,239,646	1,537,493	2,175,915
Surplus (insufficiency) of the initial provision compared to the estimated cost price on 31 December 2016:										
In nominal value	**234,792**	**353,549**	**463,253**	**385,597**	**436,689**	**479,574**	**472,269**	**397,489**	**229,008**	
In percent	**13.22%**	**17.93%**	**21.74%**	**18.37%**	**20.86%**	**22.72%**	**22.57%**	**18.89%**	**11.03%**	
Other liabilities for claims related to Non-Life insurance contracts										248,721
Total of the provisions for claims related to Non-Life insurance contracts										**2,424,636**

We have calculated the impact of the reinsurance effect on the development triangles and this was considered not significant.

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

11.13.3.1 Evolution of gross values before reinsurance

In thousands of euros	2017	2016
Insurance contract liabilities on 1 January	**4,932,214**	**5,040,350**
Premiums	235,258	240,953
Benefits	(279,212)	(268,075)
Time value	104,638	123,754
Internal transfers	(60,489)	(51,015)
Transfer of received/ceded reserves	(7,932)	(121,166)
Shadow accounting	(174,738)	32,814
Other changes in reserves	67,705	(65,402)
Insurance contract liabilities on 31 December	**4,817,444**	**4,932,214**

Other changes in reserves include adjustments related to the adequacy test of the technical provisions for 71 million euros.

11.13.3.2 Evolution of the reinsurers' share

In thousands of euros	2017	2016
Reinsurers' share in insurance contract liabilities on 1 January	**1,474**	**1,432**
Ceded premiums	-	-
Reinsurers' share in claims costs	-	-
Reinsurers' share in time value	-	-
Transfers	-	-
Other changes in reserves	(691)	43
Reinsurers' share in insurance contract liabilities on 31 December	**784**	**1,474**

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

11.13.4.1 Evolution of gross values before reinsurance

In thousands of euros	2017	2016
Investment contract liabilities on 1 January	**6,196,708**	**7,351,547**
Premiums	853,008	837,352
Benefits	(1,492,111)	(2,042,977)
Time value	82,628	128,244
Internal transfers	(289,643)	(19,985)
Transfer of received/ceded reserves	2,392	(94,485)
Shadow accounting	(246,453)	10,131
Other changes in reserves	(160,581)	26,880
Investment contract liabilities on 31 December	**4,945,948**	**6,196,708**

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

Other changes in reserves include adjustments related to the adequacy test of the technical provisions for -168 million euros.

11.13.5 Evolution of liabilities related to unit-linked insurance contracts

In thousands of euros	2017	2016
Liabilities related to unit-linked insurance contracts on 1 January	**408,389**	**359,078**
Premiums	440	471
Benefits	(2,707)	(72,881)
Revaluation of the provisions	54,168	12,179
Technical result and other transfers	-	-
Internal transfers	350,133	71,000
Transfer of received/ceded reserves	-	-
Other changes in reserves	126	38,541
Liabilities related to unit-linked insurance contracts on 31 December	**810,550**	**408,389**

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

Transfers of reserves from the 1st and 2nd pillars have been made from branch 21 to branch 23 for an amount of up to 350 million euros.

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

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

- Liabilities are updated through an appropriate risk-free interest rate curve in order to take into account the asset and liability management implemented in the company's long-term commitments.
- The surrender law was estimated on the basis of the historic data. When estimating the future redemption rate, account has been taken of the impact of the massive surrenders of the "First A" portfolio.
- In 2017, the deferred gains of value observed and recognized in the representative assets of the insurance liabilities in Life and investment contracts were allocated to the liabilities related to insurance contracts Life and investment contracts.

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

11.14 Financial debts

11.14.1 Breakdown by nature

In thousands of euros	31 December 2017 Balance value	31 December 2017 Fair value	31 December 2016 restated Balance value	31 December 2016 restated Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	478,807	579,476	475,774	474,629
Subordinated debts	**478,807**	**579,476**	**475,774**	**474,629**
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Bank overdrafts	4	4	-	-
Payables arising from repurchase operations (repo)	334,840	334,840	254,751	254,751
Collateral received as guarantee	8,019	8,019	81,572	81,572
Other	59,743	59,743	50,779	50,779
Other financial debts	**402,606**	**402,606**	**387,102**	**387,102**
Total of the financial debts	**881,413**	**982,082**	**862,876**	**861,732**

Non-convertible subordinated bond loans

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

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

- On 29 June 2015, Ethias launched an exchange offer for its perpetual subordinated loan against a Tier 2 subordinated loan maturing in January 2026. The operation was a real success given the high participation level of 94.4% (EUR 236 million). Having reimbursed investors wishing to participate in the exchange offer but not having an investment with a minimum amount of EUR 100,000 (i.e. the minimum subscription amount) and having reimbursed the part of the investment not corresponding to a multiple of EUR 100,000, a new bond of EUR 231.9 million was issued at 100% on 14 July 2015, at the nominal rate of 5%.
- On 5 November 2015, Ethias SA issued an additional tranche in the Tier 2 subordinated loan of EUR 170.8 million in nominal value, for an issue price of 80 %, paying the nominal rate of 5 % and maturing in January 2026.

The assessments at fair value of the loans issued in 2015 and the balance of the non-exchanged 2005 perpetual loan, with a total nominal amount of 417 million euros, are based on the “Ask” market price (source Bloomberg).

The fair value of the bond loan issued in 2005 with a 2023 maturity, for a nominal amount of 75 million euros, is determined on the basis of observable factors such as the levels of interest rate markets and credit markets. The valuation model is based on the discounting of future cash flows and takes into account the probability of exercise of the various repayment options available to investors.

Collateral received as guarantee

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

11.14.2 Breakdown by maturity

In thousands of euros	2017				
	Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Convertible subordinated bond loans	-	-	-	-	-
Non-convertible subordinated bond loans	21,869	-	446,439	10,500	478,807
Subordinated debts	**21,869**	**-**	**446,439**	**10,500**	**478,807**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Bank overdrafts	4	-	-	-	4
Payables arising from repurchase operations (repo)	334,840	-	-	-	334,840
Collateral received as guarantee	8,019	-	-	-	8,019
Other	24,401	6,391	20,836	8,116	59,743
Other financial debts	**367,263**	**6,391**	**20,836**	**8,116**	**402,606**
Total of the financial debts	**389,132**	**6,391**	**467,274**	**18,616**	**881,413**

In thousands of euros	2016 restated				
	Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Convertible subordinated bond loans	-	-	-	-	-
Non-convertible subordinated bond loans	21,871	-	443,403	10,500	475,774
Subordinated debts	**21,871**	**-**	**443,403**	**10,500**	**475,774**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Bank overdrafts	-	-	-	-	-
Payables arising from repurchase operations (repo)	254,751	-	-	-	254,751
Collateral received as guarantee	81,572	-	-	-	81,572
Other	26,804	3,015	20,960	-	50,779
Other financial debts	**363,128**	**3,015**	**20,960**	**-**	**387,102**
Total of the financial debts	**384,999**	**3,015**	**464,363**	**10,500**	**862,876**

The item "maturities less than 1 year" of the bond loans consists of accrued interest not yet due (21,869 thousand euros at December 31, 2017 compared to 21,871 thousand euros at December 31, 2016).

The amortization of issue costs on the non-convertible subordinated bond amounts to 3,035 thousand euros as of December 31, 2017 (compared to 2,612 thousand euros as of December 31, 2016).

11.15 Provisions

Provisions recognized in the balance sheet are analysed as follows:

In thousands of euros	2017			
	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	Total
Provisions on 1 January	**7,633**	**-**	**22,164**	**29,796**
Provisions (+)	22,250	2,776	111,193	136,219
Expenditures (-)	(47)	(900)	(16,629)	(17,576)
Reversals (-)	(482)	-	724	242
Transfers (+/-)	46	-	1,964	2,010
Change in scope	-	-	(400)	(400)
Other changes	-	-	-	-
Provisions on 31 December	**29,399**	**1,876**	**119,016**	**150,291**

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

The increase in other non-technical provisions is mainly due to the recognition of the cost related to the sale of FIRST A for 106 million euros (see "Management Report - 1.7 Switch VII operation").

An allocation of 22.25 million euros has been recorded in "Provisions for disputes" and mainly concerns a risk on the long-term savings tax (4 million euros), a risk on the “60+ plan” (8 million euros) and a risk for the dispute with Belfius (10.25 million euros).

11.16 Employee benefits

11.16.1 Description of the employee benefits

11.16.1.1 Post-employment benefits

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

Pension benefit obligations

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

- "Defined benefit" pension commitments, according to which a predefined amount, resulting from the application of a formula, will be paid to an employee upon retirement, or during retirement. This amount generally depends on the following factors: number of years of service, salary and statutory pension limits.
- Pension commitments of the "defined contribution" type by which an employer commits up to the amount of a financing. The employer limits his commitment to the payment of contributions and not to a "predetermined" benefit, contrary to the defined benefit schemes. The employees' pension amount is calculated in proportion to the accumulation of the paid and capitalized contributions.

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

At the beginning of July, Ethias SA entrusted the financing of a large part of the **“retirement” component** of the pension commitments in favour of its employees to the Ethias Pension Fund OFP, the multi-employer pension fund created in May 2017 (see "Management report - 1.10 Establishment of a Pension Financing Body ").

With regard to the retirement component of the "defined benefit" commitment type, the entire financing of this component was entrusted to the Ethias Pension Fund OFP, which resulted in the transfer of the reserves managed under this group insurance to the Ethias Pension Fund OFP.

For the retirement component of the “defined contribution” commitment type, only future contributions (due from 1 July 2017 onwards) will be paid into the Ethias Pension Fund OFP (the reserves set up in this group insurance until that date will continue to be managed within the frame of the reduced policies).

The "decease and disability" component of supplementary pension commitments remains managed as part of group insurance within the Group.

The debt registered on the balance sheet for the bonds transferred to the Ethias Pension Fund OFP corresponds to the pension obligation minus the representative assets held in the Ethias Pension Fund OFP, i.e. 82 million euros.

The Group remains its own insurer for a bond amounting to 161 million euros. Regarding this obligation, by the fact that the Group itself insures part of the future benefits of the pension schemes allocated to its employees, the representative assets of the pension plans do not correspond with the definition of the scheme in the sense of IAS 19.

Other post-employment benefits

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

11.16.1.2 Long-term benefits

Long-term benefits refer to advantages granted to active employees and which are not fully payable within the twelve months following the end of the financial year in which the employees provided the services. These benefits include, inter alia, long-term compensated absences, long-service bonuses as well as allowances scheduled within the frame of the "60+" plan (put in place in 2015 and in 2017), concerning the gradual retirement of persons born before January 1, 1961.

11.16.1.3 Termination benefits

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

11.16.2 Overview of employee benefits by nature

The debt for employee benefits is analysed as follows:

In thousands of euros	31 December 2017	31 December 2016
Post-employment benefits	243,521	500,685
Long-term employee benefits	32,704	16,397
Termination benefits	9,671	17,781
Total	**285,896**	**534,863**

The decrease is due to the outsourcing of a large part of group insurance financing in the Ethias Pension Fund (OFP). As a result, a total amount of 257 million euros was paid in July 2017 (see 11.16.1.1).

The current value of the financed bonds amounts to 347,035 thousand euros (the fair value of the assets is 264,686 thousand euros) and that of the non-financed bonds is 161,172 thousand euros.

Amounts of the projected benefits

In thousands of euros	2018	2.017
Post-employment benefits	3,118	5,976
Long-term employee benefits	1	1,019
Termination benefits	5,606	3,755
Total	**8,725**	**10,749**

11.16.3 Actuarial assumptions and sensitivity analysis

11.16.3.1 Actuarial assumptions

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

	31 December 2017
Discount rate according to duration:	
3 years	0.10%
10 years	1.20%
15 years	1.60%
25 years	1.80%
Expected wage increase	0.50%
Inflation rate	1.70%
Staff turnover rate:	
For agents of the 148	
in the last 7 years of their career	0.00%
otherwise	1.50%
For the other groups	2.40%
Life table	32% of MR/FR

	31 December 2016
Discount rate according to duration:	
3 years	0.00%
10 years	1.24%
15 years	1.60%
25 years	1.80%
Expected wage increase	0.50%
Inflation rate	1.70%
Staff turnover rate:	
For agents of the 148	
in the last 5 years of their career	0.00%
otherwise	1.50%
For the other groups	2.40%
Life table	32% of MR/FR

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

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

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

11.16.3.2 Sensitivity analysis

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

This analysis showed that an increase in discount rate with 50 basis points should lower the debt with regard to employee benefits with EUR 33,745 thousand. A decrease of the same level would however result in a debt increase of EUR 37,180 thousand.

