CONSOLIDATED ANNUAL REPORT

2018

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INTRODUCTORY WORD FROM THE CHAIRS

2018 was a springboard year rich in concrete achievements on strategic, business, organizational and governance levels.

At 31/12/2018, the **consolidated net result amounts to 193 million euros**, with a Group's share of 183 million. This net result increases by 16% compared to the previous year, which was marked by exceptional items.

The **operating result** amounts to **194 million euros**. This result mainly comes from Non-Life business for an amount of 167 million euros. Life business delivers an operating result of 38 million euros, and other activities account for a result of -11 million euros.

Overall income amounts to **2,684 million euros**, i.e. an increase by 10% compared to the previous financial year. This performance comes from both Non-Life business (1,382 million euros, up 3.6%) and Life business (1,302 million euros, up 18%).

The **Solvency II ratio**[1] stands at **181%** after distribution of the dividend of 118 million euros.

These excellent results demonstrate the **commitment of all employees** to the company's transformation programme. It will enable Ethias to continue developing its offer in such a way as to best meet the client's expectations.

This performance also reflects the relevance and strength of a **unique business model**, with Ethias being the direct integrator of the entire insurance value chain for the benefit of the customer, from underwriting to claim settlement, without forgetting prevention and all the services complementary to the insurance product.

As such, Ethias is the only insurer on the Belgian market offering **10 insurance products that can be fully underwritten online** (entire process from quotation to payment).

In a rapidly changing environment, Ethias has embarked on a programme for revising and reinforcing its **strategic fundamentals**. This strategic programme aims to strengthen Ethias' position as the n° 1 Direct insurer, the n° 1 Digital insurer and the n° 1 insurer for Public Bodies.

Hence, all employees were given the opportunity to express their views on the company's **values**. The new values (Human - Commitment - Enthusiasm - Customer Satisfaction) reflect the identity and culture of Ethias. They are applied on a daily basis within and outside the company. The **mission** of Ethias has also been reviewed: "Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service." Our advisers, inspectors, prevention officers ... are the main ambassadors of this mission, as partners in our clients' daily lives.

After defining our values and mission, we determined the future to which we aspire: our **vision** for the future. This vision aims to enrich the customer experience through our range of innovative products and services, our omnichannel distribution model and the continuous innovation in our processes and solutions. It is based on the main themes of mobility, health and ageing.

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

The main key facts of the year 2018 are presented on page 16.

We are particularly proud of the development in our activities, of our organization and of the results achieved in 2018, the fruit of a successful and unique model and of committed and enthusiastic employees, at the client's service. This performance was highlighted in January 2019 by the agency Fitch Ratings, which upgraded Ethias SA's rating for Insurer Financial Strength (IFS) from BBB+ (Good with Positive Outlook) to A- (Strong with Stable Outlook).

In 2019, we will celebrate our centenary, an additional opportunity to express gratitude to all our partners for their trust. We see this as an opportunity to consolidate our Belgian anchorage, our durability, to demonstrate our know-how and enthusiasm, our desire for progress and our prospects.

Philippe LALLEMAND
Chair of the Executive Committee
Chief Executive Officer

Myriam VAN VARENBERGH
Chair of the Board of Directors

1 Based on the annual QRT (quantitative Solvency II reporting).

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I. 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 established by the Board of Directors of Ethias SA on 18 April 2019.

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.

II. GENERAL DESCRIPTION

1. Presentation Ethias

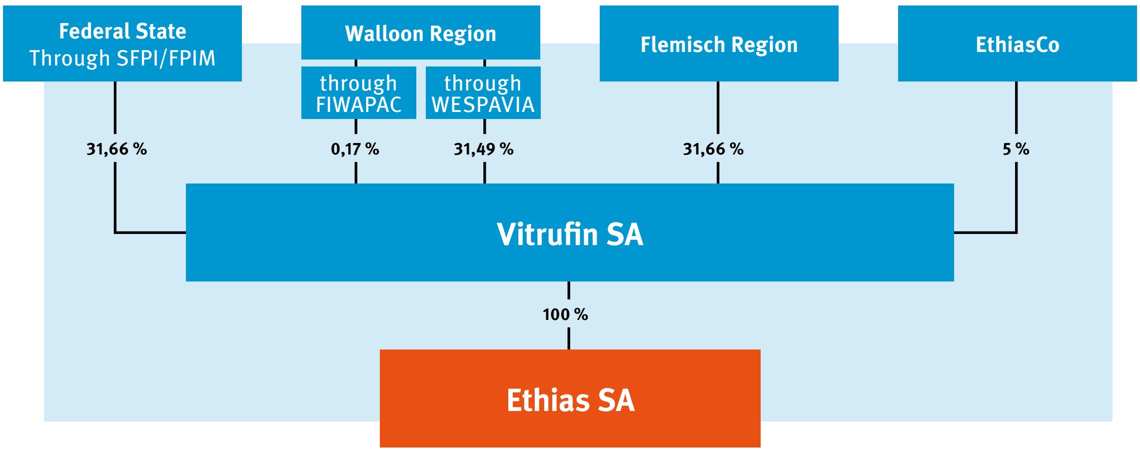
A GROUP WITH A MUTUAL INSURANCE PHILOSOPHY

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

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

This was the beginning of a rich history with various turns and many successes, leading up to a strong insurance group which today has over one million two hundred thousand policyholders.

OUR STRUCTURE[1]



Vitrufin SA is a holding company in which the public authorities (Belgian State, Walloon Region and Flemish Region) have acquired interests, accounting together for 95% shares of its capital. Vitrufin owns 100% of the shares of Ethias SA.

Ethias SA is the operational entity of the group since it centralises all Life and Non-Life insurance activities.

1 On 28 September 2018 and pursuant to a Walloon Government decree of 19 April 2018, SA FIWAPAC, which held 31.66% of Vitrufin, contributed to SA Wespavia, another sub-subsidiary of the Walloon Region, all of the 629,833 ordinary shares held, in delegated mission, for the latter. The share of the Walloon Region in Vitrufin's capital is therefore now divided between SA Wespavia, which holds 31.49% of Vitrufin, and SA FIWAPAC, which holds 0.17%.

Ethias SA is also the sole or majority shareholder of the companies of the Group, such as Ethias Services (services company specialized in pension insurance in particular), Ethias Patrimoine (acquisition and management company for movable and real estate assets), Ethias Sustainable Investment Fund (institutional SICAV under Belgian law), NRB (IT company) and various real estate subsidiaries.

The main purpose of **EthiasCo** is the holding and management of participating interests. Among these, the most important ones are Vitrufin (holding 5% of shares alongside public investors), Socofe and VEH (both active in the energy sector).

OUR VALUES, OUR MISSION AND OUR VISION

Our **values** are the foundation of our identity, our culture and our personality.
In a nutshell, they constitute the DNA of Ethias.

#HUMAN

humanity is at the heart of all our relationships.
We are a true partner for each of our interlocutors.

For us, proximity and solidarity are no empty words.

#COMMITMENT

for nearly 100 years, we are daily committed to our clients, to our colleagues and to society. We are reliable, trustworthy and purposeful. This commitment also relates to ethics, which remains at the root of all our actions, and to our social responsibility.

#CLIENT SATISFACTION

this is the driving force of our activities and of all our actions. Through our mutualist origins, we emphasize on client contact possibilities and on exemplary service quality. Our accessibility, our efficiency, our flexibility clearly contribute to the satisfaction of our clients.

#ENTHUSIASM

because whatever happens, a heart beats within Ethias. Every day, we show energy, vitality, optimism and dynamism. This enthusiasm leads us to be creative and to undertake innovative projects in support of clients.

In 2018, these values were implemented both within and outside the company. An internal campaign was conducted to give employees the opportunity to express themselves and to specify how values are naturally applied in their daily lives. On the basis of these reactions, a charter was drawn up.

Hence, our values are expressed in daily life (when welcoming our clients, settling a claim, providing advice on prevention, etc.). They are also materialized when implementing our dynamic policy of corporate social responsibility (CSR), listening to the concerns of our policyholders, private individuals as well as public bodies.

Our **mission** is our raison d'être. In a clear and concise way, it presents what we do and how we stand out. It gives meaning to all our actions and makes us work together in the same direction. Our mission is as follows:

Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service.

After defining our values and mission, we determined the future to which we aspire: our vision for the future.

It is expressed through 3 axes:

For more information, check our corporate website: https://www.ethias.be/corporate/fr.html

OUR POLICYHOLDERS AND OUR PRODUCTS

Private Individuals

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

- In Non-Life, besides its flagship products, namely car insurance and home insurance, Ethias also offers assistance, health care coverage, coverage for civil liability and travel cancellation insurance.
- In Life, Ethias mainly sells life insurance policies with no Life component and branch 23 contracts. Ethias has also entered into a distribution partnership with Integrale for branch 21 products.

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

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

Public & Corporate Sector

Ethias has been the privileged insurance partner of the Public Sector since 1919. Its insured parties include the Federal State, Regions and Communities, local public authorities (provinces, cities and municipalities, public social welfare centres ...), public companies as well as thousands of intercommunity and semi-public bodies, schools, hospitals, public interest organisations and miscellaneous associations ...

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

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

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

But being an insurer today is not simply covering a series of financial risks, it is also about adopting a comprehensive prevention risk policy. For several years now, Ethias has been conducting a proactive and dynamic prevention policy across all its products and services (risk prevention relating to work accidents or hazardous weather conditions), and through innovative initiatives (prevention blog on the website www.ethias.be/pro, numerous training courses for our clients through the training institute “Ethias Members’ Academy”, various publications, ...).

Companies

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

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

OUR DISTRIBUTION NETWORK

Ethias is the only major direct insurer in Belgium.

Since October 1, our offices and customer centers have extended their opening hours to meet the needs of our clients.

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

- Insurance advisers, located throughout the country, in a network of 42 offices;

- Two «customer centers» available to policyholders where 96 employees managed in 2018 more than 860,000 incoming and outgoing calls, 53,000 emails, 9,000 text chats and 11,000 social media contacts;
- The website with over 12.500.000 web pages viewed in 2018:
  - » a secure personal space (named «My Ethias»), allowing policyholders to consult their insurances and to declare certain claims;
  - » 10 insurance products (various products and formulas in Owner and Tenant Home Insurance, Assistance Insurance, Cancellation and Luggage, Private Life Civil Liability Insurance, Digital Omnium) can be fully underwritten online (entire process ranging from quote to payment).

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

BUSINESS PLAN 2019-2023

The company's strategic axes are based on 3 pillars, viz. digital, direct and reinforced partnership with public authorities, linked to a constant drive for innovation at the customer's service.

For Private Individuals, we continue the work to make insurance easier and accessible to all, with the strengthening of our position as a direct insurer while maintaining profitable growth in Belgium. The strategic actions focus on 4 axes: CRM (customer relationship management), omnichanneling, diversification in the way Ethias supports the client and excellence in technical management.

For Public Sector clients, our ambition is to decline our position as a multi-product and service insurer in the form of a partnership with local authorities and to pursue development in the corporate and social profit segments. Furthermore, we have the ambition to be an all-round player in first and second pension pillar management.

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

TROPHIES OBTAINED IN 2018

We were awarded three DECAVI trophies thanks to the quality of our products and the relevance of our marketing approach:

- Ethias won, for the 8th time, the trophy for **Best Family Insurance**. This trophy is a recognition for an unbeatable product. It offers, at a competitive price, very wide guarantees against material and bodily injury caused to other persons in the private life context as well as legal protection and protection against the third party faults.
- For the 3rd time in a row, **our Tenant Fire Insurance** has been rewarded. It offers, from 10.6 euros per month, a cover specifically reserved for tenants, for any type of house rent below 1,319 euros per month. Ethias covers not only rental liability but also the content and legal protection in the event of perils such as fire, storm, water damage or glass breakage. The Tenant Insurance goes even further since it also covers the reimbursement of the relocation allowance if the tenant leaves his home during the first 3 years following a loss of employment, a death, a divorce or the end of legal cohabitation. A theft and vandalism option is also available.
- Ethias has won, for the 3rd time, the trophy for **Best Civil Liability Car Insurance**. With its Civil Liability Car Insurance, Ethias offers drivers much more than just insurance, it offers a complete service to all its clients. Indeed, Ethias clients not only benefit from the best value for money, but also from many free services included in their CL car insurance. For example, in the event of an accident, they benefit from free breakdown service and 24-hour assistance, accident declaration is simple and quick and automatic premium reductions are possible. All these services, combined with a specific offer for young drivers, a Bob guarantee and the choice between 4 “Omnium Packages” without deductible increase client satisfaction, which is Ethias’ number one priority.

In addition, the BrandZ research by Kantar Millward Brown reveals that Ethias is the 4th strongest brand in Belgium, and **the leading brand in the insurance sector**.

2018 in key dates

12 February

Opening of a Concept Office in Alleur After several months of work, our regional office in Alleur is given a new look and reappears as a concept store that prefigures the insurance agency of the future.

23 February

Communication of the 2017 results: Ethias boosts its solvency and significantly improves its operational performance.

- Ethias confirms its excellent operational performance thanks to its unique business model in Belgium.
- It has significantly increased its Solvency II ratio.
- It has embarked on an ambitious plan for technological and organizational transformation at the client’s service.

15 March

The Family Insurance innovates and also covers - automatically and free of charge - new soft mobility devices and electric bicycles.

In addition, the new product «Bike & More» offers a tailor-made insurance for (electric) bikes, scooters, hoverboard, etc., with 4 cover options: theft insurance - complete protection for the driver and passengers - material damage coverage - breakdown assistance in Belgium

“Bike & More” is designated by consumers as «**Product of the Year 2019**», in the category «Insurance».

20 March

Zero Pesticide in our Sports Centres.

The Association of Sports Establishments (AES asbl), Ethias and PDG (Pôle de Gestion Differentiée) join forces through a vast information campaign aimed at sports centres on the prohibition of the use of plant protection products (PPP) for the maintenance of sports grounds.