The impact of an increase with 25 basis points of the expected wage increase rate amounts to EUR 21,618 thousand. An equivalent decrease would however lower the debt with EUR 19,981 thousand.

In thousands of euros	31 December 2017	31 December 2016
Discount rate		
Increase in rates with 50 basis points	(33,745)	(32,869)
Decrease in rates with 50 basis points	37,180	40,257
Expected wage increase		
Increase in rates with 25 basis points	21,618	23,193
Decrease in rates with 25 basis points	(19,981)	(19,977)

11.16.4 Change in liabilities of the defined benefit schemes

In thousands of euros	2017	2016
Net liabilities of the defined benefit schemes as of January 1st	**500,685**	**477,758**
Total expenses of the defined benefit schemes	30,134	53,372
Contributions paid by the employer	(269,351)	-
Benefits paid directly by the employer	(17,104)	(27,908)
Revaluation	(843)	(2,538)
Net liabilities of the defined benefit schemes as of December 31st	**243,521**	**500,685**

11.16.5 Changes in defined benefit scheme obligations and long-term benefits

	2017			2016		
In thousands of euros	Defined benefit schemes	Long-term benefits	Total	Defined benefit schemes	Long-term benefits	Total
Defined benefit scheme obligation as of January 1st	**500,685**	**16,397**	**517,082**	**477,758**	**1,453**	**479,211**
Cost price of services	24,764	16,964	41,727	44,610	14,780	59,389
Interest charges	8,126	29	8,155	8,089	28	8,117
Benefits paid directly by the employer	(17,104)	(693)	(17,797)	(27,908)	(595)	(28,503)
Benefits paid	(7,547)	-	(7,547)	-	-	-
Other	126	1	127	674	-	674
Revaluation	(843)	8	(835)	(2,538)	731	(1,807)
Defined benefit scheme obligation as of December 31st	**508,207**	**32,705**	**540,911**	**500,685**	**16,396**	**517,081**

11.16.6 Changes in fair value of the defined benefit scheme assets

In thousands of euros	2017	2016
Fair value of the defined benefit scheme assets as of January 1st	**-**	**-**
Interest income	2,882	-
Employers' contributions	269,351	-
Benefits paid	(7,547)	-
Income of interests on plan assets in excess of interest income	-	-
Fair value of the defined benefit scheme assets as of December 31st	**264,686**	-

11.16.7 Allocation of defined benefit scheme assets

	2017	
In thousands of euros	Value	%
Bonds	195,881	74.00%
Equities	54,156	20.46%
Real estate	97	0.04%
Cash	14,553	5.50%
Total	**264,686**	**100%**

11.16.8 Items affecting the income statement relating to defined benefit schemes

In thousands of euros	2017	2016
Cost price of services	24,764	44.610
Net interest charges	5,244	8.089
Other	126	674
Total expenses	**30,134**	**53.372**

11.17 Trade and other payables

11.17.1 Breakdown by nature

In thousands of euros	31 December 2017	31 December 2016 restated
Liabilities arising from direct insurance operations and accepted reinsurance	124,423	123,156
Liabilities arising from ceded reinsurance operations	107,429	103,400
Liabilities from operating activities	**231,852**	**226,556**
Tax on current result	6,977	8,008
Other contributions and taxes	23,484	44,160
Tax payables	**30,461**	**52,168**
Social security payables	60,994	57,330
Payables to associates	-	-
Payables from finance leases	10,278	6,181
Trade payables	65,838	85,952
Other payables	58,095	120,014
Other payables	**195,206**	**269,478**
Accruals for liabilities	**13,374**	**14,538**
Total other payables	**470,892**	**562,739**

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

The decrease in trade payables is due to numerous invoices relating to the group insurance, drawn up at end-2016 and paid in the course of 2017.

The other debts mainly include rental guarantees, costs on ring-fenced funds to be liquidated, unallocated payments and stock exchange transactions to be paid. The latter mainly explain the decrease in other payables. In fact, they totalled 50 million euros as of December 31, 2016 compared to 5.3 million euros at December 31, 2017.

The accruals mainly include the subsidies to be carried forward and the other income to be carried forward.

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

11.17.2 Breakdown by maturity

In thousands of euros	2017 Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Liabilities arising from direct insurance operations and accepted reinsurance	114,045	1,448	234	8,695	124,423
Liabilities arising from ceded reinsurance operations	4,428	-	-	103,001	107,429
Liabilities from operating activities	**118,474**	**1,448**	**234**	**111,696**	**231,852**
Tax on current result	6,977	-	-	-	6,977
Other contributions and taxes	23,484	-	-	-	23,484
Tax payables	**30,461**	**-**	**-**	**-**	**30,461**
Social security payables	60,994	-	-	-	60,994
Payables to associates	-	-	-	-	-
Payables from finance leases	10,278	-	-	-	10,278
Trade payables	65,838	-	-	-	65,838
Other payables	57,898	197	-	-	58,095
Other payables	**195,008**	**197**	**-**	**-**	**195,206**
Accruals for liabilities	**13,026**	**97**	**251**	**-**	**13,374**
Total other payables	**356,969**	**1,742**	**485**	**111,696**	**470,892**

In thousands of euros	2016 restated Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Liabilities arising from direct insurance operations and accepted reinsurance	112,677	1,259	210	9,011	123,156
Liabilities arising from ceded reinsurance operations	1,914	-	-	101,487	103,400
Liabilities from operating activities	**114,590**	**1,259**	**210**	**110,497**	**226,556**
Tax on current result	8,008	-	-	-	8,008
Other contributions and taxes	44,160	-	-	-	44,160
Tax payables	**52,168**	**-**	**-**	**-**	**52,168**
Social security payables	57,330	-	-	-	57,330
Payables to associates	-	-	-	-	-
Payables from finance leases	5,911	270	-	-	6,181
Trade payables	85,952	-	-	-	85,952
Other payables	115,106	-	-	4,908	120,014
Other payables	**264,300**	**270**	**-**	**4,908**	**269,478**
Accruals for liabilities	**12,975**	**161**	**225**	**1,176**	**14,538**
Total other payables	**444,033**	**1,689**	**435**	**116,582**	**562,739**

12 Explanatory notes to the consolidated income statement

12.1 Revenues from insurance activities

In thousands of euros	31 December 2017			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Gross premiums	247,977	1,333,968	857,584	2,439,530
Premiums ceded to reinsurers	(2,107)	(28,814)	-	(30,921)
Change in provision for unearned premiums and outstanding risks (net of reinsurance)	-	(2,013)	-	(2,013)
Other income from insurance activities	15	1,155	4,116	5,287
Revenues of insurance activities (net of reinsurance)	**245,886**	**1,304,296**	**861,701**	**2,411,882**

In thousands of euros	31 December 2016			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Gross premiums	251,442	1,310,084	844,266	2,405,792
Premiums ceded to reinsurers	(2,867)	(33,930)	-	(36,798)
Change in provision for unearned premiums and outstanding risks (net of reinsurance)	-	(17,226)	-	(17,226)
Other income from insurance activities	20	1,486	4,083	5,590
Revenues of insurance activities (net of reinsurance)	**248,596**	**1,260,413**	**848,350**	**2,357,359**

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

12.2 Technical expenses for insurance activities

In thousands of euros	31 December 2017			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Insurance service expenses	408,940	903,277	961,354	2,273,571
Net expenses or revenues ceded to reinsurers	(3,156)	(3,877)	-	(7,032)
Management costs	19,105	244,204	24,101	287,410
Technical expenses for insurance activities	**424,889**	**1,143,604**	**985,455**	**2,553,948**

In thousands of euros	31 December 2016			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Insurance service expenses	270,291	919,653	1,136,396	2,326,341
Net expenses or revenues ceded to reinsurers	(2,004)	(13,122)	-	(15,127)
Management costs	33,676	220,537	19,442	273,655
Technical expenses for insurance activities	**301,963**	**1,127,067**	**1,155,838**	**2,584,869**

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

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

12.3 Net profit (loss) of cessions in reinsurance

In thousands of euros	2017	2016
Premiums ceded to reinsurers	(30,921)	(36,798)
Change in provision for unearned premiums - reinsurers' share	16	237
Net expenses or revenues ceded to reinsurers	7,032	15,127
Net profit (loss) of cessions in reinsurance	**(23,873)**	**(21,434)**

12.4 Net profit (loss) of other activities

In thousands of euros	2017	2016
Revenues of institutions not being insurance companies	251,418	242,733
Other revenues of institutions not being insurance companies	6,402	21,302
Other revenues related to insurance activities	1,390	225,730
Revenues from other activities	**259,211**	**489,765**
Operating expenses of institutions not being insurance companies	(237,973)	(244,360)
Operating expenses of institutions being insurance companies	(6,869)	(7,447)
Other revenues of institutions not being insurance companies	(22,286)	(20,004)
Other expenses of institutions being insurance companies *	(157,834)	(33,914)
Expenses for other activities	**(424,962)**	**(305,725)**
Net profit (loss) of other activities	**(165,751)**	**184,040**

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

The decrease in "Other revenues of institutions not being insurance companies" is mainly due to the -13 million euro change in outstanding amounts at NRB and Xperthis.

The decrease in "Other revenues related to insurance activities" is explained by the recovery in the tax litigation relating to the 1st pillar activity, amounting to 223 million euros, recorded in 2016.

The increase in the item "Other expenses of institutions being insurance companies" is explained by anticipatively taking into account the estimated cost of selling the remaining FIRST A portfolio for 106 million euros (see “Management report - 1.7 Switch VII operation”).

12.5 Net financial result without finance costs

In thousands of euros	Revenues of investments	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
	31 December 2017					
Investment properties	**29,668**	**(506)**	**-**	**(17,294)**	**(1,876)**	**9,991**
Available for sale	1,715	17,186	-	858	-	19,760
Participating interests	**1,715**	**17,186**	**-**	**858**	**-**	**19,760**
Available for sale	14,708	13,676	-	106	-	28,490
At fair value through profit or loss	6,627	7,615	7,497	-	-	21,739
Held for trading	373	3,413	(1,533)	-	-	2,254
Shares and investment funds	**21,708**	**24,704**	**5,964**	**106**	**-**	**52,483**
Available for sale	348,809	15,482	(15)	(100)	-	364,175
At fair value through profit or loss	31,243	24,118	63,635	-	-	118,997
Unlisted at amortized cost price	-	-	-	-	-	-
Bonds	**380,052**	**39,600**	**63,620**	**(100)**	**-**	**483,172**
Loans, deposits and other financial investments	**16,796**	**(2,479)**	**-**	**6,730**	**-**	**21,047**
Held for trading	-	(10,528)	(24,766)	-	-	(35,294)
Held for cash flow hedging	2,426	16,791	-	-	-	19,217
Derivative financial instruments	**2,426**	**6,263**	**(24,766)**	**-**	**-**	**(16,077)**
Investments belonging to unit-linked insurance contracts	**(3,403)**	**-**	**-**	**-**	**-**	**(3,403)**
Cash and cash equivalents	**1,490**	**-**	**(126)**	**-**	**-**	**1,363**
Other	**28,449**	**-**	**-**	**-**	**(13,528)**	**14,920**
Net financial result without finance costs	**478,900**	**84,769**	**44,692**	**(9,700)**	**(15,404)**	**583,257**

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

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

12.6 Finance costs

In thousands of euros	2017	2016
Expenses related to bond loans	28,889	29,134
Expenses related to other financial debts	1,417	1,180
Total of the finance costs	**30,307**	**30,314**

12.7 Expenses by nature and allocation

In thousands of euros	2017	2016
Internal claim handling costs	101,785	102,552
Acquisition costs of contracts	79,907	125,797
Management costs	119,613	48,109
Management costs of investments	7,155	10,477
General costs related to other activities	244,842	251,807
Total of the overhead costs by allocation	**553,302**	**538,742**
Employee benefit expenses	301,969	326,039
Rental and leasing expenses	12,369	11,279
Expenses related to operational buildings	6,142	5,603
IT costs	96,625	66,241
Allocations, amortizations and Provisions for Other Risks and Expenses	34,187	10,053
Other expenses	124,398	141,264
Recovered overhead costs (-)	(22,387)	(21,737)
Total of the overhead costs by nature	**553,302**	**538,742**

The allocation of overheads within the 4 processes was modified in 2017 to better reflect the definitions in the Solvency II standard.

The main differences are:

- Production costs for insurance contracts have been reclassified from acquisition costs to administrative expenses amounting to 67 million
- Costs related to sponsorship and pricing have been reclassified from internal administrative costs to internal acquisition costs in the order of 6 million
- Support activities were mainly included in the administrative expenses in 2016 but one part impacted the other 3 processes. In 2017, all these costs are within the administration expenses

The decrease in employee benefit expenses is explained in section 12.8 below.

The increase in insurance costs between 2016 and 2017 is mainly explained by the additional amortization of IT software and developments as a result of technological ageing and the decommissioning of old systems as part of ongoing technological upgrades. Depreciation on IT projects increases by 37 million euros compared to 2016 (see 11.2 Other intangible assets), offset by a 13 million euro reversal of provisions.

12.8 Employee benefit expenses

In thousands of euros	31 December 2017	31 December 2016
Wages	200,767	208,708
Social security expenses	63,335	60,527
Post-employment benefits	(18)	(1,772)
Defined benefit schemes	29,942	51,706
Other long-term benefits	123	246
Other benefits	(4,458)	(3,465)
Other	12,278	10,088
Total of the employee benefit expenses	**301,969**	**326,039**

The fluctuation of the "Wages" item is mainly due to the decrease in the amount of the bonuses given and the increase in salaries activated in the framework of the Century project, which thus reduce the gross salary burden.

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 29,942 thousand at end-December 2017 (against EUR 51,706 thousand in 2016). This charge includes, inter alia, the cost price of services, the financial cost as well as taxes and contributions inherent in the group insurance products. The decrease in this item is mainly explained by the changes in the plan realized in the course of 2016, directly impacting the cost of services. This charge is divided by allocation within the income statement in expenses for insurance benefits (regarding internal claim handling costs, acquisition costs of contracts and administrative costs) and other investment financial expenses (regarding management costs of investments).

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

12.9 Income taxes

12.9.1 Overview of the tax expense

In thousands of euros	2017	2016
Payable tax	(11,494)	(10,071)
Deferred tax	(72,896)	(87,851)
Income tax on permanent activities	**(84,391)**	**(97,922)**
Payable tax on available-for-sale activities	-	-
Deferred tax on available-for-sale activities	-	-
Tax on available-for-sale activities	**-**	**-**
Total tax expenses recognized through profit or loss	**(84,391)**	**(97,922)**
Tax expenses recognized in other comprehensive income components	**(6,768)**	**(29,957)**

12.9.2 Analysis of the tax expenses

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

In thousands of euros	2017	2016
Profit before tax (without contribution of divestitures and associates)	**245,133**	**522,183**
Theoretical tax rate	**33,99%**	**33,99%**
Tax expense / theoretical tax revenue	**(83,321)**	**(177,490)**
Impact of non-deductible expenses	(17,425)	(72,044)
Impact of non-taxable revenues	43,695	121,318
Impact of fiscal deficits	2,330	55,156
Impact of other temporary differences	(29,683)	(19,182)
Other impacts	13	(5,680)
Total of the tax expense adjustments	**(1,070)**	**79,568**
Real tax expense/proceed	**(84,391)**	**(97,922)**
Effective tax rate	**34%**	**19%**

Impact of non-deductible expenses mainly originates from impairments and losses on realized securities and the amortization of goodwill in BGAAP. In the section of non-taxable revenues, the eligible dividends are recognized as definitively taxed income and reversed impairments on securities. Added to this are the reversals of taxed provisions. Moreover, fiscal deficits vary according to the use of tax credits at the disposal of the Group. The other securities represent the impact of the consolidation adjustments on the tax. Lastly, other temporary differences include, in particular, taxes resulting from temporary valuation differences on assets and liabilities.

13 Other notes to the consolidated financial statements

13.1 Lease contracts

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

13.1.1 Ethias as lessor

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

In thousands of euros	2017	2016
Past due during the year	34,581	34,549
Within more than one and maximum 5 years	131,176	130,414
Within more than 5 years	359,632	396,854
Total	**525,389**	**561,817**

Rent amount recognized as proceed within the financial year:

In thousands of euros	2017	2016
Minimum rent	36,312	32,714
Conditional rent	1,424	1,970
Total	**37,736**	**34,684**

Leased assets mainly relate to real estate.

13.1.2 Ethias as lessee

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

In thousands of euros	2017	2016
Past due during the year	8,483	9,814
Within more than one and maximum 5 years	16,425	21,057
Within more than 5 years	-	-
Total	**24,907**	**30,872**

Rent amount recognized as expense within the financial year:

In thousands of euros	2017	2016
Minimum rent	12,369	11,545
Conditional rent	-	(5)
Total	**12,369**	**11,540**

Leased assets mainly relate to real estate and company cars.

13.2 Related parties

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

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

- The key management personnel of the Group are the directors of Ethias SA and of Vitrufin SA.
- The entities exercising a mutual control or a significant influence on the entity.
- Joint ventures in which the entity participates;
- Non-consolidated subsidiaries; and
- Associates.

In accordance with IAS 24, the Group lists transactions between related parties.

The transactions with Vitrufin SA, the Ethias Pension Fund OFP and EthiasCp (formerly Ethias Droit Commun AAM) are represented in this annex.

The amounts recorded in 2017 come from transactions with the Ethias Pension Fund, EthiasCo SCRL and Vitrufin.

In 2016, the transactions mentioned above mainly included transactions related to the quota share agreement in force between Ethias SA and EthiasCo SCRL.

13.2.1 Transactions related to the balance sheet

In thousands of euros	31 December 2017	31 December 2016
Other financial investments	38,421	-
Receivables	228	999,252
Any other assets	-	-
Total assets with related parties	**38,649**	**999,252**
Insurance and investment contract liabilities	-	999,252
Financial debts	-	-
Trade and other payables	-	2,501
Total liabilities with related parties	**-**	**1,001,753**

13.2.2 Transactions related to revenues and expenses

In thousands of euros	31 December 2017	31 December 2016
Revenues	113,787	119,804
Operating expenses	(418,423)	(160,857)
Financial income	-	40,145
Financial expenses	28,850	
Total of the revenues and expenses with related parties	**(304,636)**	**(908)**

13.2.3 Other transactions with related parties

In 2015, the Group did not receive or give any commitment towards related parties, apart from the acquisition of the “Work Accidents Law 1967” portfolio of Ethias DC AAM (cf. “Management Report” - 1.8. Acquisition of the “Work Accidents Law 1967” portfolio of Ethias DC AAM”)

This transaction has generated goodwill of 33.5 million euros, which was allocated to Other intangible assets.

13.3 Remunerations for key management personnel

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

The total amount of their remunerations include the following elements:

In thousands of euros	31 December 2017	31 December 2016
Short-term benefits	2,557	2,511
Post-employment benefits	592	761
Termination benefits	-	1,651
Other long-term benefits	-	-
Remunerations and other benefits for managers and directors	**3,149**	**4,923**

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

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

13.4 Fees of the Statutory Auditor

In thousands of euros	2017	2016
Fees for audit services	880	898
Fees for services relating to audit services	347	666
Fees for fiscal advice	171	114
Other fees for non-audit services	299	340
Total	**1,697**	**2,018**

13.5 Commitments

13.5.1 Received commitments

In thousands of euros	31 December 2017	31 December 2016
Guarantee commitments	832,231	867,316
Finance commitment	-	-
Other received commitments	-	-
Total	**832,231**	**867,316**

Guarantee commitments include guarantees received from reinsurers and, mainly, guarantees linked to mortgage loans granted to the Group.

On 31 December 2017, the loans portfolio amounts to EUR 749,776 thousand, which corresponds to the initially guaranteed amounts (against EUR 803,117 thousand on 31 December 2016). One counts:

- mortgage loans for EUR 747,002 thousand on 31 December 2017 (against EUR 800,343 thousand on 31 December 2016).
- public body loans for EUR 1,774 thousand on 31 December 2017 (identical on 31 December 2016).
- real estate loans for EUR 1,000 thousand on 31 December 2017 (identical on 31 December 2016).

13.5.2 Given commitments

In thousands of euros	31 December 2017	31 December 2016
Guarantee commitments with regard to financing	-	62,550
Other guarantee commitments	19,713	25,925
Commitments on securities	334,908	260,907
Other given commitments	86,424	93,552
Total	**441,046**	**442,935**

In 2017, Ethias SA paid a dividend of EUR 45 million to Vitrufin SA, the purpose of which is to enable the latter to have sufficient liquidities to repay the remaining interests on its senior loan, namely the maturities of January 2018 and January 2019. The Board of Directors of Vitrufin SA decided to dedicate this amount to the interest payment. Therefore, the commitment of Ethias SA to pay on first request to Vitrufin SA no longer serves any purpose for the year concerned.

Other guarantee commitments mainly include personal guarantees given for 17,573 thousand euros at December 31, 2017 (compared to 17,172 thousand euros at December 31, 2016). The latter represent the securities given as guarantee related to an accepted reinsurance contract called in by Ethias SA as a result of the disposal of its subsidiary Belré in 2011. These guarantees are mainly composed of sovereign bonds.

The commitments on securities include repurchase agreement transactions ("repo") with a maturity of 3 months for an amount of 334,908 thousand euros.

The other guarantees given mainly include:

- purchase commitments for properties, i.e. EUR 1,660 thousand on 31 December 2017 (against EUR 1,547 thousand on 31 December 2016).
- lending commitments for EUR 13,438 thousand on 31 December 2017 (against EUR 13,315 thousand on 31 December 2016). This total is composed of EUR 12,138 thousand (against EUR 12,015 thousand in 2016) for lending commitments for infrastructures and EUR 1,300 thousand for real estate loans identical to 31 December 2016.
- commitments to acquire securities for EUR 47,667 thousand at 31 December 2017. This total breaks down into commitments to bond funds for an amount of EUR 24,675 thousand, commitment to equity funds for an amount of EUR 20,200 thousand and commitments to infrastructure funds for an amount of EUR 2,792 thousand.
- commitments to sell a building for 8,372 thousand euros as of December 31, 2017
- acquisition commitments relating to the “Century” project for EUR 15,287 thousand (see "Management report - 7.3. Technological evolution”)

13.6 Contingent liabilities

None.

13.7 Events after the reporting period

See “Management repport – 10. Events occurring after the closing on 31/12/2017”.

On April 16, 2018, Ethias concluded a sale agreement relating to its remaining FIRST A portfolio with a non-Belgian insurer from the European Economic Area, implying that the aforementioned contracts lose the benefit of the protection of up to 100,000 euros granted by the Belgian Guarantee Fund. This sale is subject to the approval of the Belgian regulator. The closing should take place before the end of 2018. Ethias will manage the transferred contracts for a maximum period of 2 years. The impact of this transaction has been provisioned in the 2017 financial statements for 106 million euros.

14 Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2017 - Free translation from the French original

pwc

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of Ethias SA (the "Company") and its subsidiaries (jointly the "Group"). This report includes our report on the audit of the consolidated financial statements, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 17 May 2017, following the proposal formulated by the board of directors and following the recommendation by the audit and risk committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated financial statements for the year ended 31 December 2019. We have performed the statutory audit of the consolidated financial statements of Ethias SA for 10 consecutive years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and statement of consolidated comprehensive income, the consolidated cash flows statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of kEUR 18.755.425 and a net consolidated profit for the year of kEUR 160.716.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *"Statutory auditor's responsibilities for the audit of the consolidated financial statements"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimates used in the liability adequacy test of life technical provisions ('LAT')

Description of the key audit matter

As of December 31, 2017, life insurance provisions and investment contract liabilities with discretionary participation features amount to EUR 9,763 million (cfr. notes 11.13.1.2 and 11.13.13) and represent 52% of the balance sheet total. As indicated in the notes 7.15.2 and 8.2 of the consolidated financial statements, liability adequacy tests are performed to ensure the adequacy of the technical provisions with regard to the estimated future cash flows.

The liability adequacy test of the life technical provisions is relatively complex and relies on a high degree of judgment regarding uncertain future events. The assumptions used within the frame of the liability adequacy test of the life technical provisions may be influenced by economic conditions, future management actions as well as laws and regulations applicable to the Group. They mainly depend on risks related to mortality and longevity, financial market returns (and interest rates in particular), overheads and other expert judgments. The degree of uncertainty thus generated and the possible uncertainty associated with modelling techniques and the discretionary nature of the assumptions used within the frame of the liability adequacy test are the main reasons why we have considered this subject as a key audit matter.

How did we handle this key audit matter within the frame of our audit?