16 April

Monument Re acquires, through its Irish subsidiary Laguna Life DAC, the run-off portfolio of variable premium Life insurance policies for individuals belonging to Ethias, better known as **the "FIRST A" portfolio**.

25 April

Three DECAVI trophies for Ethias

- Best «Civil Liability Car» (3rd time)
- Best «Tenant Insurance» (3rd time)
- Best «Family Insurance» (8th time)

17 May

Ethias publishes its **first non-financial report** since the transposition of the Directive 2014/95/EU into Belgian law on 3 September 2017. This report describes the social and environmental situation of Ethias. It is the result of a successful collaboration throughout the entire company, represented within a Joint Ethics Committee, hence demonstrating the quality and strength of the company's social cohesion. The insurer of tomorrow will be the one that brings more added value to our society.

12 June

On June 12, 2018, Fitch confirmed Ethias' BBB+ rating (positive outlook). The rating was then upgraded to A- (stable outlook) in January 2019.

27 June

The Board of Directors validates the company's **vision** for the next 5 years.

3 August

Ethias modernises and revitalises its home insurance for owners and tenants! Since 1 August 2018, Ethias has been the only insurer in Belgium whose existing and new clients will no longer pay a deductible as soon as a claim exceeds 258.70 euros.

9 August

Using the **E-Healthbox**: faster, more efficient and cheaper! All parties concerned, both managers and the Administration of Medical Expertise (Medex), benefit from this innovation, which reduces the time required to process files.

27 August

After the payment of a 150 million euros dividend in May 2018, Ethias pays an interim dividend of 118 million euros to its shareholder Vitrufin.

31 August

From now on, clients with a health care insurance can register on MyEthias - Health Care via their identity card.

MyEthias - Health Care is an e-service allowing private individuals or beneficiaries of a group insurance to send and track their health care refund requests online. On Friday 31 August, Ethias took another step towards simplifying access to its e-services.

24-25 September

More and more companies are deciding to invest in a hackathon to gather new information and invent agile solutions. Ethias, as an innovative insurer, was co-organizer of the "B- Hive Hackathon" on the detection of forms of insurance fraud.

25 September

The countdown is on to the celebration of our 100th anniversary in 2019 and our entry into the select club of centennial companies in Belgium!

ethias 100 YEARS

28 September

The transaction with Laguna Life (subsidiary of Monument Re) on the “FIRST A” portfolio in run-off is closed.

1 October

Offices will now be open on Thursdays until 7pm and the 10 Flagship Offices will be open on weekdays from 8am to 5pm and on Saturdays from 9am to 12pm. The office on the Rue des Fripiers in Brussels will close 1/2 hour earlier than the other offices and will open 10 Saturday afternoons.

4 October

Ethias and the Belgian Red Cross present Belgium’s first driving simulator for emergency vehicles.

This simulator allows drivers to work on all types of environments (road, urban area, motorway, track) with different weather conditions (night, good weather, snow, fog, rain ...)

17 October

Ethias maintains an excellent NPS (net promoter score) (52) for the year 2018.

Since February 2014, we have been measuring on a weekly basis **the satisfaction of our individual policyholders following their contact with Ethias**. Whether it is the taking out of insurance, the modification of a contract or the settlement of a claim, the satisfaction of our clients is essential.

The scores of the 3 departments remain stable compared to 2017:

- The NPS of the Sales & Customer Care Retail Department records a score of 52 (vs. 52 in 2017);
- The NPS of the Policy Department records a score of 30 (vs. 32 in 2017);
- The NPS of the Claims Department records a score of 56 (vs. 57 in 2017).

18 October

The City of Brussels confirms it willingness to place its trust in Ethias Pension for managing the supplementary pensions of part of its contract personnel. The arrival of this new affiliate company, as well as the exchanges currently underway with other prospects, confirm Ethias’ strategy of developing a multi-employer fund.

23 November

Along with 14 other companies, associations and public institutions, Ethias signs the Charter of companies committed against domestic violence. This commitment is part of its corporate social responsibility.

13 December

Ethias is the only insurance company in Belgium to offer its clients the “FibriCheck” application free of charge for 7 days. FibriCheck is a medical application, approved by doctors and cardiologists, that monitors and controls cardiac arrhythmias.

FibriCheck®
Detect AF, prevent strokes

19 December

From 2019 to 2022, a partnership between UCL and Ethias will be set up: this will involve sponsoring a University Chair on Complementary Pensions and two doctoral students. In the current context of ageing, the sustainability of pensions is a major societal challenge for the coming decades.

2. Key figures

2.1. ESSENTIAL DATA OF THE CONSOLIDATED INCOME STATEMENT

In thousands of euros	31 December 2018	31 December 2017	Change during the year
Non-Life			
Public bodies and Companies	805.234	756.549	6,44%
Private Individuals	576.605	577.419	-0,14%
Premium collection Non-Life	**1.381.839**	**1.333.968**	**3,59%**
Life			
Public bodies and Companies	1.247.392	1.049.314	18,88%
Private Individuals	54.802	56.248	-2,57%
Premium collection Life	**1.302.194**	**1.105.562**	**17,79%**
Total premium collection Life and Non-Life	**2.684.033**	**2.439.530**	**10,02%**
Consolidated revenues	**2.929.488**	**2.671.093**	**9,67%**
Net profit (loss) on current transactions after tax	193.198	160.742	
Share of the associates in the result	129	(26)	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	-	-	
Net consolidated profit (loss) attributable to:	**193.327**	**160.716**	
Group's share	183.321	158.054	
Non-controlling interests	10.006	2.662	

2.2. ESSENTIAL DATA OF THE CONSOLIDATED FINANCIAL POSITION

In thousands of euros	31 December 2018	31 December 2017	Change
Total assets	18.261.854	18.755.425	-2,63%
Equity of the Group	**2.292.799**	**2.475.077**	**-7,36%**
Non-controlling interests	49.507	45.490	8,83%

2.3. REGULATORY COEFFICIENTS

	31 December 2018	31 December 2017	Change
Solvency II ratio (*) of the company Ethias SA	**181%**	**205%**	**-11,71%**

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

The ratio at 31 December 2017 was 205% before the distribution of dividends for 268 million euros, and 183% after the distribution of dividends.

2.4. OTHER KEY FIGURES

	31 December 2018	31 December 2017	Change
Number of employees	**3.427**	**3.391**	**1,06%**
Ethias SA	1.829	1.799	1,67%
NRB Group	1.598	1.592	0,38%

III. REPORT OF THE BOARD OF DIRECTORS

1. The year 2018 in a number of dates and key facts

1.1. DIVIDEND PAYMENT

At the General Assembly of Ethias SA on 16 May 2018, it was decided to distribute a dividend of 150 million euros to the parent company Vitrufin SA. This dividend was followed by the payment of an interim dividend of 118 million euros, decided at the end of the Board of Directors' meeting of 27 August 2018. These two payments enabled Vitrufin to reimburse its senior loan in January 2019.

1.2. FITCH RATING

On 12 June 2018, the agency Fitch confirmed Ethias' BBB+ rating by combining it with a positive outlook (previously stable outlook). This improvement was motivated by the probable reimbursement in January 2019 of the debt issued by Vitrufin as well as by the total sale of the "FIRST A" retail life insurance portfolio, which make Ethias' level of capitalisation, its profitability and its financial flexibility sustainable.

On 22 January 2019, Fitch upgraded Ethias' IFS rating from BBB+ (positive outlook) to A- (stable outlook), underlining that the reimbursement of the senior loan of 278 million euros by Vitrufin and the total sale of the remaining "FIRST A" portfolio complete an action plan that has enabled Ethias SA to reinforce its capitalisation, its financial flexibility and its asset & liability management (ALM).

1.3. SALE OF THE REMAINING FIRST A PORTFOLIO

The transaction with Laguna Life (a subsidiary of Monument Re) on the «FIRST A» portfolio in run-off was finalized with a price adjustment of 12 million euros in favour of Ethias.

1.4. MARKET CONDITIONS IN 2018

In 2018, economic news was dominated by political elements, including Donald Trump's statements on China or Iran, the uncertainty surrounding the Brexit, the Italian budget. However, it should also be stressed that the slowdown in global growth is also due to structural factors. Indeed, the most fragile emerging economies experienced major difficulties in 2018, and this risk from the emerging countries has accentuated the slowdown in China's activity, the driving force of global economy.

Moreover, even if the United States is still experiencing solid growth, the latest business and consumer survey results in 2018 are not positive and suggest a slowdown in economic activity for 2019. As expected, the Fed raised its key rates four times in 2018, reaching 2.50%. The ECB, for its part, confirmed the end of its net asset purchase programme (QE) from January 2019 onwards. It also left its interest rates unchanged over 2018.

Europe is marked by uncertainties about the outcome of the Brexit. In addition, the Italian budget saga demonstrated the growth of political risk in Europe with the rise of populist parties advocating an exit from the euro zone as a solution and/or announcing programmes that jeopardise budgetary stability.

As regards the financial markets, in this context of mixed macroeconomic figures with persistent political tensions and monetary tightening by central banks, bond yields have experienced considerable volatility. In fact, the 10-year OLO rate fell from 0.70% at the beginning of January to 1% at the end of February and then gradually declined to a low of 0.63% in July. It finally closed the year at 0.77%.

The German 10-year Bund also rebounded at the beginning of the year, offering a return at its highest at 0.77% before falling to 0.24% at the end of the year (the lowest since April 2017).

For the peripheral countries, performances were disparate. Portugal and Spain benefited from their strong economic performance and positive comments from rating agencies. As a result, their risk premiums went down in 2018.

Italy, following its political and budgetary turbulence, saw its 10-year rate rise to 3.69% (a record since March 2014). The compromise between Rome and Brussels reached in December allowed Italian rates to ease, with the 10-year rate finally ending at 2.74% (+73 bps compared to end-2017).

On the corporate bonds markets, the 5-year iTraxx index - representing the risk premium related to the financing of businesses across all sectors - started the year at 45 bps to end at 88 bps. This widening trend continued throughout 2018, demonstrating the increase in nervousness across the market. There was no shortage of anxiety-inducing themes for investors in 2018 (protectionism and trade war, Brexit, the Italian budget, etc.) and this is likely to continue in 2019.

Despite a rather good start to the year, 2018 ended in a sharp decline for equity markets in a complicated political context and with an economic outlook that deteriorated throughout the year. The last quarter of 2018 was particularly difficult for equities. In the United States, the S&P Index experienced an upward trend until September 2018, driven by the effects of Donald Trump's tax reform and good figures from the US economy. Then, the indicator suffered a sharp decline against the backdrop of the Sino-American trade war, the Fed's continued rate hikes and US recession expectations for 2020: The S&P finally lost -6.24% over the year 2018. European equity markets experienced the same dynamic, amplified by additional stress factors such as weak European growth, the Italian crisis and the lack of progress on Brexit. The Euro Stoxx 50 index closed the year at -14.34%. At the level of European sectors, there was a wide dispersion of performance. The worst result was in the banking sector (-33.29%) while the luxury sector had the best performance (+1.89%).

2. Result of the financial year

The year 2018 records a consolidated profit (Group's share) of 183 million euros generated by the Non-Life business (143 million euros), the Life business (3 million euros), the non-technical result (-21 million euros) and taxes (58 million euros). This result is 16% higher than in 2017, which was strongly impacted by non-recurring items not repeated in 2018.

Total income amounts to 2,684 million euros, i.e. an increase by 10% compared to the 2017 income, viz. +3.6% for Non-Life business and +18% for Life business.

The result of Non-Life business amounts to 143 million euros and is marked by adverse weather events and an increase in the claims ratio. This result includes non-recurring financial expenses of 24 million euros.

The result of Life business amounts to 3 million euros and suffers from widening credit spreads and downward movements in the equity market at end-2018. It takes into account a profit-sharing of 42 million euros, mainly on 1st pillar contracts, non-recurring financial expenses of 13 million euros and an additional allocation to the Life insurance provisions following the adequacy testing of technical provisions (see point 5.15.2 of section ***V. General information***) of 22 million euros.

The result of the other activities amounts to -21 million euros, mainly due to the subsidiaries' contribution to the result and non-recurring items (balance of the cost of the early retirement plan "60+" and adjustment of the price on the sale of the FIRST A portfolio, which took place in 2018).

Tax for the financial year makes a positive contribution to the result in 2018 (+58 million euros) following the valuation of the amount of recoverable tax losses for 75 million euros.

Point 7 of Chapter ***V. General information*** contains more information on the result of the financial year.

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.

In terms of control environment, Ethias:

- pays attention to the respect of the integrity and the ethical values it enshrines;
- aims at reaching its objectives through a clear definition of its organic structures and of the appropriate competences and responsibilities.
- shows its commitment to attract, train and hold competent co-workers in accordance with the objectives of its 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.
- identifies the risks linked to the achievement of its objectives within the scope of its responsibilities and regularly analyses these risks in order to determine the appropriate management modalities for its risks.
- integrates the internal and external fraud risk in the assessment of risks that can compromise the achievement of its objectives.
- identifies and regularly assesses the changes that could have a significant impact on its internal control system.

In terms of controlling activities, Ethias:

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

In terms of information and communication, Ethias:

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

In terms of steering, Ethias:

- realises 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.

The internal control system is constantly evolving and, in 2018, a monitoring was carried out on the actions aimed at improving governance. In addition, Ethias is continuing the implementation of an operational excellence programme and is finalizing the overhaul of all internal policy guidelines.

4. Risk Governance

4.1. INTRODUCTION

Besides its business activity of managing the risks underwritten by its clients, 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 policie.

4.2. GOVERNANCE WITH REGARD TO RISK MANAGEMENT

A review of the structure of the risk management committees took place in early 2019, the presentation below takes into account this adaptation.

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

First defence line - Daily risk supervision

The first defence line is provided by operational lines and support functions (accounting, asset management, IT, human resources ...). It is their responsibility to identify the risks posed by each operation and to respect the procedures and limits 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, including complaints, operational incidents and GDPR.

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 CRO, 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:

- the **Insurance Reinsurance Committee** (IRC);
- the **Assets and Liabilities Committee** (ALCO).

In fact, these committees are monitoring, decision-making and reporting instruments, particularly 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 willingness of the Executive Committee and of the Board of Directors to create «strong committees», so as to set up an effective risk governance within the company. It is also with this aim in view that the responsibilities of each committee have been clearly established by means of internal regulations.

The IRC follows the technical risks of the existing products, analyses the mitigation actions of the technical risks, analyses the modifications to existing products or the proposals for new ones and supervises the reinsurance programme.

The 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 and to set the guidelines for the investment strategy as well as to monitor the investment portfolios in accordance with the risk appetite and investment philosophy approved by the Executive Committee and the Board of Directors.

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.

4.3. 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).

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

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

Non-financial risks	
Operational risks	Other non-financial risks
	Model risk
	Concentration risk

External and environmental risks
Strategic and reputational risk

4.4. 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.

4.4.1. 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.

4.4.2. 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.

4.5. 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.

4.5.1. Non-Life

4.5.1.1. 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 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.

4.5.1.2. 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	2018	2017
Increase in internal claims management expenses by 10%	(15.303)	(14.491)
Increase by 5% in claims (year of occurrence)	(51.854)	(52.115)

4.5.2. Life

4.5.2.1. Nature and extent of the risks

Life underwriting riske

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 in Life 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.

4.5.2.2. 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	2018	2017
Mortality risk		
Increase by 15 % in mortality	15.051	15.664
Longevity risk		
Increase by 20 % in longevity	(26.950)	(28.154)
Expense risk		
Increase in internal claims management expenses by 10%	(21.131)	(21.062)
Doubling of inflation instead of the base-case inflation vector	(29.617)	(36.179)

4.5.3. 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 2018		31 December 2017	
In thousands of euros	Income	Part of the income	Income	Part of the income
Non-Life insurance				
Public bodies and Companies	805.234	30%	756.549	31%
Private Individuals	576.605	22%	577.419	24%
Gross premiums	**1.381.839**	**52%**	**1.333.968**	**55%**
Public bodies and Companies	(30.492)	-1%	(21.894)	-1%
Private Individuals	(6.946)	0%	(6.920)	0%
Premiums ceded to reinsurers	**(37.438)**	**-1%**	**(28.814)**	**-1%**
Public bodies and Companies	774.742	29%	734.655	31%
Private Individuals	569.659	22%	570.499	24%
Net premiums	**1.344.401**	**51%**	**1.305.154**	**54%**
Life insurance				
Public bodies and Companies	1.247.392	47%	1.049.314	44%
Private Individuals	54.802	2%	56.248	2%
Gross premiums	**1.302.194**	**49%**	**1.105.562**	**46%**
Public bodies and Companies	(2.812)	0%	(2.107)	0%
Private Individuals	(5)	0%	-	0%
Premiums ceded to reinsurers	**(2.817)**	**0%**	**(2.107)**	**0%**
Public bodies and Companies	1.244.580	47%	1.047.207	43%
Private Individuals	54.797	2%	56.248	2%
Net premiums	**1.299.376**	**49%**	**1.103.455**	**46%**
Total amount Life and Non-Life insurance	**2.643.777**	**100%**	**2.408.609**	**100%**

4.5.4. 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 are indicated in the previous section.

Non-Life management

The different portfolios (car, accidents at work, 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.

4.6. 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.

4.6.1. Counterparty risk

4.6.1.1. 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.

4.6.1.2. 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.

In thousands of euros, in the market value at the Group's level	2018					
	Maximum exposure to credit risk	Cash	Securities	Real estate properties	Total amount of received guarantees	Unsecured exposure
Available for sale	637.205	-	-	-	-	637.205
Designated at fair value through profit or loss	115.142	-	-	-	-	115.142
Held for trading	-	-	-	-	-	-
Share interests, shares and investment funds	**752.347**	**-**	**-**	**-**	**-**	**752.347**
Available for sale	12.982.409	-	548.300	-	548.300	12.434.109
Designated at fair value through profit or loss	576.260	-	-	-	-	576.260
Bonds	**13.558.669**	**-**	**548.300**	**-**	**548.300**	**13.010.369**
Loans and deposits recognised at amortized cost	497.792	-	-	352.780	352.780	145.012
Other investments	**497.792**	**-**	**-**	**352.780**	**352.780**	**145.012**
Held for trading	-	-	-	-	-	-
Held for cash flow hedging	42.962	40.525	-	-	40.525	2.437
Derivative financial instruments	**42.962**	**40.525**	**-**	**-**	**40.525**	**2.437**
Receivables arising from insurance operations or accepted reinsurance	**222.862**	**-**	**-**	**-**	**-**	**222.862**
Receivables arising from ceded reinsurance operations	**104.474**	**-**	**97.759**	**-**	**97.759**	**6.715**
Other receivables	**176.543**	**-**	**3.421**	**-**	**3.421**	**173.122**
Cash and cash equivalents	**690.037**	**-**	**-**	**-**	**-**	**690.037**
Total amount of exposure to credit risk	**16.045.686**	**40.525**	**649.480**	**352.780**	**1.042.785**	**15.002.901**

In thousands of euros, in the market value at the Group's level	2017					
	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 recognised 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**

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 chapter ***III. Report of the Board of Directors***, point 4.6.4.3.

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 3.4% of the bond portfolio in 2018, compared to 4.0 % in 2017).

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 548.3 million euros on 31/12/2018 and 652.5 million euros on 31/12/2017.

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

A total amount of 7.5 million euros was recorded for collateral related to derivative hedging transactions in 2017. In 2018, the amount of collateral received on derivative products amounts to 40.5 million euros.

Receivables

The breakdown of guarantees relating to the account receivables can be found in chapter ***VIII. Notes relating to items not included in the balance sheet***, point 4.1.

The credit quality of receivables is set out in chapter ***VI. Notes to the consolidated balance sheet***, point 7.3.

4.6.2. 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.

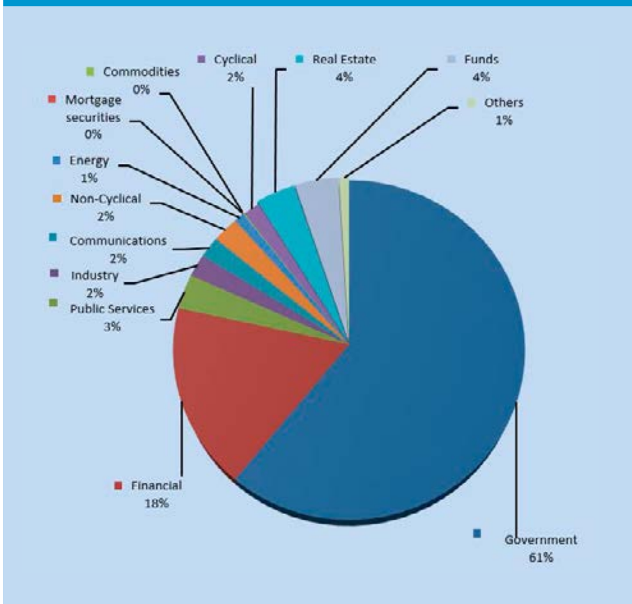
Sectoral distribution

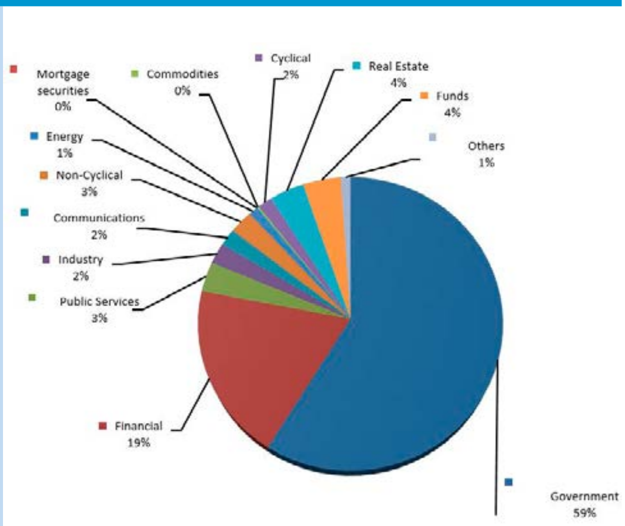
In order to manage the concentration at sectoral level of the financial assets, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification.

In 2017 and 2018, the sectoral distribution of the shares and investment funds as well as of the bonds and similar securities invested by the Group, appears as follows:

Bonds and similar securities:

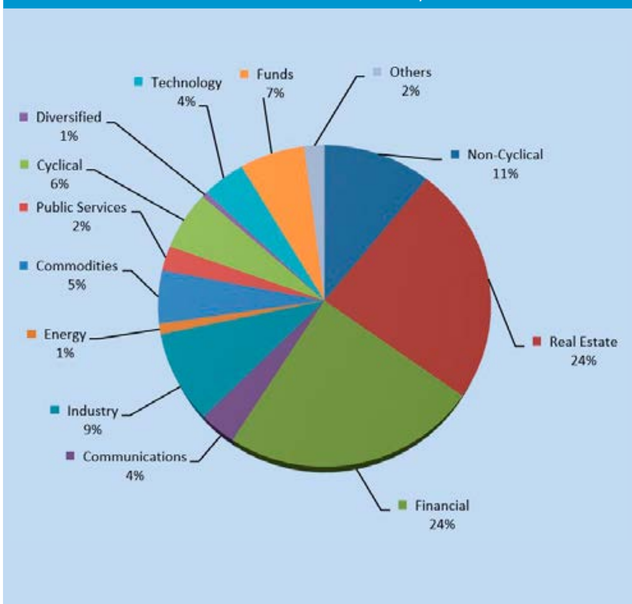
31 December 2018 Market value allocation at Group level	31 December 2017 Market value allocation at Group level

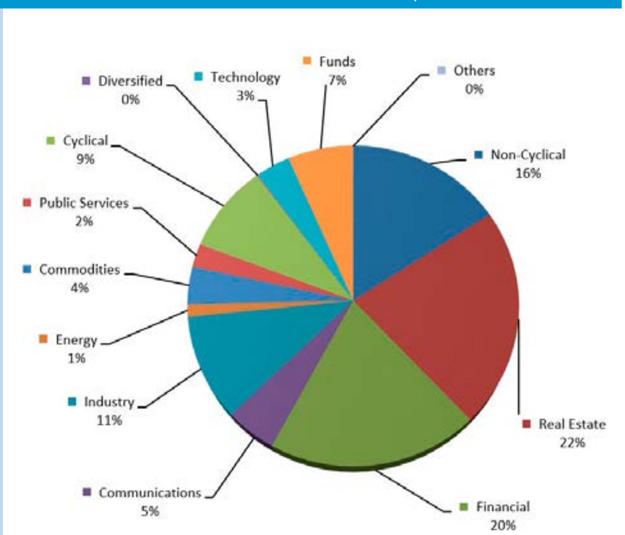




Shares, participations and investment funds:

31 December 2018 Market value allocation at Group level	31 December 2017 Market value allocation at Group level





Exposure to sovereign risk

In 2018, the part invested by the Group in sovereign or supranational debt amounts to 63% of the total amount of the fair value of all the bonds (i.e. 8,566.9 million euros on a total of 13,558.7 million euros). End-2017, this part amounted to 61% (i.e. 8,871.2 million on a total of 14,476.4 million euros).

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 2018	31 December 2017
Germany	365.746	317.550
Austria	121.301	86.519
Belgium	4.475.169	5.005.489
Spain	532.054	547.763
Central and Eastern Europe	415.253	389.617
France	1.336.932	1.340.525
Ireland	358.602	340.781
Italy	289.478	355.310
The Netherlands	28.126	32.139
Scandinavia	41.329	5.314
Portugal	88.225	83.617
Supranational securities	502.784	354.426
Others	11.873	12.170
Total	**8.566.872**	**8.871.221**

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, 8,566.9 million euros per December 31, 2018 (against 8,871.2 million euros per December 31, 2017), is higher than the amount mentioned under the sector «Governmental», i.e. 8,254.6 million euros (against 8,514.9 million euros for the year 2017).

4.6.3. Liquidity risk

4.6.3.1. 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 realisation of stress tests, making it possible to measure the impact of a change in repayment profiles mainly in liabilities.

4.6.3.2. 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.

4.6.3.3. 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.

	2018							
		Expected cash flows (undiscounted)						
In thousands of euros Only Ethias SA	Book value	Total amount of undis-counted flows	Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	Undetermi-ned maturity
Assets								
Bonds and similar securities	13.539.499	14.916.524	1.430.988	4.636.701	2.860.621	3.281.449	2.706.765	-
Share interests, shares and investment funds	1.105.818	1.263.445	35.961	146.533	183.167	385.057	512.727	-
Loans and deposits	640.480	1.005.130	88.433	325.858	298.332	219.770	72.737	-
Investment properties	175.023	797.152	16.977	132.710	114.736	265.593	267.136	-
Cash and cash equivalents	654.896	654.896	596.474	58.422	-	-	-	-
Investments belonging to unit-linked insurance contracts	1.173.222	1.233.120	1.233.120	-	-	-	-	-
Derivatives	52.317	20.289	20.289	-	-	-	-	-
Total assets	**17.341.255**	**19.890.556**	**3.422.242**	**5.300.224**	**3.456.856**	**4.151.869**	**3.559.365**	**-**
Liabilities								
Insurance and investment contract liabilities	13.178.545	14.274.391	1.616.221	3.859.229	2.493.399	3.489.827	2.815.715	-
Liabilities belonging to unit-linked insurance contracts	1.173.222	1.173.222	1.173.222	-	-	-	-	-
Subordinated debts	484.037	686.376	24.364	182.974	475.788	3.250	-	-
Other financial debts	257.852	257.852	257.852,00	-	-	-	-	-
Derivatives	9.355	-	-	-	-	-	-	-
Total liabilities	**15.103.010**	**16.391.841**	**3.071.659**	**4.042.203**	**2.969.187**	**3.493.077**	**2.815.715**	**-**

In thousands of euros Only Ethias SA	2017							
	Book value	Expected cash flows (undiscounted)						
		Total amount of undis-counted flows	Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	Undetermi-ned maturity
Assets								
Bonds and similar securities	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**	**-**

The projection of cash flows is based on several assumptions.