With the help of our internal experts in actuarial matters, we verified the operating effectiveness of the procedures and the controls put in place by the Group so as to ensure the adequacy of the life technical provisions. We have paid particular attention to the controls aimed at ensuring the quality of the data used in the liability adequacy test of the life technical provisions.

Furthermore, we have also assessed the relevance of the assumptions used in relation to current market conditions as well as the adequacy of these compared with the technical results recorded during the year. We also shared and corroborated our conclusions with the actuaries and the actuarial function of the Group.

Results of our procedures

Based on our audit, we believe that the assumptions used in the liability adequacy test of the life technical provisions are reasonable in relation to the current market conditions and the technical results of the year.

Valuation of financial assets and liabilities for which a quoted price on an active market is not available ("levels 2 and 3")

Description of the key audit matter

The Group holds financial assets and liabilities for which there is no quoted price on an active market. As indicated in the note 8.1 of the consolidated financial statements, the fair value of a certain number of these financial instruments is determined by using valuation techniques that may or may not be based on observable market data. As of 31 December 2017, the Group held financial assets of level 2 valued for an amount of EUR 1,769 million, financial liabilities of level 2 valued for an amount of EUR 76 million and financial assets of level 3 valued for an amount of EUR 226 million (cfr. note 11.4.4).

In particular, the fair value of the financial instruments of level 2 is based on data that are observable either directly or indirectly and is estimated using external and independent rating agencies. The fair value of the financial instruments of level 3 is estimated using valuation models that are based on data not observable on the market.

The valuation of these financial instruments is a key audit matter due to the importance of the estimates that are made for which the assumptions may not be observable.

How did we handle this key audit matter within the frame of our audit?

We have tested and validated the operating effectiveness of the key controls put in place to ensure the accuracy of the valuation of these financial instruments of levels 2 and 3.

For a sample of financial instruments, we have reviewed the estimates made and the main assumptions used in determining their fair value. We have also tested the standing data used in determining the fair value and have involved experts in valuation of financial instruments who, for a sample of financial instruments, recalculated the fair value independently.

Results of our procedures

We believe that the main assumptions used in the determination of the fair value of the assets and liabilities of levels 2 and 3 are reasonable. Our independent tests did not reveal any exception with regard to determining the fair value of these assets and liabilities.

Valuation of the software and IT developments booked in the other intangible assets

Description of the key audit matter

In recent years, the Group has made significant investments in order to improve and modernize its IT tools. The ongoing technology transformation program also includes the modernization of the IT architecture supporting the non-life business. As of 31 December 2017, the software and IT developments booked in the other intangible assets amount to EUR 77.3 million (cfr. note 11.2).

In accordance with the valuation rules, the software and computer licence are recognized as assets at historical cost net of amortization and impairments.

Given the nature of the software and IT developments booked in the other intangible assets and their materiality, we believe that their valuation is a key audit matter.

How did we handle this key audit matter within the frame of our audit?

We have ensured that the expenses recognized as assets with regard to the software and IT developments comply with the capitalisation criteria defined in the note 7.6.2 of the consolidated financial statements. In particular, the asset must be identifiable and its cost reliably estimable. We have reconciled the amounts transferred to the assets to the underlying invoices and verified that they were related to the different IT costs that met the criteria to be capitalized.

We have ensured that the amortization period of the software and IT developments was reasonable in relation to their estimated useful life and that the amortization was accounted for in accordance with the valuation rules.

Results of our procedures

Based on the procedures we performed, our tests did not reveal any exceptions. We believe that the useful life estimated by the Group is reasonable.

Acquisition of the "Work Accidents" activity from EthiasCo (formerly Ethias DC AAM)

Description of the key audit matter

As of 31 December 2017, the Group acquired the "work accidents" portfolio (or "AT 67") from EthiasCo (formerly Ethias DC AAM). This transaction is a key audit matter because of its complexity and the significant judgments and assumptions made in the allocation of the purchase price notably to the other intangible assets.

At the acquisition date, the increase of the other intangible assets related to this transaction amounts to EUR 33.5 million.

How did we handle this key audit matter within the frame of our audit?

Regarding this transaction, we have obtained and analyzed the business acquisition agreement so as to ensure that appropriate accounting treatment had been applied and that sufficient information had been provided in the notes to the consolidated financial statements.

We have verified the accounting treatment of the consideration paid for this transaction. We have audited the fair value of the assets and liabilities acquired, including the main valuation assumptions such as the discount rate used. We have reviewed and discussed these assumptions with the management. We have also involved valuation experts so as to help us identify and value the acquired assets and liabilities.

Results of our procedures

We believe that the methodology and assumptions used to determine the fair value of the assets and liabilities acquired are reasonable and that the accounting treatment is in line with the sales agreement.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and risk committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the separate report on non-financial information and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements and the other information included in the annual report and to report on these matters.

Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this annual report.

The non-financial information is included in a separate report. This report of non-financial information contains the information required by virtue of article 119, §2 of the Companies' Code, and agrees with the consolidated financial statements for the same year. The Company has prepared the non-financial information, based on the framework "UN Global Compact". However, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the said framework. Furthermore, we do not express assurance on individual elements included in this non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated financial statements and we remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

Other statements

- This report is consistent with the additional report to the audit and risk committee referred to in article 79 of the Law of 13 March 2016 related to the status and the control of the insurance companies or reinsurance companies, which refers to the article 11 of the Regulation (EU) N° 537/2014.

Liège, 26 April 2018

The statutory auditor
PwC Bedrijfsrevisoren bcvba
represented by

Kurt Cappoen
Réviseur d'Entreprises / Bedrijfsrevisor

ANNUAL ACCOUNTS OF ETHIAS SA

In accordance with the Royal Decree of November 17, 1994

Figures (in EUR units) established on December 31, 2017 by the Board of Directors of March 22, 2018 and checked by the Statutory Auditor on April 26, 2018.

1 Balance sheet

Assets	2017	2016
B. Intangible assets	**128,958,877**	**78,644,360**
I. Formation expenses	2,033,732	2,785,767
II. Intangible assets	126,925,145	75,858,593
1. Goodwill	57,278,282	-
2. Other intangible assets	17,454,984	40,046,386
3. Advance payments	52,191,879	35,812,207
C. Investments	**14,904,239,973**	**15,632,322,048**
I. Land and properties	268,940,988	266,072,014
1. Real estate for corporate purposes	73,725,345	72,731,674
2. Other	195,215,643	193,340,340
II. Investments in associates and share interests	416,317,426	424,029,678
- Associates	341,497,326	314,046,007
1. Participating interests	305,500,326	314,046,007
2. Certificates, bonds and receivables	35,997,000	-
- Other companies linked by a participating interest	74,820,100	109,983,671
3. Participating interests	42,508,691	67,216,995
4. Certificates, bonds and receivables	32,311,409	42,766,676
III. Other financial investments	14,212,851,751	13,816,826,813
1. Shares, share interests and other variable income securities	448,834,627	385,629,570
2. Bonds and other fixed-income securities	13,004,608,487	12,590,978,078
4. Mortgage loans and mortgage credits	402,325,211	455,465,621
5. Other loans	351,775,865	367,045,512
6. Deposits with credit institutions	5,138,276	3,564,083
7. Other	169,285	14,143,949
IV. Deposits with ceding companies	6,129,808	1,125,393,543
D. Investments related to operations linked to a "Life" business investment fund whose investment risk is not borne by the company	**810,549,540**	**408,388,776**
Dbis. Reinsurers' share of technical provisions	**131,970,962**	**121,543,427**
I. Provision for unearned premiums and outstanding risks	682,217	666,468
II. Provision for Life insurance	783,510	1,474,182
III. Provision for claims to be paid	130,505,235	119,402,777
IV. Provision for profit sharing and refunds	-	-
E. Receivables	**386,668,878**	**388,162,691**
I. Receivables arising from direct insurance operations	205,414,576	218,847,236
1. Policyholders	90,342,124	113,393,002
2. Insurance intermediaries	30,807,407	27,859,784
3. Other	84,265,045	77,594,450
II. Receivables arising from reinsurance operations	91,152,649	64,359,308
III. Other receivables	90,101,653	104,956,147
F. Other asset items	**564,730,873**	**686,369,711**
I. Tangible assets	23,286,940	21,409,634
II. Available values	541,443,933	664,960,077
G. Accruals	**223,319,581**	**227,709,768**
I. Interest and rent earned but not yet due	223,319,581	227,709,768
Total assets	**17,150,438,684**	**17,543,140,781**

Liabilities	2017	2016
A. Equity	**1,122,296,393**	**1,171,206,261**
I. Subscribed capital or equivalent funds, net of uncalled capital	1,000,000,000	1,000,000,000
1. Issued capital	1,000,000,000	1,000,000,000
III. Revaluation surpluses	26,248,883	32,486,908
IV. Reserves	31,953,389	28,907,940
1. Statutory reserve	26,350,000	21,050,000
3. Untaxed reserves	5,603,389	4,687,948
4. Available reserves	-	3,169,992
V. Result carried forward	64,094,121	109,811,413
1. Profit carried forward	64,094,121	109,811,413
B. Subordinated debts	**462,472,403**	**460,188,941**
Bbis Funds for future appropriations	**7,728,650**	**6,753,686**
C. Technical provisions	**13,629,267,279**	**14,488,079,062**
I. Provisions for unearned premiums and outstanding risks	293,272,275	291,243,282
II. Provision for Life insurance	9,765,963,190	10,818,537,330
III. Provision for claims to be paid	3,292,464,549	3,108,208,832
IV. Provision for profit sharing and refunds	34,534,465	24,069,615
V. Equalization and catastrophe provision	31,440,312	32,524,136
VI. C. Other technical provisions	211,592,488	213,495,867
D. Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company	**810,549,539**	**408,388,776**
E. Provisions for risks and costs	**213,706,645**	**126,746,055**
I. Provisions for pensions and similar liabilities	3,476,887	11,405,518
II. Provisions for taxes	2,880,925	2,413,927
III. Other provisions	207,348,833	112,926,610
F. Deposits received from reinsurers	**103,001,026**	**101,486,535**
G. Debts	**778,842,824**	**757,623,991**
I. Liabilities arising from direct insurance operations	124,422,760	123,155,590
II. Reinsurance payables	4,428,313	1,913,530
IV. Debts owed to credit institutions	342,931,554	336,368,630
V. Other debts	307,060,197	296,186,241
1. Amounts payable for taxes, remuneration and social security	63,425,840	80,332,494
a) taxes	24,419,433	43,364,192
b) remunerations and social security costs	39,006,407	36,968,302
2. Other	243,634,357	215,853,747
H. Accruals	**22,573,925**	**22,667,474**
Total liabilities	**17,150,438,684**	**17,543,140,781**

2 Income statement

I. Technical account Non-Life	2017	2016
1. Earned premiums, net of reinsurance	**1,303,140,620**	**1,258,927,447**
a) Gross premiums	1,333,968,213	1,310,083,800
b) Outgoing reinsurance premiums (-)	-28,814,349	(33,930,433)
c) Change in the provision for unearned premiums and outstanding risks, gross of reinsurance (increase -, decrease +)	-2,028,993	(17,462,566)
d) Change in the provision for unearned premiums and outstanding risks, reinsurers' share (increase -, decrease +)	15,749	236,646
2bis. Investment income	**139,217,265**	**174,793,671**
a) Income of investments in associates or companies linked by a participating interest	7,263,811	9,525,388
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	1,431,751	3,693,328
1° share interests	842,197	3,087,107
2° certificates, bonds and receivables	589,554	606,221
b) Income from other investments	110,332,753	121,660,559
a) income from land and properties	47,320	214,961
bb) income from other investments	110,285,433	121,445,598
c) Write-back of value adjustments on investments	13,443,431	23,872,301
d) Gains on disposal	8,177,270	19,735,423
3. Other technical income, net of reinsurance	**1,155,386**	**1,486,004**
4. Claims costs, net of reinsurance (-)	**-918,669,720**	**(913,660,544)**
a) Net amounts paid	875,333,946	878,362,603
aa) gross amounts	883,268,116	903,331,134
bb) reinsurers' share (-)	-7,934,170	(24,968,531)
b) Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	43,335,774	35,297,941
aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	38,582,586	22,626,000
bb) change in provision for claims to be paid, reinsurers' share (increase -, decrease +)	4,753,188	12,671,941
5. Change in the other technical provisions, net of reinsurance (increase +, decrease -)	**11,894,513**	**3,171,680**
6. Profit sharing and refunds, net of reinsurance (-)	**-9,417,682**	**(9,371,124)**
7. Net operating costs (-)	**-243,668,692**	**(213,557,009)**
a) Acquisition costs	139,975,698	173,098,484
c) Administrative costs	104,415,635	41,538,063
d) Commissions received from the reinsurers and share interests (-)	-722,641	(1,079,538)
7bis. Investment-related costs (-)	**-14,106,012**	**(22,548,381)**
a) Investment management costs	4,498,437	2,830,509
b) Value adjustments on investments	4,745,176	18,702,882
c) Losses on disposal	4,862,399	1,014,990
8. Other technical costs, net of reinsurance (-)	**-26,153,246**	**(24,680,705)**
9. Change in provision for equalization and catastrophe, net of reinsurance (increase -, decrease +)	**1,083,824**	**(84)**
10. Result of the Non-Life technical account		
Profit (+)	244,476,256	254,560,955