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.

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.

Repos

In the past, it was considered in this table that repos were rolled with the same maturity as the underlying bond. The strategy for financing via repos was modified in 2018. It was decided to assume a reimbursement of the repo's at the first possible maturity date. For this reason, all cash flows related to other financial debts take place during the year and in the same way most of the cash is at maturity during the year.

Derivative instruments

Only hedges giving rise to an exchange of cash at maturity have been taken into account in the cash flow statement.

4.6.4. 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.

4.6.4.1. 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 realised in two ways:

- At the asset level, monthly monitoring of the duration of the portfolio's bond positions;
- 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.

4.6.4.2. 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.

In thousands of euros In market value, At Group level	2018						
	AAA	AA	A	BBB	BB and below	No rating	Total
Bonds and similar securities	685.354	6.586.248	2.587.792	2.831.135	119.285	748.856	13.558.669
Loans and deposits	-	16.185	79	-	-	481.528	497.792
Receivables	-	-	-	-	-	503.879	503.879
Cash and cash equivalents	-	27	611.729	1.422	8	76.851	690.037
Total	**685.354**	**6.602.460**	**3.199.600**	**2.832.557**	**119.293**	**1.811.114**	**15.250.376**

In thousands of euros In market value, At Group level	2017						
	AAA	AA	A	BBB	BB and below	No rating	Total
Bonds and similar securities	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**

In terms of the rating distribution for «Bonds and similar securities», we observe a decrease in the «BB and below» pocket mainly following the upward revision of Portugal's investment grade rating.

4.6.4.3. 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 Ethias Group is shown in the below table.

In thousands of euros In market value, at Group level	2018		2017	
	Fair value	% of the value in the balance	Fair value	% of the value in the balance
Participating interests	115.875	0,63%	103.396	0,55%
Equities	439.783	2,41%	538.431	2,87%
Investment funds	196.689	1,08%	166.422	0,89%
Total	**752.347**	**4,12%**	**808.249**	**4,31%**

4.6.4.4. 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 2018, the market value of the Group's investment properties amounts to 582.6 million euros (i.e. 3.19% of total assets) against 586 million euros (i.e. 3.12% of total assets) in 2017.

4.6.4.5. 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.

4.6.5. 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.

	2018	
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	(10.882)	(926.135)
Decrease in the yield curve by 100 basis points	10.882	926.135
Credit spread risk		
Increase in the credit spread by 100 basis points	(22.883)	(920.759)
Decrease in the credit spread by 100 basis points	22.883	920.759
Stock price risk		
Stock price decrease by 39 %	(102.188)	(123.354)
Stock price increase by 39 %	37.622	188.852

	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

Sensitivities to interest rates and credit spreads have decreased slightly in terms of the estimated impact following the decrease in dirty value bond exposure. In terms of equity risk, we observe a significant transfer of sensitivities between the other comprehensive income (OCI) and P&L (less in OCI and more in P&L) in the event of a decline in equity levels, as equity levels are closer to the levels at which impairments are applied following the general decrease in market values at end-2018.

Derivatives' hedging strategies are in place to mitigate Ethias' exposure against the risk of interest rates decreasing (forward swaps) and the risk of Belgian sovereign credit spread widening (forward bonds). The estimated impact of these hedging derivatives at 31 December 2018 on the sensitivity of the other comprehensive income is presented below.

Impact related to forward swap contracts:

- Increase in the yield curve by 100 basis points : -106.7 million euros
- Decrease in the yield curve by 100 basis points: +131.5 million euros

Impact related to forward bond contracts:

- Increase in the credit spread by 100 basis points: +125.5 million euros
- Decrease in the credit spread by 100 basis points: -125.5 million euros

The amounts do not include the effects of the application of shadow accounting, nor of the adequacy test for the technical provision. The application of these two accounting adjustments significantly offset the sensitivity of market risks on Ethias' income statement and other comprehensive income.

4.7. OPERATIONAL RISKS

The operational risk is described as "the risk of direct or indirect loss resulting from an inadequacy or failure attributable to procedures, processes, and people as well internal as external and to systems within the organisation, or resulting from external events".

External events are for instance natural disasters (fire, flooding...), legal changes, strikers preventing access to the workplace, etc.

The definition includes legal risk, but excludes strategic and reputational risks.

In order to map the operational risks, Ethias carries out different types of risk assessment, namely:

- operational risk assessment on activities
- operational risk assessment on projects
- operational risk assessment on new products
- operational risk assessment on organisational changes

In order to focus on information security and cyber risk management, a complementary entity has been created (on a constant staffing basis) and separated from the entity in charge of operational risk management.

Business continuity management is integrated into the operational risk management with a view to optimization. The process description work in support of the business is integrated into it.

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;
- analysis of complaint statistics.

The Risk Management Committee monitors the operational risks (including compliance risks), analyses and suggests guidelines for corresponding mitigation/management measures. It reports to the Executive Committee for validation.

5. 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.

6. Events after the reporting period

No significant events occurred after the closing date of the 2018 financial year.

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

7.1. REGULATORY DEVELOPMENTS - SOLVENCY II

On the basis of the prior consultation of the sector carried out by the European Insurance and Occupational Pensions Supervisory Authority (EIOPA), the European Commission made proposals at the end of 2018 for changes to the Delegated Regulation 2015/35, in particular as regards the methods, assumptions and parameters used in calculating the Solvency Capital Requirement (SCR) according to the «standard formula». These proposals aim at adapting the Solvency II regime to the market developments and to incorporate the practical experience gained during the first years of its application. They could come into force in 2019.

The regulatory uncertainty associated with this revision (actual nature and extent of the changes selected) could have a material impact on the Solvency II ratios of certain insurers. Ethias is hence carefully analysing this proposal of the European Commission so as to be able to assess its financial and organisational impacts.

A more far-reaching reform is expected in 2020. This should include the construction of the risk-free interest rate curve used to discount future cash flows and to assess the impacts of possible rate shocks.

7.2. TECHNOLOGICAL DEVELOPMENTS

Ethias is pursuing its large-scale technological transformation programme to support its ambitions and remain at the forefront of technological innovation:

7.2.1. Century

Following on from the work begun in 2017, 2018 was devoted to further developments for modernising and automating the management of contracts, claims and invoicing procedures for a large part of the Non-Life business by means of the "Guidewire" application.

7.2.2. Digital

The "Digital" programme aims to offer Ethias' clients innovative online services and applications, both in terms of functionality and automation. Security, which is continuously improved, is a central element of the "Digital" programme.

Investments were made for the "Digital" programme in 2018 on the following pillars:

E-offerings

Digital technology is used to create a new offer for clients (the "Bike & More" product in 2018).

E-services

- Development of an invoicing flow for B2B clients.
- Ethias Connect, the extranet for business clients.
- MyEthias: The «Work Accident» module, allowing the management of claims in the specific context of a work accident, by differentiating access between private individuals and public bodies.
- MyEthias: a transversal view allowing the customer to carry out different actions on all his/her contracts.

IT Security

Continuation of an IT security plan, in particular with regard to external and internal access to customer personal data, access of clients to their dedicated space (My Ethias) and online payment of invoices.

7.2.3. Customer Relationship Management

The “Customer Relationship Management” project (hereinafter «CRM») was the subject of investments in 2018, particularly in terms of extending access to Salesforce, managing waiting times in Ethias’ various offices and contact centers, adapting signage to meet the directives of the General Data Protection Regulation (GDPR) and introducing CRM tools to better meet our clients’ needs.

7.2.4. Enterprise Architecture

The “Enterprise Architecture” programme (hereinafter «EA») aims to define and verify the application of architectural principles to successfully design and implement the various tools available within Ethias. The EA project was the subject of investments in 2018, notably regarding the «Workplace» strategy and the adaptations required to ensure the control of internal and external flows for the digital project.

8. Research & Development

In terms of product and service innovation, Ethias committed itself in 2018 to the themes of “mobility” and «smart cities” by developing solutions that will respond to the changes in its clients’ behaviour and anticipate the new needs that these changes imply.

At the same time, Ethias is integrating various national and international ecosystems ensuring a constant connection with technological and behavioural developments, on the one hand, and is building its own ecosystem to support its offer of services and products, on the other hand.

We also innovated in 2018 in terms of products and services:

March 15: the family insurance innovates and covers - automatically and free of charge - new soft mobility devices and electric bicycles ...

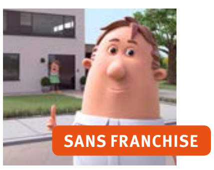
In addition, the new product «Bike & More» offers a tailor-made insurance for (electric) bikes, scooters, hoverboard, etc., with 4 cover options: theft insurance - complete protection for the driver and passengers - material damage coverage - breakdown assistance in Belgium.

“Bike & More” is designated by consumers as «**Product of the Year 2019**», in the category «Insurance».

Ethias modernises and revitalises its home insurance for owners and tenants! Since 1 August 2018, Ethias has been the only insurer in Belgium whose existing and new clients will no longer pay a deductible as soon as a claim exceeds 258.70 euros.

MyEthias - Health Care is an e-service allowing private individuals or beneficiaries of a group insurance to send and track their health care refund requests online. On Friday 31 August, Ethias took another step towards simplifying access to its e-services. From now on, clients with a health care insurance can register on MyEthias - Health Care via their identity card.

Ethias is the only insurance company in Belgium to offer its clients the “FibriCheck” application free of charge for 7 days. FibriCheck is a medical application, approved by doctors and cardiologists, that monitors and controls cardiac arrhythmias.



FibriCheck®
Detect AF, prevent strokes

9. Other activities of the Group

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

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

- The deployment of the 2017-2022 Industrial Plan, approved by NRB's Board of Directors in December 2017, with a view to achieving the objectives defined in terms of growth and increasing the quality of the services provided;
- The launch of the NRB service contract in partnership with IBM (H8) in the field of cloud infrastructure and mainframe services, providing a significant technological lead over its competitors in terms of hybrid clouds.
- The relocation of equipment and the effective start of activities in the new Data Center will make it possible to develop both server and storage hosting activities, but also to better meet the requirements of clients and of regulators in terms of Disaster Recovery;
- The completion of the operational integration of Afelio following the acquisition of 100% of the shares. The more intensive use by this subsidiary of the NRB sales channel has enabled it to sustain its growth in 2018. Afelio is the leading provider of IT Services dedicated to helping its clients in their Digital Transformation process as well as in their Web & Mobile activities.
- The acquisition in June 2018 of 100% of the shares of UCON sprl, a service company active in the SAP domain for the Energy & Utilities sector.
- The relocation of the «ex-Trasys» teams from Hoeilaart to Heverlee and Brussels, which allows substantial savings in building costs and a synergy in this area with the subsidiary Xperthis.
- The Xperthis Group's very good results, well above budget expectations, following the continuation of the «B1» plan (new pricing policy for the new Computerized Patient File, the gain of new Oazis clients and reductions in personnel and overhead costs) as well as the move to Nivelles.
- The implementation of several large-scale projects within the Adinfo group, such as the "Martine" project (Elections) at Civadis in collaboration with other entities of the NRB Group, as well as the finalization of the migration of the Citizens application and the Payroll/HR application. During the year, the first migrations in production mode of the new application for social welfare management were carried out. Finally, the e-kiosk solution was put into production. For Cevi and Logins, the year 2018 was marked by the implementation of new population and environment applications. It should also be noted that in May 2018, the CEVI and Logins subsidiaries acquired the shares of SIGGIS SA, a company active in the integration, development and maintenance of geographical information systems (GIS). To conclude, a new member of the Executive Committee has been hired to become CEO as from 1 January 2019.
- With regard to the Trasys Luxembourg subsidiary, the decision was taken in September 2018 to request the withdrawal of the PSF certification in order to stop the "Finance" activity and focus solely on International Organisations. An Action Plan has been put in place to return positive profitability.
- Finally, 2018 was marked by a GDPR programme so as to ensure compliance with the European Data Protection Regulation.
- The NRB Group now intends to structure itself around 3 pillars:
    - Finance & Insurance, Public & Social (Regional and Federal), Energy & Utilities, Industry and International Organizations (through the legal entities NRB, Afelio, Ucon, Trasys International, Trasys Luxembourg and BelgiumDC);
    - Health care (through the Xperthis group);
    - Local authorities (through the Adinfo group).

The NRB sub-group contributes 20.8 million euros to the consolidated result, after elimination of intra-group transactions, including 9.6 million euros in third-party interests.

This year, regarding ESIF, the contribution of the «Global Equities» and «High Yield» sub-funds developed unfavourably. As at 31 December 2018, the «Global Equities» sub-fund posts a result for the financial year of -5.2 million euros and is clearly decreasing compared to 31 December 2017 (2.8 million euros). As for the «High Yield» sub-fund, its financial year result goes from 16.8 million euros in 2017 to -2 million euros in 2018.

The total assets of Ethias Sustainable Investment Fund go down from 129.6 million euros (31/12/2017) to 106.7 million euros (31/12/2018), viz. a decrease of -22.9 million euros (-17.66%), compared to the capitalised Euro Stoxx index, SXXT (-12.72%). The violent correction of the equity markets during the last quarter of 2018 largely explains the devaluation of the SICAV's assets.

Regarding the real estate subsidiaries, there were no major events during 2018.

10. Governance report[2]

10.1. COMPOSITION OF THE BODIES

10.1.1. The Executive Committee

Name	Function
Philippe Lallemand	Chairman - Chief Executive Officer
Benoît Verwilghen	Vice-Chairman - Vice-CEO - Chief Client Officer
Brigitte Buyle	Member - Chief Digital Transformation Officer
Cécile Flandre	Member - Chief Financial Officer
Frank Jeusette	Member - Chief Risk Officer
Luc Kranzen	Member - Chief Services Officer

10.1.2. The Board of Directors

Name	Function
Myriam Van Varenbergh	Chair
Jacques Braggaar	Director
Marc Descheemaecker	Director
Kathleen Desmedt	Director
Philippe Donnay	(Independent) Director
Olivier Henin	Director
Ingrid Loos	(Independent) Director
Marc Meurant	Director
Philip Neyt	Director
Anne-Marie Seeuws	(Independent) Director
Karl Van Borm	Director
Bruno van Lierde	(Independent) Director
Philippe Lallemand	Director
Benoît Verwilghen	Director
Cécile Flandre	Director
Frank Jeusette	Director

10.1.3. The Audit and Risk Committee

Name	Function
Bruno van Lierde	Chairman
Marc Descheemaecker	Member
Philippe Donnay	Member
Ingrid Loos	Member
Marc Meurant	Member

2 Situation as of end-February 2019

10.1.4. The Appointments and Remuneration Committee

Name	Function
Myriam Van Varenbergh	Chair
Jacques Braggaar	Member
Olivier Henin	Member
Anne-Marie Seeuws	Member

10.1.5. The Statutory Auditor

PwC - Reviseurs d'Entreprises SCRL

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

Represented by K. Cappoen, accredited auditor

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

10.2. EXTERNAL OFFICES EXERCISED BY THE LEADERS OF THE GROUP[3]

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 members of the executive committee of Ethias SA in other companies than those with which Ethias SA establishes a close relationship.

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

10.2.1. Directors of Ethias SA

Name	Company	Registered office	Field of activity	Office exercised
Braggaar Jacques	Mutualité Solidaris Mons-Wallonie Picarde	Rue du Fort 48 7800 Ath	Health insurance fund	Director
Descheemaecker Marc	European Investment Bank	Boulevard Konrad Adenauer 98-100 L-2950 Luxembourg	Investments and credits	Director
	Brussels Airport Company	Boulevard Reyers 80 1030 Bruxelles	Airport management	Chairman of the Board of Directors
	De Lijn	Motstraat 20 2800 Mechelen	Public transport	Chairman of the Board of Directors
	European Investment Fund	Avenue J.F. Kennedy 37b L-2968 Luxembourg	Investments and credits	Director
	GIMV (Listed company)	Karel Oomstraat 37 2018 Antwerpen	Investments	Director
	NMBS/SNCB	Rue de France 46 1060 Bruxelles	Railway transport	Director
Donnay Philippe	Walloon Agency for Export and Foreign Investment (AWEX)	Place Sainctelette 2 1080 Bruxelles	Development and management of economic relations	Director
	Federal Planning Bureau	Avenue des Arts 47-49 1000 Bruxelles	Production of economic studies and forecasts	Planning Commissioner
	National Accounts Institute	Rue du Progrès 50 1210 Bruxelles	Production of statistics, analyses and economic forecasts	Director
	Reacfin	Place de l'Université 25 1348 Louvain-la-Neuve	Actuarial, financial and risk consultancy	Independent director

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Henin Olivier	Brussels Airport Company	Boulevard Reyers 80 1030 Bruxelles	Airport management	Director
	Eurogare	Place De Bronckaert 26 4000 Liège	Realisation of railway and architectural projects	Director
	Fedimmo	Chaussée de Wavre 1945 1160 Bruxelles	Property management	Chairman of the Board of Directors
	Lineas	Boulevard du roi Albert II 37 1030 Bruxelles	Rail freight management and development	Director
	Sabena Aerospace Engineering	Avenue E. Mounier 2 1200 Bruxelles	Aeronautical and space maintenance	Director
	NMBS/SNCB	Rue de France 56 1060 Bruxelles	Railway transport	Chief financial officer
	Federal Shareholding and Investment company	Avenue Louise 54/1 1050 Bruxelles	Financial holding	Vice-Chairman of the Board of Directors
	Thi Factory	Place Marcel Broodthaers 4 1060 Bruxelles	Railway transport	Director
Loos Ingrid	Universiteit Antwerpen	Prinsstraat 13 2000 Antwerpen	Education	Director
Meurant Marc	AMIFOR	Galerie du Centre 1000 Bruxelles	Insurance	Chairman of the Board of Directors
	Bessonnat	Rue Jean Piret 1B L-2350 Luxembourg	Financial holding	Chairman of the Board of Directors
	CPH Life	Rue Perdue 7 7500 Tournai	Insurance	Director
	M.M.H.	Boulevard A. de Fontaine 15 6000 Charleroi	Insurance	Executive Director
	Smart Plan	Rue de Linthout 120 1040 Bruxelles	Insurance intermediation and brokerage	Chairman of the Board of Directors
Neyt Philip	Curalia	Rue Archimède 61 1000 Bruxelles	Insurance	Director
	Ghelamco Invest (Listed company)	Zwaanhofweg 10 8900 Ieper	Real estate investments	Director
	Leo Stevens & Cie	Schildersstraat 33 2000 Antwerpen	Investments	Director
Van Lierde Bruno	Buy Way	Rue de l'Evêque 26 1000 Bruxelles	Credits	Chairman of the Board of Directors
	Look and Fin	Allée de la Recherche 12 1070 Bruxelles	Investments and credits	Director
	Sopartec	Place de l'université 1 1348 Louvain-la-Neuve	Investments	Chairman of the Board of Directors
	Clinique de l'Europe	Avenue Defré 206 1180 Bruxelles	Hospitals	Chairman of the Board of Directors
	Tempora	Rue des Anciens Etangs 44-46 1170 Bruxelles	Design and management of exhibitions and cultural sites	Chairman of the Board of Directors
Van Varenbergh Myriam	Vandenbussche	Groendreef 21 9880 Aalter	Construction and real estate development	Director

10.2.2. Effective leaders of Ethias SA

Name	Company	Registered office	Field of activity	Office exercised
Cécile Flandre	Elia Asset	Boulevard de l'Empereur 20 1000 Bruxelles	Electricity transmission	Director
	Elia System Operator (Listed company)	Boulevard de l'Empereur 20 1000 Bruxelles	Electricity transmission	Director
Philippe Lallemand	Safran Aero Boosters	route de Liers 121 4041 Herstal	Aircraft and space construction	Director
	Assuralia	Square de Meeûs 29 1000 Bruxelles	Professional Association of Insurance Companies	Director and member of the executive committee
	Socofe	avenue Maurice Destenay 13 4000 Liège	Financial holding	Director
Benoit Verwilghen	Fin.Co	Duboisstraat 48, 2060 Antwerpen	Investments	Director
	Assuralia	Square de Meeûs 29 1000 Bruxelles	Professional Association of Insurance Companies	Director

10.3. 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.

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 Buy Way, Sopartec, Tempora, Europe Hospitals and SOS Children's Villages (Belgium). He is also member of the Board of Directors of NRB and Look&Fin. 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.

Ms. Loos holds a degree in applied economics (University of Antwerp), a master in economics (KUL) and a master in change management (Sioo - University of Amsterdam). She has made a career in the financial sector by holding senior positions in credit granting, financial engineering, risk management and internal audit. She was Secretary-General of the Fortis Group. Ms. Loos is also chair of the audit committee of local authorities in the Flemish region and independent member of the audit committee of the Flemish Administration. She was a director at PwC Belgium Advisory, practising corporate governance matters. She 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, 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 and chairman of the audit comitee of Vitrufin, director of the National Accounts Institute, director of AWEX, member of the High Council of Employment, the High Council of Finance, the Study Committee on Ageing and chairman of the Scientific Committee "Economic Budget". He 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 Solvency II 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. M. Meurant is currently chairman of Amifor, Smartplan and Bessonnat, risk manager en executive director of M.M.H. as well as director of CPH Life.

10.4. JUSTIFICATION FOR THE 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 degree in tax law and a complementary degree in corporate law. She is a lawyer specializing in corporate law. Ms. Van Varenbergh has been a member of the board of directors of Vandenbussche SA, of the Flemish Regulator for Media and of the Luca School of Arts for several years. In addition, she has been a member of the Superior Commission of Justice, the Notary Nomination Commission, the Flemish Council for Electoral Disputes, chair of the non-profit association Amazone and chair 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 chair of the board of directors of Vitrufin.

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

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 ministries, 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 the board of directors of EthiasCo.

IV. CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

In thousands of euros	Notes	31 December 2018	31 December 2017
Assets			
Goodwill	**VI.1**	**61.675**	**59.844**
Other intangible assets	**VI.2**	**117.813**	**113.170**
Operational buildings and other tangible fixed assets	**VI.3**	**130.933**	**145.050**
Investment in associates	**VI.4**	**599**	**471**
Investment properties	**VI.3**	**464.639**	**487.806**
Financial assets available for sale	VI.5	13.619.615	14.429.482
Financial assets at fair value through profit and loss	VI.5	691.401	855.175
Loans, deposits and other financial investments recognised at amortized cost	VI.5	481.852	593.839
Derivative financial instruments	VI.6	52.317	7.443
Investments belonging to unit-linked insurance contracts		1.173.222	810.550
Financial investments		**16.018.407**	**16.696.488**
Reinsurers' share of technical provisions	**VI.13**	**142.604**	**131.971**
Deferred tax assets	**VI.10**	**99.229**	**346**
Receivables arising from insurance operations or accepted reinsurance	**VI.7**	**222.862**	**211.544**
Receivables arising from ceded reinsurance operations	**VI.7**	**104.474**	**91.153**
Other receivables	**VI.7**	**176.543**	**152.723**
Any other assets	**VI.8**	**32.039**	**24.377**
Cash and cash equivalents	**VI.9**	**690.037**	**640.484**
Assets available for sale including assets from discontinued operations	**VI.11**	**-**	**-**
Total assets		**18.261.854**	**18.755.425**
Liabilities			
Share capital		1.000.000	1.000.000
Reserves and retained earnings		813.631	935.708
Net profit (loss) of the period		183.321	158.054
Other items of comprehensive income		295.848	381.315
Equity of the Group		**2.292.799**	**2.475.077**
Non-controlling interests		**49.507**	**45.490**
Total equity	**VI.12**	**2.342.306**	**2.520.567**
Insurance contract liabilities		8.431.686	8.612.319
Investment contract liabilities with discretionary participation features		4.593.694	4.945.948
Investment contract liabilities without discretionary participation features		3.727	3.657
Liabilities belonging to unit-linked insurance contracts		1.173.222	810.550
Profit sharing liabilities		43.607	34.534
Insurance and investment contract liabilities	**VI.13**	**14.245.936**	**14.407.008**
Subordinated debts	**VI.14**	**480.369**	**478.807**
Other financial debts	**VI.14**	**302.891**	**402.606**
Employee benefits	**VI.16**	**296.789**	**285.896**
Provisions	**VI.15**	**45.628**	**150.291**
Derivative financial instruments	**VI.6**	**9.355**	**4.868**
Tax payables	**VI.17**	**29.199**	**30.461**
Deferred tax liabilities	**VI.10**	**23.060**	**34.491**
Liabilities from operating activities	**VI.17**	**243.325**	**231.852**
Other payables	**VI.17**	**242.996**	**208.579**
Liabilities related to assets available for sale and discontinued operations	**VI.11**	**-**	**-**
Total other liabilities		**15.919.548**	**16.234.858**
Total liabilities		**18.261.854**	**18.755.425**

The statements and notes 1 of sections IV. to VII. form an integral part of the consolidated financial IFRS statements as at 31 December 2018.