II. Life technical account			2017	2016
1.	**Premiums, net of reinsurance**		**1,148,352,137**	**1,140,872,354**
	a)	Gross premiums	1,150,458,727	1,143,739,501
	b)	Outgoing reinsurance premiums (-)	(2,106,590)	(2,867,147)
2.	**Investment income**		**480,161,611**	**568,851,171**
	a)	Income of investments in associates or companies linked by a participating interest	8,643,101	35,056,470
		aa) associates	7,390,803	25,403,023
		1° share interests	7,390,803	25,403,023
		bb) other companies linked by a participating interest	1,252,298	9,653,447
		1° share interests	827,429	9,216,566
		2° certificates, bonds and receivables	424,869	436,881
	b)	Income from other investments	345,244,645	368,065,899
		a) income from land and properties	14,834,078	14,643,297
		bb) income from other investments	330,410,567	353,422,602
	c)	Write-back of value adjustments on investments	30,230,947	87,874,064
	d)	Gains on disposal	96,042,918	77,854,738
3.	**Value adjustments on investments of the assets side D. (income)**		**108,837,385**	**35,997,758**
4.	**Other technical income, net of reinsurance**		**4,146,539**	**42,887,582**
5.	**Claims costs, net of reinsurance (-)**		**(1,916,878,611)**	**(2,623,032,730)**
	a)	Net amounts paid	1,918,633,865	2,622,413,492
		aa) gross amounts	1,922,020,073	2,623,466,922
		bb) reinsurers' share (-)	(3,386,208)	(1,053,430)
	b)	Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	(1,755,254)	619,238
		aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	(1,755,254)	619,238
		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 -)**		**411,275,502**	**761,997,336**
	a)	Change in provision for Life insurance, net of reinsurance (increase -, decrease +)	463,303,383	740,307,772
		aa) change in provision for Life insurance, gross of reinsurance (increase -, decrease +)	463,994,055	740,265,192
		bb) change in provision for Life insurance, reinsurers' share (increase +, decrease -)	(690,672)	42,580
	b)	Change in the other technical provisions, net of reinsurance (increase -, decrease +)	(52,027,881)	21,689,564
7.	**Profit sharing and refunds, net of reinsurance (-)**		**(10,464,850)**	**13,725,922**
8.	**Net operating costs (-)**		**(37,913,361)**	**(32,723,550)**
	a)	Acquisition costs	9,330,652	21,045,888
	c)	Administrative costs	29,042,834	12,585,933
	d)	Commissions received from the reinsurers and share interests (-)	(460,125)	(908,271)
9.	**Investment-related costs (-)**		**(72,006,830)**	**(172,232,244)**
	a)	Investment management costs	(11,947,573)	42,726,281
	b)	Value adjustments on investments	54,150,922	76,573,221
	c)	Losses on disposal	29,803,481	52,932,742
10.	**Value adjustments on investments of the assets side D. (costs) (-)**		**(82,591,392)**	**(26,599,868)**
11.	**Other technical costs, net of reinsurance (-)**		**(9,223,755)**	**(22,600,624)**
12bis.	**Change in fund for future appropriations (increase -, reduction +)**		**25,036**	**(6,753,686)**
13.	**Result of the Life technical account**			
	Profit (+)		23,719,411	-
	Loss (-)		-	(319,610,579)

III. Non-technical account		2017	2016
1.	**Result of the Non-Life technical account**		
	Profit (+)	244,476,256	254,560,955
2.	**Result of the Life technical account**		
	Profit (+)	23,719,411	
	Loss (-)	-	(319,610,579)
3.	**Investment income**	**17,005,463**	**17,979,851**
	b) Income from other investments	15,284,463	13,623,179
	bb) income from other investments	15,284,463	13,623,179
	c) Write-back of value adjustments on investments	1,721,000	4,327,258
	d) Gains on disposal	-	29,414
5.	**Investment-related costs (-)**	**(28,541,100)**	**(29,700,171)**
	a) Investment management costs	28,404,100	28,449,825
	b) Value adjustments on investments	137,000	1,244,288
	c) Losses on disposal	-	6,058
7.	**Other income**	**9,825,142**	**128,860,481**
8.	**Other costs (-)**	**(156,573,474)**	**(75,631,938)**
8bis.	**Current result before taxes**		
	Profit (+)	109,911,698	
	Loss (-)		(23,541,401)
11.	**Exceptional income (+)**	**-**	**106,317,333**
12.	**Exceptional costs (-)**	**-**	
13.	**Exceptional result**		
	Profit (+)		**106,317,333**
	Loss (-)		
15.	**Income taxes (-/+)**	**(3,336,119)**	**(2,480,463)**
15bis.	**Deferred taxes (-/+)**	**119,275**	**(127,910)**
16.	**Result of the financial year**		
	Profit (+)	106,694,854	80,167,559
	Loss (-)		
17.	**a) Withdrawal from the untaxed reserves**	**223,124**	**64,040**
	b) Transfer to the untaxed reserves (-)	**(1,138,565)**	**(312,448)**
18.	**Result for the period to be appropriated**		
	Profit (+)	105,779,413	79,919,151
	Loss (-)	-	-

Appropriation and withdrawal		2017	2016
A.	**Profit to be appropriated**	**215,590,826**	**158,811,413**
	Loss to be appropriated (-)	-	
	1. Profit for the period available for appropriation	105,779,413	79,919,151
	Loss for the year available for appropriation (-)	-	-
	2. Profit carried forward from the previous period	109,811,413	78,892,262
	Loss carried forward from the previous period (-)		
B.	**Charge to shareholders' equity (-)**	**3,803,295**	**-**
	1. to capital and to issuance premium	-	-
	2. to reserves	3,803,295	-
C.	**Transfers to equity (-)**	**(5,300,000)**	**(4,000,000)**
	2. to the statutory reserve	5,300,000	4,000,000
D.	**Result to be carried forward**		
	1. Profit to be carried forward (-)	(64,094,121)	(109,811,413)
F.	**Profit to be distributed (-)**	**(150,000,000)**	**(45,000,000)**
	1. Remuneration of capital	150,000,000	45,000,000

3 Notes

N° 1. Statement of intangible assets, investment property and investment securities

Name	Asset items concerned B. Intangible assets	C.I. Land and properties	C.II.1. Investment in associates	C.II.2. Certificates, bonds and receivables in associated companies
a) Acquisition value				
Previous year end	107,749,638	317,028,889	256,677,708	-
Changes during the year:				
- Acquisitions	98,910,288	14,909,750	2,170,278	35,997,000
- Disposals and withdrawals	-	(104,756)	(49,210,144)	-
- Reclassified between headings	-	-	38,739,359	-
- Other changes	-	-	-	-
Year end	206,659,926	331,833,883	248,377,201	35,997,000
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	29,105,278	82,015,802	14,976,853	-
Changes during the year:				
- Decided	48,595,771	11,936,020	699,127	-
- Written back as excessive	-	-	(453,954)	-
- Cancelled	-	-	-	-
Year end	77,701,049	93,951,822	15,222,027	-
c) Amounts not called up				
Previous year end			-	
Changes during the year:			-	
Year end			-	
Net book value, year end	**128,958,877**	**268,940,988**	**305,500,326**	**35,997,000**

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	77,844,009	42,766,676	394,112,608	12,634,215,710
Changes during the year:				
- Acquisitions	36,564,827	-	202,018,049	2,606,643,106
- Disposals and withdrawals	(17,964,726)	(10,455,267)	(138,686,038)	(2,021,562,520)
- Reclassified between headings	(38,739,359)	-	-	-
- Other changes	-	-	-	(183,253,577)
Year end	57,704,751	32,311,409	457,444,619	13,036,042,719
b) Increase in value				
Previous year end	5,560,612	-	-	-
Changes during the year:				
- Decided	-	-	-	-
- Cancelled	(5,560,612)	-	-	-
Year end	-	-	-	-
c) Reductions in value				
Previous year end	14,010,536	-	4,082,288	43,237,632
Changes during the year:				
- Decided	82,218	-	6,289,287	27,090,635
- Written back as excessive	13,811	-	(3,898,174)	(21,397,193)
- Cancelled	(859,973)	-	(1,482,659)	(17,496,842)
Year end	13,218,970	-	4,990,742	31,434,232
c) Amounts not called up				
Previous year end	2,177,090	-	4,400,750	-
Changes during the year:	(200,000)	-	(781,500)	-
Year end	1,977,090	-	3,619,250	-
Net book value, year end	**42,508,691**	**32,311,409**	**448,834,627**	**13,004,608,487**

N° 2. Statement of share interests and social rights held in other companies

NAME, full address of the REGISTERED OFFICE and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	Social rights held by directly Number	%	by the subsidiaries %	Data extracted from the last available annual report: Financial statements as of	Currency	Equity (+) or (-) (in thousands of currency units)	Net profit or loss (+) or (-) (in thousands of currency units)
Air Properties S.A. Rue Léon Laval 12 L-3372 Leudelange B179.427	110,925	51.00	0.00	30/09/2017	EUR	5,432	-940
AME s.a. Rue des Croisiers, 24 B-4000 Liège BE 0466.883.467	200,000	100.00	0.00	31/12/2016	EUR	118	-15
Ankaret Invest SA Rue des Croisiers, 24 B-4000 Liège BE 0438.840.866	2,368,879	100.00	0.00	31/12/2016	EUR	17,445	-21
Archeion SA Rue des Croisiers, 24 B-4000 Liège BE 0832.269.896	28,410	100.00	0.00	31/12/2016	EUR	2,085	87
Ariane Building SA Place Saint-Jacques, 11/104 B-4000 Liège BE 0862.467.382	8,050	25.00	0.00	31/12/2016	EUR	-5,644	-2,278
Ariane Real Estate SA Rue des Croisiers, 24 B-4000 Liège BE 0898.866.435	200	100.00	0.00	31/12/2016	EUR	8,949	-19
Assurcard nv Fonteinstraat, 1A/301 B-3000 Leuven NN 475.433.127	900	20.00	0.00	31/12/2016	EUR	2,946	124
Bedrijvencentrum Meetjesland-Kerkstraat 108 B- 9050 Gentbrugge BE 0452.586.063	32	27.59	0.00	31/12/2016	EUR	339	-46
Bedrijvencentrum Regio Geraardsbergen Herenveld, 2 B-9500 Geraardsbergen BE 0456.832.584	32	27.12	0.00	31/12/2016	EUR	786	97
Bora SA Rue des Croisiers, 24 B-4000 Liège BE 0444.533.281	484	100.00	0.00	31/12/2016	EUR	6,635	38
Brussels I3 Funds nv Witte Patersstraat, 4 B-1040 Etterbeek BE 0477.925.433	1,090	18.17	0.00	31/12/2016	EUR	8,808	7,924
Centrexperts NV Leuvensesteenweg,510/30 B-1930 Zaventem BE 0463.891.315	80	10.00	0.00	31/12/2016	EUR	49	-59
Cerep Loi 1 SA Avenue Ariane, 5 B-1200 Woluwé-Saint-Lambert BE 0866.441.909	195,667	35.00	0.00	31/12/2016	EUR	4,073	-1,352
Crédit populaire Place Communale Hôtel de Ville, 1 B-4100 Seraing BE 0403.943.335	400	10.00	0.00	31/12/2016	EUR	237	-1
De Oostendse Haard VZW Nieuwpoortsesteenweg, 205 B-8400 Ostend BE 0405.277.282	1,400	16.16	0.00	31/12/2016	EUR	18,884	-2,341
E.D.A. SA Avenue de la Cokerie, 9 B-4030 Grivegnée BE 0823.162.982	10	10.00	0.00	31/12/2016	EUR	220	18
Epimède Rue Lambert Lombard, 3 B-4000 Liège BE 0634.750.380	2,080	20.00	0.00	30/06/2017	EUR	3,370	-1,312
Ethias Distribution Epargne Crédit SA Rue des Croisiers, 24 B-4000 Liège BE 0508.712.243	999	99.90	0.10	31/12/2016	EUR	241	-19
Ethias Patrimoine SA Rue des Croisiers, 24 B-4000 Liège NN 894.377.612	40	100.00	0.00	31/12/2016	EUR	21,328	1,214
Ethias Services SA Rue des Croisiers, 24 B-4000 Liège NN 825.876.113	999	99.90	0.00	31/12/2016	EUR	348	64