2. Consolidated income statement

In thousands of euros	Notes	31 December 2018	31 December 2017
Gross premiums	VII.1	2.684.033	2.439.530
Premiums ceded to reinsurers	VII.3	(40.256)	(30.921)
Change in the provision for unearned premiums and outstanding risks [a]		1.821	(2.013)
Other income from insurance activities		5.268	5.287
Revenues from insurance activities [a]	**VII.1**	**2.650.866**	**2.411.882**
Revenues from other activities	VII.4	278.622	259.211
Revenues		**2.929.488**	**2.671.093**
Net income from investments		460.068	478.900
Net realised gains or losses on investments		49.981	84.769
Change in fair value of investments through profit and loss [b]		(117.201)	44.692
Net financial income	**VII.5**	**392.848**	**608.361**
NET REVENUES		**3.322.336**	**3.279.454**
Insurance service expenses		2.538.313	2.273.571
Net expenses or revenues ceded to reinsurers		(28.413)	(7.032)
Management costs [c]		282.892	287.410
Technical expenses for insurance activities	**VII.2**	**2.792.792**	**2.553.948**
Expenses for other activities	VII.4	287.947	424.962
Operating expenses		**3.080.739**	**2.978.910**
Change in depreciation and amortization on investments (net)	VII.5	22.705	9.700
Other investment financial expenses	VII.5	54.557	15.404
Finance costs	VII.6	29.367	30.307
Financial expenses		**106.629**	**55.411**
NET EXPENSES		**3.187.368**	**3.034.321**
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		**134.968**	**245.133**
Income taxes	VII.9	58.230	(84.391)
NET PROFIT (LOSS) AFTER TAX		**193.198**	**160.742**
Share of the associates in the result		129	(26)
Net profit (loss) from discontinued operations		-	-
Net consolidated profit (loss) attributable to:		**193.327**	**160.716**
Group's share		183.321	158.054
Non-controlling interests		10.006	2.662

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 2018	31 December 2017
NET CONSOLIDATED PROFIT (LOSS)	**193.327**	**160.716**
Actuarial gains and losses on defined benefit pension liabilities	4.282	843
Tax on other items that will not be subsequently reclassified to the net profit (loss)	(1.071)	(1.445)
Items that will not be subsequently reclassified to the net profit (loss)	**3.212**	**(602)**
Change in fair value of financial assets available for sale	(157.733)	171.549
Change in fair value of derivative instruments designated as cash flow hedges	42.026	(60.980)
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	27.029	(5.323)
Items that could be subsequently reclassified to the net profit (loss)	**(88.678)**	**105.246**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**(85.467)**	**104.644**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO	**107.860**	**265.360**
Group's share	97.854	262.698
Non-controlling interests	10.006	2.662

4. Consolidated cash flows statement

In thousands of euros	Notes	31 December 2018	31 December 2017
Net profit (loss) before tax (Total 1)		**134.968**	**245.133**
Depreciations and impairments on intangible and tangible assets	VI.2, VI.3	39.686	69.894
Change in depreciations on financial instruments and investment properties	VI.5, VII.5	22.705	9.700
Change in fair value on investments through profit or loss	VI.5, VII.5	117.201	(44.692)
Provisions for risks and expenses, and other liabilities	VI.15, VII.8	(81.007)	146.481
Change in provisions of insurance and investments contracts	VI.13	51.895	(351.830)
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(454.519)	(484.021)
Corrections of the amounts that do not impact cash flows (Total 2)		**(304.039)**	**(654.469)**
Dividends and instalments on earned dividends		24.449	23.423
Earned financial income	VII.5	459.553	421.633
Use of provision for employee benefits		(9.564)	(274.389)
Change in current receivables and debts	VI.7, VI.17	(12.506)	876.266
Change in liabilities from insurance and investments contracts		(42.070)	(1.568)
Tax paid		(24.655)	(11.490)
Other changes (Total 3)		**395.206**	**1.033.875**
Net cash flows from operating activities (Total 1+2+3)		**226.135**	**624.539**
Shares in subsidiaries, net of acquired cash in hand	V.3.1	(3.986)	(460)
Acquisition of financial assets and investment properties	VI.3, VI.5	(3.628.944)	(3.375.254)
Acquisition of intangible and tangible fixed assets	VI.2, VI.3	(37.066)	(98.869)
Disposals of shares in subsidiaries, net of transferred cash	V.3.2	(16)	(408)
Disposals of financial assets and investment properties	VI.3, VI.5	3.888.200	2.789.965
Disposals of intangible and tangible fixed assets	VI.2, VI.3	5.547	7.822
Net cash flows from investing activities		**223.734**	**(677.203)**
Subscription to capital increase		-	-
Capital refund		-	-
Dividends paid by the parent company		(268.400)	(45.000)
Dividends paid to third parties		(4.386)	(4.386)
Issues of financial liabilities	VI.14	2.096	12.185
Refund of financial liabilities	VI.14	(16.823)	(3.222)
Interests paid on financial liabilities	VII.6	(27.840)	(27.300)
Net cash flows from financing activities		**(315.354)**	**(67.723)**
Total cash flows		**134.515**	**(120.387)**
Cash or cash equivalents at the beginning of the period	**VI.9**	**297.621**	**415.012**
Cash or cash equivalents at the end of the period	**VI.9**	**432.160**	**297.621**
Change in the cash accounts		134.515	(120.387)
Impacts of exchange rate differences of foreign currency and of other transactions		-	2.972
Changes in accrued interests not yet due on cash equivalents		24	24
Change in cash		**134.539**	**(117.391)**

For 2017, 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 (3.1 million euros).

5. Consolidated statement of changes in equity

In thousands of euros	Subscribed capital	Result carried forward	Financial assets available for sale	Others	Equity of the Group	Non-controlling interests	Total equity
	2018						
Equity as of 1 January	**1.000.000**	**1.093.762**	**351.950**	**29.365**	**2.475.077**	**45.490**	**2.520.567**
Net consolidated profit (loss) attributable to:	-	183.321	-	-	183.321	10.006	193.327
Total of other items of comprehensive income	-	-	(131.929)	34.731	(97.198)	-	(97.198)
Other movements	-	-	11.731	-	11.731	-	11.731
Net consolidated comprehensive income	**-**	**183.321**	**(120.198)**	**34.731**	**97.854**	**10.006**	**107.860**
Capital movements	-	-	-	-	-	-	-
Dividends	-	(268.400)	-	-	(268.400)	(4.386)	(272.786)
Change in the consolidation scope	-	-	-	-	-	(1.603)	(1.603)
Other movements	-	(11.731)	-	-	(11.731)	-	(11.731)
Equity as of 31 December	**1.000.000**	**996.951**	**231.752**	**64.096**	**2.292.799**	**49.507**	**2.342.306**

In thousands of euros	Subscribed capital	Result carried forward	Financial assets available for sale	Others	Equity of the Group	Non-controlling interests	Total equity
	2017						
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**

The column «Financial assets available for sale» shows the change in unrealised gains or losses less the shadow accounting adjustments recognised in the other comprehensive income taxes.

The column «Others» mainly includes the reserve for actuarial gains and losses on pension obligations, net of taxes, and the revaluations of the derivative hedging instruments.

The line «other movements» includes the restatement made to the result carried forward following the application of the shadow accounting on the «High Yield» sub-fund of the Sicav Ethias Sustainable Fund as from 1 January 2018.

At the General Assembly of Ethias SA on 16 May 2018, it was decided to distribute a dividend of 150 million euros to the parent company Vitrufin SA. This dividend was followed by the payment of an interim dividend of 118 million euros, decided at the end of the Board of Directors' meeting of 27 August 2018.

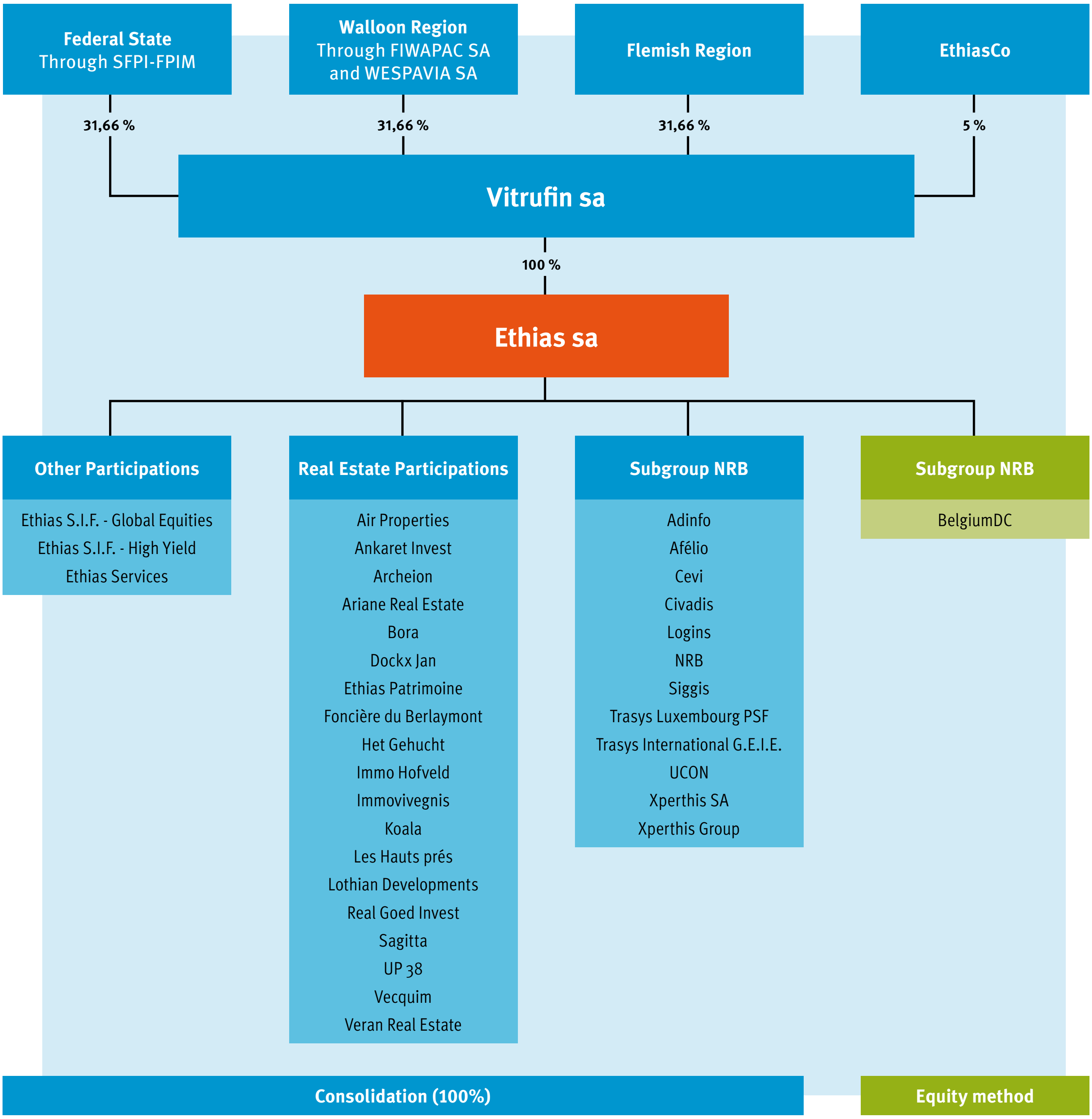
The dividends distributed for an amount of 4.4 million euros mainly consist of dividends distributed outside of the Group by the NRB subgroup.

The impact on minority interests of 1.6 million euros is due exclusively to the integration of Ucon and SIGGIS into the consolidation.

V. GENERAL INFORMATION

1. Legal structure

Its legal structure is as follows:



2. Consolidation scope

2.1. LIST OF THE CONSOLIDATED SUBSIDIARIES

	31 December 2018					31 December 2017		
	Country	Sector	Cur-rency	Integration percentage	Control percentage	Integration percentage	Control percentage	Change in scope
Consolidating company:								
Ethias S.A.	Belgium	Insurance	EUR	100,00%	100,00%	100,00%	100,00%	
Consolidated companies with 100 % consolidation:								
Ame SA	Belgium	Holding	EUR	0,00%	0,00%	100,00%	100,00%	Liquidation
Ame Conseils	Luxembourg	Other	EUR	0,00%	0,00%	100,00%	100,00%	Liquidation
Ethias Distribution E-C	Belgium	Other	EUR	0,00%	0,00%	100,00%	100,00%	Liquidation
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%	
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%	
Sagitta	Belgium	Real estate	EUR	100,00%	100,00%	100,00%	100,00%	
UP 38	Belgium	Real estate	EUR	100,00%	100,00%	100,00%	100,00%	
Vecquim	Belgium	Real estate	EUR	100,00%	100,00%	100,00%	100,00%	
Veran Real Estate	Belgium	Real estate	EUR	100,00%	100,00%	100,00%	100,00%	
Adinfo	Belgium	IT	EUR	34,88%	51,00%	34,88%	51,00%	
Afelio	Belgium	IT	EUR	68,36%	100,00%	68,36%	100,00%	
Cevi	Belgium	IT	EUR	34,88%	100,00%	34,88%	100,00%	
Civadis	Belgium	IT	EUR	34,88%	100,00%	34,88%	100,00%	
Logins	Belgium	IT	EUR	34,88%	100,00%	34,88%	100,00%	
NRB	Belgium	IT	EUR	68,39%	68,39%	68,39%	68,39%	
Siggis	Belgium	IT	EUR	34,88%	100,00%	0,00%	0,00%	Acquisition by Cevi et Logins
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%	
Ucon	Belgium	IT	EUR	68,39%	100,00%	0,00%	0,00%	Acquisition 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%

2.2. LIST OF THE NON-CONSOLIDATED SUBSIDIARIES

	31 December 2018				31 December 2017	
	Country	Sector	Cur-rency	Percentage of ownership	Percentage of ownership	Change in scope
Assurcard	Belgium	Insurance	EUR	20,00%	20,00%	
BC Meetjesland-Maldegem	Belgium	Other	EUR	27,59%	27,59%	
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	38,15%	63,58%	
Palais des expositions de Charleroi s.c.	Belgium	Other	EUR	23,03%	23,03%	
NEB Participations (former Ecétia 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 Ecétia Immobilier)	Belgium	Real estate	EUR	29,41%	29,41%	
Sire Holding	Belgium	Real estate	EUR	100,00%	100,00%	
Vital Building	Belgium	Real estate	EUR	50,00%	50,00%	
Skarabee	Belgium	IT	EUR	31,25%	31,25%	

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

3. Acquisitions and disposals of subsidiaries

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

3.1. ACQUISITIONS

In thousands of EUR	31 December 2018	31 December 2017
Intangible assets	479	-
Investment properties	-	-
Financial investments	40	-
Reinsurers' share of technical provisions	-	-
Other assets and tangible fixed assets	4.511	-
Cash and cash equivalents	461	-
Insurance and investment contract liabilities	-	-
Financial debts	(22)	-
Provisions for risks and expenses	-	-
Other liabilities	(4.468)	-
Identifiable net assets and liabilities acquired	**1.002**	**-**
Goodwill on acquisitions	1.830	-
Change in cash related to acquisitions from previous financial years	-	460
Non-controlling interests	1.603	-
Consideration paid in cash	**4.435**	**460**
Acquired cash in hand	448	-
Net cash flows	**3.986**	**460**

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

During the first half of 2018, NRB, which is pursuing its expansion and growth strategy, acquired 100% of the shares of UCON. At the same time, Logins and Cevi, which are part of the NRB group, each acquired 50% of the shares of Siggis.

3.2. DISPOSALS

In thousands of EUR	31 December 2018	31 December 2017
Intangible assets	-	-
Financial investments	-	-
Reinsurers' share of technical provisions	-	-
Any other assets	-	-
Cash and cash equivalents	322	408
Insurance and investment contract liabilities	-	-
Financial debts	-	-
Provisions for risks and expenses	-	(400)
Other liabilities	84	(8)
Identifiable net assets and liabilities	**406**	**-**
Gain/(loss) on disposals, net of tax	(9.717)	-
Net cash received related to disposals without loss of control	10.023	-
Transferred cash	(322)	(408)
Net cash flows	**390**	**(408)**

In order to simplify the group’s structure, several group companies were liquidated during 2018. Indeed, the company AME Conseils was liquidated in July, and the companies AME and Ethias Distribution Epargne-Crédit were liquidated in September.

4. 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.

4.1. CONSOLIDATED BALANCE SHEET

In thousands of euros	31 December 2018	31 December 2017
Assets		
Goodwill	**61.989**	**59.313**
Other intangible assets	**8.256**	**10.010**
Operational buildings and other tangible fixed assets	**35.842**	**46.858**
Investment in associates	**599**	**471**
Investment properties	**818**	**1.227**
Financial assets available for sale	210	232
Financial assets at fair value through profit and loss	23.941	26.891
Loans, deposits and other financial investments recognised at amortized cost	279	1.892
Financial investments	**24.430**	**29.015**
Reinsurers' share of technical provisions	**-**	**-**
Deferred tax assets	**131**	**25**
Receivables arising from insurance operations or accepted reinsurance	**-**	**-**
Receivables arising from ceded reinsurance operations	**-**	**-**
Other receivables	**83.374**	**70.782**
Any other assets	**29.970**	**22.259**
Cash and cash equivalents	**25.427**	**22.467**
Assets available for sale including assets from discontinued operations	**-**	**-**
Total assets	**270.837**	**262.426**
Liabilities		
Share capital	16.837	16.837
Reserves and retained earnings	85.741	88.045
Net profit (loss) of the period	16.176	7.695
Other items of comprehensive income	2	2
Equity of the Group	**118.755**	**112.579**
Non-controlling interests	**17.487**	**15.055**
Total equity	**136.242**	**127.634**
Insurance and investment contract liabilities	**-**	**-**
Subordinated debts	**-**	**-**
Other financial debts	**25.681**	**38.914**
Employee benefits	**6.600**	**6.504**
Provisions	**2.579**	**606**
Derivative financial instruments	**-**	**-**
Tax payables	**8.100**	**5.807**
Deferred tax liabilities	**66**	**212**
Liabilities from operating activities	**-**	**-**
Other payables	**91.569**	**82.747**
Liabilities related to assets available for sale and discontinued operations	**-**	**-**
Total other liabilities	**134.595**	**134.792**
Total liabilities	**270.837**	**262.426**

4.2. CONSOLIDATED INCOME STATEMENT

In thousands of euros	31 December 2018	31 December 2017
Revenues from insurance activities [a]	**-**	**-**
Revenues from other activities	353.229	281.134
Revenues	**353.229**	**281.134**
Net income from investments	1.120	948
Net realised gains or losses on investments	(49)	12
Change in fair value of investments through profit and loss [b]	(1.574)	880
Net financial income	**(503)**	**1.840**
NET REVENUES	**352.726**	**282.974**
Insurance service expenses	-	-
Management costs [c]	-	-
Technical expenses for insurance activities	**-**	**-**
Expenses for other activities	322.815	266.136
Operating expenses	**322.815**	**266.136**
Change in depreciation and amortization on investments (net)	410	410
Other investment financial expenses	637	1.130
Finance costs	551	278
Financial expenses	**1.598**	**1.819**
NET EXPENSES	**324.413**	**267.955**
Goodwill impairment	-	-
NET PROFIT (LOSS) BEFORE TAX	**28.313**	**15.019**
Income taxes	(7.852)	(7.312)
NET PROFIT (LOSS) AFTER TAX	**20.461**	**7.707**
Share of the associates in the result	129	(26)
Net consolidated profit (loss) attributable to:	**20.590**	**7.682**
Group’s share	16.176	7.695
Non-controlling interests	4.414	(14)

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

4.3. STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

In thousands of euros	31 December 2018	31 December 2017
NET CONSOLIDATED PROFIT (LOSS)	**20.590**	**7.682**
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 recognised 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:	**20.590**	**7.682**
Group's share	16.176	7.695
Non-controlling interests	4.414	(14)

5. Summary of significant accounting principles

5.1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.1.1. 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 2018, 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).

5.1.2. New standards, amendments and interpretations published and adopted since 1 January 2018

The following new standards and interpretations, applicable as from 1 January 2018, had no major incidence on the consolidated accounts of the Group:

- IFRS 9 – Financial instruments: Recognition and measurement. The “deferral option”, which allows the deferred application at the same time as IFRS 17, was applied (see point 5.1.3 below).
- IFRS 15 - Revenue recognition: IFRS 15 sets out the principles for recognition of revenue from contracts concluded with clients. Contracts that are subject to specific standards are excluded: leases, insurance contracts and financial instruments. An analysis has shown that the IFRS15 impact in the consolidated financial statements can be considered as immaterial. On the basis of the principle of IAS 1, we consider that the non-application of IFRS 15 does not affect the fair presentation of the financial statements of Ethias SA.
- Amendments to IAS 40 - Transfers of investment property
- Amendments to IFRS 2: Classification and valuation of share-based payment transactions.
- IFRIC 22: Foreign currency transactions and advance consideration.
- 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 impact of these amendments to IFRS on our financial statements is limited.

5.1.3. 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 judgement 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, 2019 onwards. The “deferral option”, which allows the deferred application of IFRS 9, at the same time as IFRS 17, was applied. 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 16 – Leases

IFRS 16 published on 13 January 2016 will be applicable from the accounting period beginning on 1 January 2019 and will replace IAS 17, which is still in force for the 2018 financial year.

It sets out the principles for the recognition, measurement and presentation of leases. In accordance with IFRS 16, a lessee is required to recognise (i) the assets (the right to use the leased asset) and liabilities (the lease obligation) of all leases with a term of more than 12 months, unless the underlying asset is of low value, and (ii) in the income statement, the depreciation separately from interest expense.

The Group plans to apply the standard using the simplified retrospective method by recognising the cumulative effect of the initial application of this standard as retained earnings at the date of first application. The standard has no material impact on own funds and net income.

IFRS 17 – Insurance Contracts

IFRS 17 «Insurance Contracts» was published on May 18, 2017.

IFRS 17 is a new comprehensive accounting standard for insurance contracts that covers the recognition, measurement, presentation and disclosure of insurance contracts. Once in force, IFRS 17 will replace IFRS 4 Insurance Contracts, which was published in 2005.

IFRS introduces a present value accounting model for insurance contracts. The IASB hopes that IFRS 17 will result in a more consistent accounting for insurance contracts than IFRS 4, which is largely based on the integration of previous accounting principles.

At a meeting of the Board in November 2018, the IASB provisionally decided to propose an amendment to the effective date of IFRS 17, which will be applicable for annual periods beginning on or after 1 January 2022. This is a one-year postponement from the previous date of January 1, 2021. This decision must be confirmed by amendments.

The Board also decided to propose an amendment to IFRS 4 to allow insurers eligible for the deferral of IFRS 9 an additional year of deferral, thereby extending to 2022 the temporary exemption that was available to insurers from applying IFRS 9 on financial instruments. This would mean that eligible insurers could apply both standards for the first time to reporting periods beginning on or after January 1, 2022.

The standard has not yet been approved by the European Union. The application of IFRS 17 and its potential impact on the Group's Consolidated Financial Statements is currently under review.

IFRS 9 – Financial instruments

As noted above, the group meets the specific criteria for the temporary exemption offered to insurers to defer the application of IFRS 9.

In this context, IFRS 4 requires the presentation of certain information relating to assets classified as SPPI (solely payments of principal and interest).

The fair value and changes in financial instruments classified as «SPPI» with respect to all financial assets presented in point 5.4 of Chapter ***VI. Notes to the consolidated balance sheet*** is listed below:

In thousands of euros	2018		
	Amortized cost	**Fair value through other items of comprehensive income**	**Total**
Opening balance on 1 January	**992.696**	**13.375.529**	**14.368.225**
Acquisition	52.327	790.475	842.802
Profits and losses realised on hedging instruments not yet recognised through profit or loss	-	2.393	2.392
Disposals and reimbursements	(55.799)	(1.281.529)	(1.337.328)
Foreign currency translation differences on monetary assets	3	(1)	2
Adjustments at fair value	-	(301.969)	(301.969)
Amortizations	-	(36.891)	(36.891)
Change in accrued interests not yet due, other	(4.184)	(28.153)	(32.337)
Impairments	265	195	460
Balance at 31 December	**985.308**	**12.520.048**	**13.505.356**

The fair value of financial assets classified as «SPPI» in accordance with IFRS 9 that are neither held for trading nor recognised on the basis of fair value (i.e. assets related to branch 23 contracts) amounts to 13,505 million euros at 31 December 2018. The amount decreased by an amount of 863 million euros, mainly due to sales and the decrease in fair value.

In addition to this information, the bonds classified as SPPI, listed under the heading «Bonds and similar securities» in the table under point 4.6.4.2 of Chapter ***III. Report of the Board of Directors***, are detailed in the table below:

In thousands of euros In market value, At Group level	2018						
	AAA	AA	A	BBB	BB and below	No rating	Total
SPPI bonds	610.108	6.546.781	2.094.997	2.521.780	16.908	433.052	12.223.626

The fair value of financial assets that meet the SPPI criteria («solely payments of principal and interest»), which are not recognised in FVTPL and that would be classified in Category 2 of the impairment model defined by IFRS 9, represents a maximum exposure of 497 million euros at 31 December 2018 under IFRS 9.

This amount includes 450 million euros of bonds with a rating below investment grade or non-rated, as well as 47 million euros of non-rated commercial papers. This exposure could be significantly reduced should Ethias make use of its internal methodology to determine the internal rating of non-rated assets.

It should be noted that the other SPPI assets not incorporated in the above table include mortgage loans as well as cash accounts and are assumed to have a low credit risk at 31/12/2018.

A combined project for implementing IFRS 9 and IFRS 17 is underway. The implementation of IFRS 9 and IFRS 17 will result in a major change in the accounting for IFRS financial statements and the financial impact on equity, net profit or loss and other comprehensive income is expected to be material. The implementation of these two standards will also have an impact on the notes to the IFRS financial statements.

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 clarifies the application of the recognition and measurement provisions of IAS 12 «Income Taxes» when there is uncertainty about the treatment of income tax.

The interpretation of IFRIC 23 applies from 1 January 2019, and early application is permitted.

At Ethias, the application of this interpretation would not have had any impact on the situation at end-2018.

5.2. 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.

5.3. 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 recognised 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.

5.4. 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 recognised as goodwill. Acquisition-related costs are generally recognised through profit or loss when incurred.

The identifiable assets acquired and liabilities assumed are recognised 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 recognised in profit or loss.

For associates, the goodwill is not separately recognised 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 recognised 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 recognised in profit or loss. Amounts arising from interests in the acquiree that prior to the acquisition date have been recognised 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.

5.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

5.5.1. 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.

5.5.2. 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 recognised 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.

5.6. INTANGIBLE ASSETS

5.6.1. Goodwill

5.6.1.1. 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 recognised 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.

5.6.1.2. 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.

5.6.2. Other intangible assets

Software and development costs are capitalized if they are related to investment projects, i.e. major projects that introduce or replace an important commercial objective or model.

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 recognised 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.

Software developed by third parties, as well as internal and external development costs related to investment projects, are amortized on a straight-line basis over 5 years from the time the software or developments are available, while for central systems with a longer useful life, the period is 10 years.

Internal and external research expenses for these projects and all expenses for ICT projects other than investment projects are charged directly to the income statement. 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 assets with a finite useful life are amortised over their expected economic life.

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

5.7. PROPERTY AND INVESTMENT PROPERTY

The Group recognises 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.

5.8. 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.

5.9. FINANCIAL INVESTMENTS

5.9.1. Classification

Financial instruments are classified into the following categories:

- Financial assets available for sale at fair value, with changes in fair value recognised 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.

5.9.2. 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.

5.9.3. Initial recognition

The Group recognises 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 recognise the financial assets. The cash consideration received for the sale is recorded separately. Interest expense on repurchase agreements and securities lending transactions is recognised over the term of the contracts.

5.9.4. 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 unrealised 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.

5.9.5. 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

Equities

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 unrealised loss in relation to its acquisition value over the last 12 months preceding the close.

Bonds

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

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

Criteria for determining durable losses in value

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

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

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

Revaluation reserve

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

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 recognised 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 recognised according to the above terms.

5.9.6. De-recognition

Financial assets are no longer recognised 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 realised gain or loss is recognised 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.

5.10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised 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). Unrealised gains and losses are recognised 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 recognised 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 recognised immediately in the net income.

The amounts previously recognised 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 recognised 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 recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised immediately in the net income.

5.11. 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 recognises 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 realisation of pledged assets after deducting the costs of implementing this guarantee, whether the realisation is probable or not.

Acceptances

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

5.12. RECEIVABLES

Receivables more and less than one year are recognised initially at fair value and are subsequently measured at amortized cost net of any impairment. An impairment is recognised 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.

5.13. 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.

5.14. EQUITY

Equity includes, in addition to share capital and retained earnings in reserve, the portion of unrealised gains and losses on investments, net of tax, and the impact of shadow accounting, of which the change in fair value is not recognised 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 recognised 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 recognised directly in equity, net of tax. A debt corresponding to the amount of dividend not yet paid is not recognised as long as the dividend has not been declared and approved.

5.15. INSURANCE AND INVESTMENT CONTRACT LIABILITIES

5.15.1. 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 recognised 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.

5.15.2. 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 recognised 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.

Insurance contracts Life

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 unrealised gains and losses. They are therefore incorporated into the unrealised 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 unrealised 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 recognised:

- 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 recognised as revenue; all expenses associated with these contracts are recognised 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 recognised 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 recognised in consideration of unrealised 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 realisation 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 unrealised gains recognised 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 recognised in line with the services provided.