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)	
Ethias Sustainable Investment Fund SA (European Equities High Yield) Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	189,422	89.17	10.83	31/12/2016	EUR	104,658	2,532
Ethias Sustainable Investment Fund SA (Global Equities) Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	20,136	100.00	0.00	31/12/2016	EUR	19,678	440
Expertisebureau Bellefroid nv Kiewitstraat, 175,B-3500 Hasselt BE 0429.884.105	13	10.40	0.00	31/12/2016	EUR	751	25
Foncière du Berlaymont SPRL Rue des Croisiers, 24 B-4000 Liège BE 0833.012.640	1,000	100.00	0.00	31/12/2016	EUR	387	-368
Fonds d'économie solidaire du bassin industriel de Charleroi Bd Pierre Mayence,1 B-6000 Charleroi BE 0464.424.815	5,000	13.19	0.00	31/12/2016	EUR	803	-8
Het Gehucht NV Rue des Croisiers, 24 B-4000 Liège BE 0808.840.636	500	100.00	0.00	31/12/2016	EUR	1,566	-117
Immo Hofveld SA Rue des Croisiers, 24 B-4000 Liège NN 889.535.233	1,000	100.00	0.00	31/12/2016	EUR	-75	205
Immovivegnis SA Rue des Croisiers, 24 B-4000 Liège BE 0463.660.394	10,500	100.00	0.00	31/12/2016	EUR	38	-111
Impulse Microfinance Investment Fund Sneeuwbeslaan, 20/2 B-2610 Antwerp NN 870.792.160	1,200	10.54	0.00	31/12/2016	EUR	3,700	914
Jan Dockx SA Rue des Croisiers, 24 B-4000 Liège BE 0458.920.757	2,500	100.00	0.00	31/12/2016	EUR	2,460	-188
Koala SA Rue des Croisiers, 24 B-4000 Liège BE 0873.412.150	400	100.00	0.00	31/12/2016	EUR	4,602	-142
Les Hauts Prés SA Rue des Croisiers, 24 B-4000 Liège BE 0812.149.029	1,000	100.00	0.00	31/12/2016	EUR	6,394	-49
Lothian Developments IV Rue des Croisiers, 24 B-4000 Liège BE 0463.648.518	1,012,873	100.00	0.00	31/12/2016	EUR	3,083	-141
L'Ouvrier chez lui SA Rue d'Amérique, 26/1 B-4500 Huy NN 401.465.578	15,000	63.58	0.00	31/12/2016	EUR	3,243	-46
Maison de l'Assurance Square de Meeus, 29 B-1000 Brussels BE 0403.306.501	2,776	10.66	0.00	31/12/2016	EUR	2,800	104
NEB Foncière SA Rue Louvrex, 95 B-4000 Liège BE 0480.029.838	145	29.41	0.00	31/12/2016	EUR	151	-17
NEB Participations SA Rue Louvrex, 95 B-4000 Liège BE 0480.029.739	60,503	29.43	0.00	31/12/2016	EUR	64,232	4,408
Network Research Belgium SA Parc Industriel des Hauts-Sarts 2e avenue, 65 B-4040 Herstal BE 0430.502.430	42,530	68.39	0.00	31/12/2016	EUR	99,168	8,172
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	31/12/2016	EUR	1,370	-477
Sagitta SA Rue des Croisiers, 24 B-4000 Liège BE 0812.356.489	240	100.00	0.00	31/12/2016	EUR	3,368	274

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 subsidiaries	Financial statements as of	Currency	Equity	Net profit or loss
	Number	%	%			(+) or (-) (in thousands of currency units)	
Skarabee nv Nijverheidskaai,3/21 B-8500 Kortrijk BE 0468.210.684	25,000	31.25	0.00	31/12/2016	EUR	2,535	244
Real Goed Invest Rue des Croisiers, 24 B-4000 Liège BE 0872.354.157	1,046	100.00	0.00	31/12/2016	EUR	2,370	145
Theodorus II SA Avenue Joseph Wybran, 40 B-1070 Brussels NN 879.436.147	600	11.11	0.00	31/12/2016	EUR	2,208	3,720
Vecquim SA Rue des Croisiers, 24 B-4000 Liège NN 459.183.449	600	100.00	0.00	31/12/2016	EUR	1,786	111
Veran Real Estate SA Rue des Croisiers, 24 B-4000 Liège BE 0894.106.012	100	100.00	0.00	31/12/2016	EUR	5,456	-43
Ariane Building SA Place Saint-Jacques, 11/105 B-4000 Liège NN 875.171.810	5,000	50.00	0.00	31/12/2016	EUR	4,431	-34

N° 3. Actual value of investments

Asset items	Amounts
C. Investments	**16,468,619,226**
I. Land and properties	310,009,032
II. Investments in associates and share interests	575,725,081
- Associates	448,425,822
1. Participating interests	448,425,822
2. Certificates, bonds and receivables	-
- Other companies linked by a participating interest	127,299,259
3. Participating interests	94,987,850
4. Certificates, bonds and receivables	32,311,409
III. Other financial investments	15,576,755,305
1. Shares, share interests and other variable income securities	565,224,620
2. Bonds and other fixed-income securities	14,227,659,225
4. Mortgage loans and mortgage credits	418,769,134
5. Other loans	359,795,158
6. Deposits with credit institutions	5,137,883
7. Other	169,285
IV. Deposits with ceding companies	6,129,808

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 H BO: Volume: EUR 12,000,000, forward buy on bonds, interest rate risk	-	1,318,530
FWD H SW: Volume: EUR 715,000,000, swap forward, interest rate risk	-	1,086,986

N° 4. Statement of other accruals for assets

Breakdown of the item G.III of assets if amount is considerable	amount
Interest and rent accrued but not yet due	223,319,581

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
Provision sale FIRST A portfolio	106,000,000
Provision retirement plan	57,496,213
Provision for disputes	29,846,537
Other provisions for risks and charges	14,006,083

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	462,472,403
II. Non-convertible loans	462,472,403
Total	462,472,403
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	810,549,539
G. Debts	334,908,479
IV. Debts toward credit institutions	334,908,479
Total	1,145,458,018
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	24,419,433
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	39,006,407

N° 8. Statement of accruals for liabilities

Breakdown of the liability item H	Amounts
Financial income to be carried forward	605,968
Financial charges to be allocated (bond)	21,967,957

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	1,333,968,213	1,219,671,080	369,477,495	253,036,696	186,623,364
2) Earned gross premiums	1,331,939,218	1,217,610,070	369,043,940	253,446,665	187,254,888
3) Gross damages	921,850,702	778,743,146	269,628,857	200,441,936	74,013,422
4) Gross operating costs	244,391,334	220,610,299	43,045,453	51,572,971	35,870,956
5) Reinsurance balance	-24,921,994	-23,599,615	-5,027,386	-4,235,515	-1,737,325
6) Commissions (art. 37)		26,869,121			

Content	Direct business				
	Marine Aviation Transport (branches 4, 5, 6, 7, 11 and 12)	Fire and other damages to properties (branches 8 and 9)	General Civil Liability (branch 13)	Credit and Bonding (branches 14 and 15)	Miscellaneous financial losses (branch 16)
1) Gross premiums	353,375	200,145,931	114,801,035	80,342	17,641,638
2) Earned gross premiums	356,766	199,406,220	114,470,206	83,546	16,399,790
3) Gross damages	130,675	89,247,714	94,787,949	957	8,257,821
4) Gross operating costs	133,096	43,422,853	21,830,469	52,701	3,327,518
5) Reinsurance balance		-15,878,242	3,278,853	-	-
6) Commissions (art. 37)					

Content	Direct business		Accepted cases
	Legal protection (branch 17)	Assistance (branch 18)	
1) Gross premiums	39,337,818	38,173,386	114,297,133
2) Earned gross premiums	39,321,169	37,826,880	114,329,148
3) Gross damages	17,438,741	24,795,074	143,107,556
4) Gross operating costs	8,016,289	13,337,993	23,781,035
5) Reinsurance balance	-	-	-1,322,379
6) Commissions (art. 37)			

II. Life insurances

Content	Amounts
A. Direct business	
1) Gross premiums:	1,150,432,090
a) 1. Individual premiums	58,997,058
2. Premiums under group insurance contracts	1,091,435,032
b) 1. Periodic premiums	975,903,458
2. Single premiums	174,528,632
c) 1. Premiums for non-bonus contracts	22,819,208
2. Premiums for bonus contracts	1,127,173,338
3. Premiums from contracts where the investment risk is not borne by the company	439,544
2) Reinsurance balance	1,049,072
3) Commissions (art. 37)	2,094,927
B. Accepted cases	
Gross premiums:	26,637

III. Non-Life insurance and Life insurance, direct business

Content	Amounts
Gross premiums:	
- in Belgium	2,350,495,638
- in the other states of the EEC	19,607,532

N° 11. Statement on personnel employed

Categories	2017		
	Total number at closing date	**Total average number of persons employed (*)**	**Number of hours worked**
Personnel under employment or internship contract (**)	1,799	1,671.55	2,096,249
Temporary staff and persons made available to the company	-	0.43	757
Total	**1,799**	**1,671.98**	**2,097,006**

Categories	2016		
	Total number at closing date	**Total average number of persons employed (*)**	**Number of hours worked**
Personnel under employment or internship contract (**)	1,769	1,691.90	2,369,814
Temporary staff and persons made available to the company	-	0.40	698
Total	**1,769**	**1,692.30**	**2,370,512**

(*) 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.

As for the personnel:

		2017	2016
A.	**The following information relating to the financial year and to the previous financial year, concerning employees entered in the personnel register and connected to the enterprise by an employment contract or by a first employment agreement**		
a)	Their total number at the financial year's closing date	1,799	1,769
b)	The average number of personnel employed by the company during the previous financial year, calculated in full-time equivalents in accordance with Article 15, §4 of the Belgian Company Code, and broken down according to the following categories:		
	- management staff	26	18
	- clerical staff	1,646	1,674
c)	The number of hours worked	2,096,249	2,369,814

		2017	2016
B.	**The following information relating to the financial year and the previous financial year, concerning temporary staff and persons made available to the company**		
d)	Their total number at the financial year's closing date	-	-
e)	Average number of full-time equivalents calculated in a similar way to employees registered in the personnel register	0.43	0.4
f)	The number of hours worked	757	698

N° 12. Statement on all administrative and management costs, broken down by type

Name		Amounts
I.	**Employee benefit expenses**	**187,970,931**
	1. a) Remunerations	101,897,744
	b) Pensions	-
	c) Other direct social benefits	56,042,527
	2. Employers' social security contributions	36,663,822
	3. Employers' allowances and premiums for extra-legal insurances	163,516
	4. Other employee benefit expenses	1,131,953
	5. Provisions for pensions, remuneration and social security costs	-7,928,631
	a) Appropriations (+)	-
	b) Expenditures and reversals (-)	-7,928,631
II.	**Services and other goods**	**145,118,940**
III.	**Depreciation and write-down on intangible and tangible assets other than investments**	**50,174,354**
IV.	**Provisions for other risks and expenses**	**-13,350,000**
	1. Allocation (+)	-2,550,000
	2. Expenditures and reversals (-)	-10,800,000
V.	**Other current expenditure**	**8,652,776**
	1. Fiscal operating costs	1,450,112
	a) Property tax	1,153,204
	b) Others	296,908
	2. Contributions to public bodies	4,874,334
	4. Other	2,328,330
VI.	**Administrative costs recovered and other current income (-)**	**-22,680,085**
	1. Recovered administrative costs	22,680,085
	b) Others	22,680,085
Total		**355,886,916**

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	8,250,300
	Income from assets other than investments	184,435
	Capital gains realized on assets other than investments	32,835
	Received commissions	1,137,710
	Other	219,862
B.	**Breakdown of the other costs (item 8 of the non-technical account)**	
	Amortizations	757,035
	Impairments on receivables	10,009,776
	Capital losses realized on assets	2,054,239
	Provisions for risks and charges	141,120,746
	Equity-related charges / commissions	2,631,679

N° 15. Income taxes

		Amounts
A.	**Breakdown of item 15 a) ‘Taxes’:**	3,400,000
	1. Income taxes for the financial year:	3,400,000
	a) Refundable advance payments and prepayments	1,461,692
	d) Estimated tax supplements (included in heading G.V.1a) of liabilities)	1,938,308
	2. Income taxes on previous periods:	-
	a) Additional income taxes due or paid:	-
B.	**Main sources of differences between the profit before tax, as stated in the accounts, and the estimated taxable profit**	
	Taxable at ordinary rate	
	Depreciation on revaluation surplus	600,000
	Taxable technical provisions (change)	-9,100,000
	Taxed financial impairments (change)	-21,800,000
	Taxed financial provisions (change)	-27,100,000
	Other taxed provisions and impairments (change)	650,000
	Reversals of write-downs on shares	-5,900,000
	Non-deductible expenses	19,100,000
	Definitively taxed income:	-24,700,000
	NDE cars	-600,000
	Capital gains realized on securities held for more than 12 months	-20,700,000
	Deduction of previous losses	-11,400,000
	Deduction for risk capital	-1,200,000
	Taxable at separate rates	
	Capital gains realized on securities held for more than 12 months	20,700,000
	Fairness tax	1,400,000
D.	**Sources of deferred tax assets:**	
	1. Deferred tax assets:	1,547,600,000
	Accumulated tax losses deductible from future taxable profits	466,600,000
	Taxed technical provisions	1,042,900,000
	Taxed impairments and financial provisions	20,700,000
	Other provisions	16,300,000
	Other reserves (off-balance-sheet)	1,100,000
	2. Future tax liabilities:	8,500,000
	Surplus value (spread taxation)	8,500,000

N° 16. Other taxes and charges borne by third parties

		2017	2016
A.	**Charges:**		
	1. Charges on insurance contracts borne by third parties	239,521,271	238,276,217
	2. Other charges borne by the company	1,772,200	2,762,925
B.	**Amounts retained on behalf of third parties in respect of:**		
	1. Withholding tax on earned income	265,894,536	274,428,017
	2. Withholding tax (on dividends)	3,860,676	9,643,212

N° 17. Off-balance sheet rights and commitments

		Amounts
B.	**Personal guarantees given or irrevocably promised on behalf of third parties**	-
C.	**Real guarantees given or irrevocably promised by the company on its own assets as security for debts and commitments:**	
	a) of the company:	352,409,527
D.	**Collateral received (others than in cash):**	
	a) securities and values of reinsurers:	78,607,882
	b) others	753,679,995
H.	**Others:**	3,670,934,681
	ACQUISITION COMMITMENTS	1,660,146
	DIVESTITURE COMMITMENT	8,372,165
	CAPS/FLOOR	60,000,000
	SWAPTIONS	2,795,000,000
	BOND FORWARDS COMMITMENTS	14,510,400
	FORWARD SWAP COMMITMENTS	715,000,000
	LOAN COMMITMENTS INFRA	12,137,500
	BOND FUNDS COMMITMENTS	24,674,985
	EQUITY FUNDS COMMITMENTS	20,199,949
	INFRA FUNDS COMMITMENTS	2,791,996
	MORTGAGE LOANS COMMITMENTS	1,300,000
	IT PROJECTS COMMITMENTS	15,287,440

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	
	2017	2016	2.017	2016
C. II. Investments in associates and share interests	**341,497,326**	**314,046,007**	**74,820,100**	**109,983,671**
1 + 3 Share interests	305,500,326	314,046,047	42,508,691	67,216,995
2 + 4 Certificates, bonds and receivables	35,997,000	-	32,311,409	42,766,676
- Others	35,997,000	-	32,311,409	42,766,676
C. II. Investments in associates and share interests	**152,289**	**-**	**574**	**574**
1 + 3 Share interests	152,289	-	574	574
E. Receivables	**7,836**	**656,319**	**-**	**635,468**
I. Receivables arising from direct insurance operations	7,761	45,494	-	-
III. Other receivables	75	610,825	-	635,468
B. Subordinated debts	**3,500,000**	**3,500,000**	**-**	**1,000,000**
G. Debts	**9,446,114**	**13,204,512**	**-**	**535**
I. Receivables arising from direct insurance operations	-	-	-	-
V. Other debts	9,446,114	13,204,512	-	535

Relevant items of the balance sheet	Associates	
	2017	2016
- Personal and real guarantees given or irrevocably promised by the company as a security of debts and commitments of associates	-	62,550,000

N°18bis. Relations with associates

Relations with the associates (*)	2017	2016
1. Amount of the financial fixed assets	**24,127,203**	**46,645,398**
- Participating interests	24,127,203	46,645,398
- - Subordinated receivables		
- Other receivables		
2. Receivables on associates	**-**	**1,027,360,061**
- After one year	-	28,108,027
- Within one year	-	999,252,034
3. Amounts owed to associates	**-**	**1,001,753,073**
- After one year		
- Within one year	-	1,001,753,073
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 (*)	338,690

* For non-executive directors and without remunerations and other benefits of the executive committee (pursuant to article 11 of the bylaws, the directors' terms of office are exercised free of charge).

N° 19bis. Financial relations with:

The statutory auditor and the persons with whom he is linked		Amounts
1.	**Remuneration of the statutory auditor:**	**625,000**
2.	**Fees for exceptional services or special missions accomplished within the company by the statutory auditor:**	**345,050**
-	Other control missions	236,625
-	Other missions outside the audit missions	108,425
3.	**Fees for exceptional services or special missions accomplished within the company by the persons with whom the statutory auditor is linked:**	**103,191**
-	Tax advice missions	44,426
-	Other missions outside the audit missions	58,765

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)

The tangible assets are capitalized at their purchase or cost price, including incidental expenses.

Other intangible assets are amortized using the straight-line method at a rate of 20%, except for the amortization of development costs and the amortization of goodwill, when the useful life cannot be reliably estimated, which are spread over a maximum period of ten years. The amortization period of goodwill is justified in note 23.

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 January 1, 2011 are depreciated using the linear method at the following rates:

- Immovable properties: 2 %
- Alterations: 10 %

Immovable properties acquired after January 1, 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 Executive 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 Executive Committee for consideration when the markets are more volatile.

Additional or exceptional impairments can be recognized on a proposal from the Executive 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 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.

Derivatives

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	(20.501.744)

Derivative financial instruments used	
Swaptions	13 acquisition transactions and 17 maturity transactions
Forward bonds	No acquisition transactions, 2 fiscal year transactions and 21 divestments
Forward swaps	17 acquisition transactions
Cap/floor	No acquisition transactions and no maturity transactions

Profit and loss accounts	Result	Reversal of impairment losses	Provision
Swaptions	(4,107,650)	-	(29,799,644)
Forward bonds	(16,790,991)	-	-
Cap/floor	-	-	(22,770)

Acquisition of all of Whestia

In 2017, Ethias S.A., which already held a 25% participating interest in Whestia, acquired all the shares. After agreement by the NBB, the transfer of the shares and payment of the transfer price took place on April 3, 2017. The absorption merger of Whestia by Ethias took place on June 23, 2017, with retroactive effect to January 1, 2017. This acquisition has generated goodwill of 26.4 million, amortized over 10 years, in accordance with the valuation rules and corresponding to the duration of the commitments acquired. The impact of amortization in 2017 is 2.6 million euros.

Change in the breakdown of overheads

The change in overhead costs is influenced by a review of the activation of IT programmes leading to the recognition of an additional amortization of 31.5 million euros and an assumption of 13.5 million euros for projects whose amortization has not yet started. The total impact of this review on the 2017 accounts is therefore 45 million euros.

The allocation of overheads within the 4 processes was modified in 2017 to better reflect the definitions in the Solvency II standard.

The main differences are:

1) Production costs for insurance contracts have been reclassified from acquisition costs to administrative expenses amounting to 67 million euros
2) Costs related to sponsorship and pricing have been reclassified from internal administrative costs to internal acquisition costs in the order of 6 million euros
3) Support activities were mainly included in the administrative expenses in 2016 but one part impacted the other 3 processes.

Flashing-light provision

On 22 November 2017, the National Bank confirmed, pursuant to Article 34quinquies, § 4 of the Royal Decree of 1 June 2016 amending the Royal Decree of 17 November 1994 on the annual accounts of insurance and reinsurance companies, that it granted to Ethias SA the exemption from the obligation to provide additional provisions for the 2017 financial year, as the solvency requirements were met.

4 Social balance sheet

Number of the joint committee competent for the company: 306

Situation of the persons employed

Employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.

2017	Total	Men	Women
Average amount of employees			
Full-time	1,425.44	811.16	614.28
Part-time	355.05	89.16	265.89
Total in full-time equivalents (FTE)	1,671.5	870.6	800.9
Number of hours actually worked			
Full-time	1,798,039.07	1,032,796.70	765,242.37
Part-time	298,209.44	64,892.82	233,316.62
Total	2,096,248.51	1,097,689.52	998,558.99
Employee benefit expenses			
Full-time	158,281,444.46	96,911,734.83	61,369,709.63
Part-time	29,689,485.81	9,805,133.58	19,884,352.23
Total	187,970,930.27	106,716,868.41	81,254,061.86
Amount of benefits granted in addition to wages	**282,913.92**	**160,618.92**	**122,295.00**

2016	Total	Men	Women
Average amount of employees	**1,678.46**	**872.58**	**805.88**
Number of hours actually worked	**2,369,814.02**	**1,264,618.03**	**1,105,195.99**
Employee benefit expenses	**195,984,328.15**	**112,559,859.52**	**83,424,468.63**
Amount of benefits granted in addition to wages	**239,058.28**	**137,298.56**	**101,759.72**

2.017	Full-time	Part-time	Total (FTE)
Number of employees	**1,482**	**317**	**1,700.2**
By type of employment contract			
Permanent contract	1,406	317	1,624.2
Fixed-term contract	74		74.0
Replacement contract	2		2.0
By sex and educational level			
Men	845	68	887.7
primary education	-	-	-
secondary education	147	35	166.6
higher non-university education	440	20	454.8
university education	258	13	266.3
Women	637	249	812.5
primary education	-	-	-
secondary education	93	74	140.8
higher non-university education	322	130	419.7
university education	222	45	252.0
By professional category	**-**	**-**	**-**
Management staff	26	-	26.0
Clerical staff	1,456	317	1,674.2

Temporary staff and persons made available to the company

2017	Temporary staff
Average number of persons employed	0.43
Number of hours actually worked	757.49
Costs for the company	22,802.98

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.	**95**	**0**	**95.0**
By type of employment contract			
Permanent contract	46	-	46.0
Fixed-term contract	49	-	49.0
Replacement contract	-	-	-

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.	**60**	**5**	**64.1**
By type of employment contract			
Permanent contract	36	5	40.1
Fixed-term contract	23	-	23.0
Replacement contract	1	-	1.0
By reason of termination of the contract			
Retirement	5	-	5.0
Unemployment with company allowance	6	1	6.5
Dismissal	6	1	7,0
Other reason	43	3	45.6

Information about training for employees during the financial year

2017	Men	Women
Formal initiatives of continuing vocational training paid by the employer		
Number of employees involved	403	460
Number of hours of training	4,228.78	4,394.70
Net costs for the company	843,174.04	934,222.52
of which gross costs directly linked to trainings	763,268.95	843,015.71
of which contributions and deposits paid to collective funds	79,905.09	91,206.81
of which allowances and other financial benefits received (to be deducted)	-	-
Less formal or informal initiatives of continuing vocational training paid by the employer		
Number of employees involved	913	886
Number of hours of training	3,929	3,607
Net costs for the company	256,413	235,429

5 Remuneration of the directors

Name of the director (non-executive and executive)	Function in Ethias SA	Remuneration Ethias SA (attendance fees)	Remuneration Ethias SA (fixed compensation)	Number of meetings Ethias SA (Board of Directors - Audit and Risk Committee - Appointments and Remuneration Committee)
Myriam Van Varenbergh (entered on May 17, 2017)	Chair	**12,000**	**17,187.50**	**15**
Erik De Lembre (left on May 17, 2017)	Non-executive director	**16,000**	**12,187.50**	**17**
Jacques Braggaar	Non-executive director	**26,413.80**	**9,500**	**25**
Claude Desseille (left on May 17, 2017)	Non-executive director	**9,000**	**8,437.50**	**10**
Willy Duron (left on May 17, 2017)	Non-executive director	**10,000**	**4,687.50**	**11**
Jean-Pierre Grafé (left on May 17, 2017)	Non-executive director	**12,000**	**4,687.50**	**13**
Olivier Henin	Non-executive director	**25,560.80**	**9,500**	**24**
Philip Neyt	Non-executive director	**18,000**	**7,500**	**18**
Marc Descheemaecker (entered on May 17, 2017)	Non-executive director	**16,000**	**7,812.50**	**18**
Kathleen Desmedt (entered on Octobrer 11, 2017)	Non-executive director	**5,000**	**1,662.50**	**5**
Ingrid Loos (entered on October 11, 2017)	Non-executive director	**8,000**	**2,633.32**	**8**
Marc Meurant (entered on October 11, 2017)	Non-executive director	**8,000**	**2,633.32**	**8**
Anne-Marie Seeuws (entered on October 11, 2017)	Non-executive director	**5,000**	**2,050.81**	**5**
Philippe Donnay	Non-executive director	**17,000**	**8,672.50**	**22**
Bruno van Lierde (entered on May 17, 2017)	Non-executive director	**15,000**	**14,062.50**	**17**
Karl Van Brom	Non-executive director	**15,000 (*)**	**7,500 (*)**	**16**
Philippe Lallemand	CEO	**- (**)**	**- (**)**	**16**
Benoît Verwilghen	Vice CEO/CCO	**- (**)**	**- (**)**	**17**
Brigitte Buyle (left on October 11, 2017)	CDTO	**- (**)**	**- (**)**	**13**
Cécile Flandre	CFO	**- (**)**	**- (**)**	**3**
Frank Jeusette	CRO	**- (**)**	**- (**)**	**15**
Luc Kranzen (left on October 11, 2017)	CSO	**- (**)**	**- (**)**	**14**

(*) paid to the City of Antwerp

(**) pursuant to article 11 of the bylaws, directors' terms of office are exercised free of charge.

Name of the director	Function	Remuneration company within the scope of consolidation NRB (***) - (attendance fees)	Remuneration company within the scope of consolidation NRB (***) - (fixed compensation)	Number of NRB meetings (Board of Directors, Appointments and Remuneration Committee, Audit Committee)
Lallemand Philippe	Chairman	5,000	12,500	10
Verwilghen Benoît (left on April 27, 2017)	Non-executive director	1,000	2,812.50	2
Buyle Brigitte (left on April 27, 2017)	Non-executive director	4,000	5,000	8
Jeusette Frank	Non-executive director	1,000	2,812.50	2
Kranzen Luc (left on July 27, 2017)	Non-executive director	500	2,500	1

(***) paid to Ethias SA

Name of the director	Function	Remuneration company within the scope of consolidation NRB - (attendance fees)	Remuneration company within the scope of consolidation NRB - (fixed compensation)	Number of NRB meetings (Board of Directors, Appointments and Remuneration Committee, Audit Committee)
De Lembre Erik (left on December 19, 2017)	Non-executive director	4,500	6,250	9
Société Claude Desseille	Non-executive director	3,000	5,312.50	6

Name of the member of the executive commitee	Function	Gross remuneration (*)	Gross variable remuneration (*)
Lallemand Philippe (1)	CEO	362,927.12	6,901.14
Verwilghen Benoît (2) (4)	Vice-CEO/CCO	378,974.12	9,319.72
Buyle Brigitte	CDTO	305,235.95	1,581.61
Flandre Cécile (3) (4)	CFO	137,830.70	0.00
Jeusette Frank	CRO	269,549.13	6,641.39
Kranzen Luc	CSO	269,549.13	6,727.97

(*) Does not include other benefits.

(1) CEO from March 20, 2017 (from January 1, 2017 to March 19, 2017: member of the executive committee in charge of Public Sector & Companies)

(2) CEO ad interim until 19/03/2017

(3) Entry into function on the August 3, 2017

(4) Independent status

6 Statutory auditor's report on the financial statements for the year ended 31 December 2017

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETHIAS SA ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of Ethias SA (the "Company"). This report includes our report on the audit of the annual accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 17 May 2017, following the proposal formulated by the board of directors and following the recommendation by the audit and risk committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the annual accounts of Ethias SA for 10 consecutive years.

Report on the audit of the annual accounts

Unqualified opinion

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 17.150.438.684 and a profit and loss account showing a profit for the year of EUR 105.779.413.

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 2017, and of its results for the year then ended, in accordance with the financial-reporting framework applicable to the insurance companies in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the annual accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimates used in the liability adequacy test of life technical provisions ('LAT')

Description of the key audit matter

As of 31 December 2017, life insurance provisions amount to EUR 9,766 million and represent 57% of the balance sheet total. Liability adequacy tests are performed to ensure the adequacy of the technical provisions with regard to the estimated future cash flows. The liability adequacy test of the life technical provisions is relatively complex and relies on a high degree of judgment regarding uncertain future events. The assumptions used within the frame of the liability adequacy test of the life technical provisions may be influenced by economic conditions, future management actions as well as laws and regulations applicable to the Company. They mainly depend on risks related to mortality and longevity, financial market returns (and interest rates in particular), overheads and other expert judgments. The degree of uncertainty thus generated and the possible uncertainty associated with modelling techniques and the discretionary nature of the assumptions used within the frame of the liability adequacy test are the main reasons why we have considered this subject as a key audit matter.

How did we handle this key audit matter within the frame of our audit?

With the help of our internal experts in actuarial matters, we verified the operating effectiveness of the procedures and the controls put in place by the Company so as to ensure the adequacy of the life technical provisions. We have paid particular attention to the controls aimed at ensuring the quality of the data used in the liability adequacy test of the life technical provisions. Furthermore, we have also assessed the relevance of the assumptions used in relation to current market conditions as well as the adequacy of these compared with the technical results recorded during the year. We also shared and corroborated our conclusions with the actuaries and the actuarial function of the Company.

Results of our procedures

Based on our audit, we believe that the assumptions used in the liability adequacy test of the life technical provisions are reasonable in relation to the current market conditions and the technical results of the year.

Valuation of investments for which a quoted price on an active market is not available

Description of the key audit matter

The Company holds investments for which there is no quoted price on an active market. The value of a number of these investments is determined by using valuation techniques that may or may not be based on observable market data. As of 31 December 2017, the Company held assets valued by a non-independent counterparty (mainly bonds and derivatives) for an amount of EUR 610.5 million and internally (mainly corporate bonds) for an amount of EUR 156.5 million. The valuation of these investments is a key audit matter due to the importance of the estimates that are made and the impact that the valuation used can have on Note 3 of the financial statements and the determination of recognized impairments.

How did we handle this key audit matter within the frame of our audit?

We have tested and validated the operating effectiveness of the key controls put in place to ensure the accuracy of the valuation of these investments. For a sample of investments, we have reviewed the estimates made and the main assumptions used in determining their value (discount rate, market curve, ...). We have also tested the standing data used in determining the value (future cash flows, ...) and have involved experts in valuation of financial instruments who, for a sample of investments, recalculated their value independently.

Results of our procedures

We believe that the main assumptions used in the determination of the market value are reasonable. Our independent tests did not reveal any exception with regard to determining the market value of investments for which a quoted price in an active market is not available.

Valuation of intangible assets (excluding goodwill)

Description of the key audit matter

In recent years, the Company has made significant investments in order to improve and modernize its IT tools. The ongoing technology transformation program also includes the modernization of the IT architecture supporting the non-life business. As of 31 December 2017, intangible assets (excluding goodwill) including other intangible assets and advance payments amount to EUR 69.6 million. It mainly includes software and IT developments as well as advances paid on them. In accordance with the valuation rules, intangible assets are recognized as assets at historical cost net of amortization and impairments. Given the nature of these intangible assets and their materiality, we believe that their valuation is a key audit matter.

How did we handle this key audit matter within the frame of our audit?

We have ensured that the expenses recognized as assets with regard to the intangible assets comply with the capitalisation criteria defined by the accounting legislation. In particular, the asset must be identifiable and its cost reliably estimable. We have reconciled the amounts transferred to the assets to the underlying invoices and verified that they were related to the different IT costs that met the criteria to be capitalized. We have ensured that the amortization period of the other intangible assets was reasonable in relation to their estimated useful life and that the amortization was accounted for in accordance with the valuation rules.

Results of our procedures

Based on the procedures we performed, our tests did not reveal any exceptions. We believe that the useful life estimated by the Company is reasonable.

Acquisition of the “Work Accidents” activity from EthiasCo (formerly Ethias DC AAM)

Description of the key audit matter

As of 31 December 2017, the Company acquired the “work accidents” portfolio (or "AT 67") from EthiasCo (formerly Ethias DC AAM). This transaction is a key audit matter because of its complexity and the significant judgments and assumptions made in the allocation of the purchase price and the determination of goodwill. At the acquisition date, the goodwill generated by this transaction in the financial statements of the Company amounts to EUR 33.5 million.

How did we handle this key audit matter within the frame of our audit?

Regarding this transaction, we have obtained and analyzed the business acquisition agreement so as to ensure that appropriate accounting treatment had been applied and that sufficient information had been provided in the notes to the financial statements. We have verified the accounting treatment of the consideration paid for this transaction. We have audited the fair value of the assets and liabilities acquired, including the main valuation assumptions such as the discount rate used. We have reviewed and discussed these assumptions with the management. We have also involved valuation experts so as to help us identify and value the acquired assets and liabilities.

Results of our procedures

We believe that the methodology and assumptions used to determine goodwill are reasonable and that the accounting treatment is in line with the sales agreement.

Responsibilities of the board of directors for the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable to the 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.

In preparing the annual accounts, the board of directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and risk committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the director's report and the other information included in the annual report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report and the other information included in the annual report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

Aspects related to the directors' report and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report and to the other information included in the annual report, this report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report and the other information included in the annual report, is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on the annual report.

The non-financial information is included in the annual report. This report of non-financial information contains the information required by virtue of article 96, §4 of the Companies' Code, and agrees with the annual accounts for the same year. The Company has prepared the non-financial information, based on the framework "UN Global Compact" internationally recognized. However, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the said "UN Global Compact" framework. Furthermore, we do not express assurance on individual elements included in this non-financial information.

Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 100, § 1, 6°/2 of the Companies' Code, includes, both in terms of form and content, the information required by virtue of the Companies' Code and does not present any material inconsistencies with the information we have at our disposition in our audit file.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the annual accounts and we remained independent of the Company in the course of our mandate.

- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the annual accounts.

Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable to the 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.

- This report is consistent with the additional report to the audit and risk committee referred to in article 79 of the Law of 13 March 2016 related to the status and the control of the insurance companies or reinsurance companies, which refers to the article 11 of the Regulation (EU) N° 537/2014.

- In accordance with Article 523 of the Belgian Company Code, we are required to report on the following transactions that took place during the year ended 31 December 2017:

    - At its meeting on 20 March 2017, the board of directors assessed the achievement of the 2016 objectives of the executive committee. The members of the executive committee abstained from taking part in the deliberation and the vote of the board of directors, being found that they had, within the meaning of Article 523 of the Company Code, an opposite interest of financial nature in the decision that the board of directors was likely to take, viz. the awarding of a variable remuneration based on the achievement of their 2016 objectives.

- At its meeting on 20 March 2017, the board of directors also appointed the future CEO. Misters Verwilghen and Lallemand abstained from taking part in the deliberation and the vote of the board of directors, being found that they had, within the meaning of Article 523 of the Company Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the appointment of the future CEO, with both of them being candidates for the exercise of this function. This decision has a financial consequence for the Company since the function of the CEO is remunerated.

- At its meeting on 16 May 2017, the board of directors set the 2017 objectives for the members of the executive committee. The members of the executive committee 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 Company Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the setting of the 2017 objectives of the members of the executive committee, which intervene in the payment of their 2017 variable remuneration.

- At its meeting on 16 May 2017, the board of directors also set the remuneration of the CEO. Mister Lallemand 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 Company Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the setting of the CEO's remuneration.

- At its meeting on 23 June 2017, the board of directors examined the acquisition of the AT 67 insurance portfolio of Ethias Droit Commun. Misters Henin and Van Borm 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 Company Code, an opposing interest of financial nature in the decision that the board of directors was likely to take with regard to the acquisition of the AT 67 insurance portfolio from Ethias DC by Ethias SA insofar as they sit on the boards of these two companies and are remunerated on both sides.

Liège, 26 April 2018

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Kurt Cappoen
Réviseur d'Entreprises / Bedrijfsrevisor