5.16. SUBORDINATED DEBTS AND FINANCIAL DEBT

The financial debt, subordinated or not, is recognised 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 recognised in the income over the term of the loan using the effective interest rate method.

5.17. 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 recognised 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.

5.18. 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 recognised 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 recognised 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 recognised in the income statement linearly over the period of the lease. The underlying asset is recognised 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 recognised over the term of the lease using the implicit interest rate.

5.19. 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 recognised 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 recognised.
- 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognise a liability and an expense of severance.

5.20. 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 realised loss is also shown separately through profit or loss.

5.21. 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 recognised as follows:

Income from insurance activities

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

Financial income

Interest income is recognised 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 recognise the effect of undiscounting in the interest income. Interest income on impaired loans are recognised using the original effective interest rate method.

Dividends are recognised 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 recognised 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 recognised as revenue as work progresses, provided that this benefit can be taken for granted with sufficient certainty. Impairments are recognised 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 recognised through profit or loss of the period in which the management becomes aware of those circumstances.

5.22. 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 recognised 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 recognised for all taxable temporary differences.

5.23. 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 recognised 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 recognised 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 recognised in the financial statements of the accounting year in which the change in probability or evaluation occurs.

5.24. 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 recognised as long as the dividend has not been approved by the general assembly.

6. Critical accounting estimates and judgements

The preparation of the consolidated accounts in accordance with the IFRS standards brings the Group to realise judgements, 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 recognised during the period in which the estimates are reviewed and in the course of all future periods covered. The judgements 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.

6.1. 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 recognised 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 under point 4.6.5 in section ***III. Report of the Board of Directors***.

6.2. 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 analyses on the income statement can be found in section ***III. Report of the Board of Directors***, under point 4.5.1.2 for Non-Life and under point 4.5.2.2. for Life.

6.3. 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 point 16.3.1 of section ***VI. Note to the consolidated balance sheet***. 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 under point 16.3.2. in section ***VI. Note to the consolidated balance sheet***.

6.4. DEFERRED TAXES

The deferred tax assets are only recognised 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 under point 10 in section VI.

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 realised 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. For the valuation of deferred tax assets and liabilities, the rate of 25% has been considered, whereas this will be the corporate tax rate applicable as from 1 January 2020.

7. 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. Most of the other insurance products are put into run-off. Nevertheless, the Group wishing to offer its clients 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 2018 and 2017 respectively are detailed below:

		PUBLIC BODIES & COMPANIES	PUBLIC BODIES & COMPANIES	INDIVIDUALS	INDIVIDUALS	OTHER	Statutory income statement B-Gaap	ADJUSTMENTS	Consolidated income statement IFRS
In thousands of euros	Notes	NON-LIFE	LIFE	NON-LIFE	LIFE	NON-TECHNICAL	31 December 2018	Total Ajustements	31 December 2018
Gross premiums	VII.1	805.234	1.257.181	576.605	55.229	-	2.694.250	(10.217)	2.684.033
Premiums ceded to reinsurers	VII.3	(30.492)	(2.812)	(6.946)	(5)	-	(40.256)	-	(40.256)
Change in the provision for unearned premiums and outstanding risks [a]		872	-	948	-	-	1.821	-	1.821
Other income from insurance activities		1.106	126	693	3.343	-	5.268	-	5.268
Revenues from insurance activities [a]	**VII.1**	**776.721**	**1.254.495**	**571.300**	**58.567**	**-**	**2.661.083**	**(10.217)**	**2.650.866**
Revenues from other activities	VII.4	-	-	-	-	446.114	446.114	(167.491)	278.622
Revenues		**776.721**	**1.254.495**	**571.300**	**58.567**	**446.114**	**3.107.197**	**(177.708)**	**2.929.488**
Net income from investments		87.321	250.669	3.002	36.754	15.244	392.989	67.079	460.068
Net realised gains or losses on investments		-	-	-	-	3.004	3.004	46.977	49.981
Change in fair value of investments through profit and loss [b]		-	-	-	-	(33.519)	(33.519)	(83.682)	(117.201)
Net financial income	**VII.5**	**87.321**	**250.669**	**3.002**	**36.754**	**(15.270)**	**362.475**	**30.373**	**392.848**
NET REVENUES		**864.041**	**1.505.163**	**574.302**	**95.321**	**430.843**	**3.469.671**	**(147.335)**	**3.322.336**
Insurance service expenses		685.125	1.429.999	366.866	80.530	-	2.562.519	(24.207)	2.538.313
Net expenses or revenues ceded to reinsurers	VII.3	(23.459)	(3.796)	(1.236)	61	-	(28.431)	17	(28.413)
Management costs [c]		125.508	41.436	140.335	14.794	-	322.072	(39.180)	282.892
Technical expenses for insurance activities	**VII.2**	**787.174**	**1.467.639**	**505.964**	**95.384**	**-**	**2.856.161**	**(63.369)**	**2.792.792**
Expenses for other activities	VII.4	-	-	-	-	399.377	399.377	(111.430)	287.947
Operating expenses		**787.174**	**1.467.639**	**505.964**	**95.384**	**399.377**	**3.255.538**	**(174.799)**	**3.080.739**
Change in depreciation and amortization on investments (net)	VII.5	-	-	-	-	10.427	10.427	12.278	22.705
Other investment financial expenses	VII.5	-	-	-	-	2.182	2.182	52.375	54.557
Finance costs	VII.6	-	-	-	-	8.824	8.824	20.543	29.367
Financial expenses		**-**	**-**	**-**	**-**	**21.433**	**21.433**	**85.196**	**106.629**
NET EXPENSES		**787.174**	**1.467.639**	**505.964**	**95.384**	**420.811**	**3.276.971**	**(89.603)**	**3.187.368**
Goodwill impairment		-	-	-	-	-	-	-	-
NET PROFIT (LOSS) BEFORE TAX		**76.868**	**37.525**	**68.338**	**(63)**	**10.033**	**192.700**	**(57.732)**	**134.968**
Income taxes	VII.9	-	-	-	-	(26.703)	(26.703)	84.933	58.230
Transfer/Charge to untaxed reserves		-	-	-	-	(3.206)	(3.206)	3.206	-
NET PROFIT (LOSS) AFTER TAX		**76.868**	**37.525**	**68.338**	**(63)**	**(19.877)**	**162.790**	**30.408**	**193.198**
Share of the associates in the result		-	-	-	-	-	-	129	129
Net profit (loss) from discontinued operations		-	-	-	-	-	-	-	-
Net consolidated profit (loss) attributable to:		**76.868**	**37.525**	**68.338**	**(63)**	**(19.877)**	**162.790**	**30.536**	**193.327**
Group's share							162.790	20.530	183.321
Non-controlling interests								10.006	10.006

		PUBLIC BODIES & COM-PANIES	PUBLIC BODIES & COM-PANIES	INDIVIDUALS	INDIVI-DUALS	OTHER	Statu-tory 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 2018	Total Ajustements	31 December 2018
Gross premiums	VII.1	756.549	1.093.771	577.419	56.687	-	2.484.427	(44.897)	2.439.530
Premiums ceded to reinsurers	VII.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]	**VII.1**	**733.644**	**1.092.570**	**570.652**	**59.928**	**-**	**2.456.795**	**(44.912)**	**2.411.882**
Revenues from other activities	VII.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 income from investments		84.309	338.037	40.802	101.900	19.140	584.188	(105.288)	478.900
Net realised 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	**VII.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	VII.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	**VII.2**	**750.940**	**1.347.453**	**433.991**	**221.264**	**-**	**2.753.647**	**(199.699)**	**2.553.948**
Expenses for other activities	VII.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)	VII.5	-	-	-	-	8.427	8.427	1.273	9.700
Other investment financial expenses	VII.5	-	-	-	-	2.820	2.820	12.584	15.404
Finance costs	VII.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	VII.9	-	-	-	-	(11.303)	(11.303)	(73.088)	(84.391)
Transfer/Charge to untaxed reserves		-	-	-	-	(1.192)	(1.192)	1.192	-
NET PROFIT (LOSS) 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

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 clients representing a significant part of our income.

Regarding the BGAAP result of Ethias SA:

- Total income of 2018 amounts to 2,694 million euros, i.e. an increase by 8.5% compared to the previous year.
- The year 2018 records an operating result of 177 million euros. After taking into account non-recurring items, the net result of the year amounts to 170 million euros before transfer to the tax-free reserves and 167 million euros after transfer. This net result is 61% higher than in 2017, which was strongly impacted by non-recurring items not repeated in 2018.

The sum of the results of the Group's other activities, in BGAAP and before eliminations and consolidation adjustments, amounts to -4.6 million euros.

After consolidation adjustments and IFRS, the group's net result amounts to 193.3 million euros, of which the group's share amounts to 183.3 million euros.

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

7.1. NON-LIFE

The result of Non-Life business amounts to 145 million euros at end-2018.

Income amounts to 1,382 million euros and grows by 4% compared to 2017. It breaks down as follows between the segments "Private Individuals" and "Public Bodies & Companies":

- Income for Private Individuals is stable compared to 2017 and amounts to 577 million euros;
- Income for Public Bodies & Companies amounts to 805 million euros and grows compared to 2017 (757 million euros) in particular through the development of brokerage.

Climatic events and an increase in the claims rate have weighed on the net combined ratio, which stands at 96%.

The financial result was penalised by the decline in the stock markets, which has led to the recording of a non-recurring financial charge of 7 million euros.

7.2. LIFE

The result of Life business amounts to 37 million euros at end-2018.

Income at end-2018 is up 14% compared to 2017 and amounts to 1,312 million euros, including 55 million euros in Private Individuals and 1,257 million euros in Public Bodies & Companies.

Income in Life Individuals remains stable compared to 2017.

Life income in Public Bodies & Companies exceeds one billion euros and mainly results from the commercialization of Life Insurance products of the 1st pillar (pension insurance) and 2nd pillar (group insurance).

The non-recurring financial result amounts to 1 million euros, resulting from capital gains on asset sales, offset by exceptional impairments following the decline in equity markets.

A provision for profit-sharing of 42 million euros was allocated (versus 33 million euros in 2017), mainly on 1st-pillar ring-fenced funds.

7.3. NON-TECHNICAL

In 2018, the non-technical result before taxes shows a positive contribution of 6 million euros (including the adjustment of the price on the sale of the "FIRST A" portfolio +12 million euros) compared with -159 million euros in 2017, when exceptional items, including the cost of the sale of the remaining "FIRST A" portfolio, weighed on the result. Tax expenses of the financial year amount to 18 million euros compared to 3 million euros in 2017.

7.4. ADJUSTMENTS

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

Total consolidation adjustments amount to 30.5 million euros, of which 20.5 million euros as Group's share and 10 million to the interest of third parties.

The main movements are the following:

- The recognition of employee benefits, in accordance with IAS 19, decreases Life income by 9.8 million euros, decreases insurance payments by 7.5 million euros and increases Life technical provisions by 3.6 million euros; overheads related to claims handling costs, administrative costs, acquisition costs and financial management costs, and expenses for other activities increase by 13.9 million euros. The total impact from IAS 19 thus amounts to -12.6 million euros.
- The recognition of Life technical provisions according to IFRS 4 negatively impacts the result of 29.4 million euros. This result is mainly due to the adjustment of provisions recognised in 2018 for -22 million euros following the update of the adequacy test for Life technical provisions. The adjustment in application of shadow accounting on products classified as FVPL amounts to 0.6 million euros. In Non-Life, the cancellation of the reversal of the provision for equalization and catastrophe amounts to -8 million euros.
- The application of IAS 39 leads to an adjustment on the result of financial instruments of -32.9 million euros.
- The elimination of dividends from subsidiaries amount to -23 million euros.
- The deconsolidation of the entities AME, AME Conseils and Ethias Distribution Epargne-Crédit following their liquidation has an impact of +7.1 million euros.
- The adjustment in application of shadow accounting on Ethias Sustainable Investment Fund amounts to 23.7 million euros.
- Deferred taxes related to IFRS adjustments impact the income statement by 95.8 million euros, including +76.3 million relating to the valuation of tax losses carried forward.

8. Capital management

8.1. CAPITAL MANAGEMENT PURPOSES

The objective of capital management is to ensure that Ethias has own funds at all time, not only above the Solvency Capital Requirement but also above the internally set tolerance limit. Capital management is proactive in order to maintain the company's growth and sustainability. Capital management plans to adapt the business and financial strategy according to the level of solvency. The objective is to maintain a stable solvency within a predefined target range.

Details of changes in the Group's consolidated equity are provided under point 12 of section ***VI. Notes to the consolidated balance sheet***.

8.2. SOLVENCY II MARGIN LEVEL

The SII margin at end-December 2018[4], based on the standard formula, amounts to 181 %.

8.3. FINANCIAL RATING

On 12 June 2018, the agency Fitch confirmed Ethias' BBB+ rating by combining it with a positive outlook (previously stable outlook).

On 22 January 2019, Fitch upgraded Ethias' IFS rating from BBB+ (positive outlook) to A- (stable outlook).

4 Based on the annual QRT

VI. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Goodwill

1.1. EVOLUTION OF GOODWILL

In thousands of euros	2018	2017
Gross value on 1 January	**59.844**	**44.762**
Accumulated impairments on 1 January	-	-
Net book value on 1 January	**59.844**	**44.762**
Acquisitions	1.830	-
Other changes	-	15.082
Net book value on 31 December	**61.675**	**59.844**

In 2018, the acquisition of 100% of Ucon's shares by NRB and the acquisition of 100% of Siggis' shares by Logins and Cevi generated goodwill of 1.8 million euros.

Goodwill was generated on:

- entities of the NRB subgroup, for 46.6 million euros;
- the acquisition of the Whestia entity («outstanding balance» insurance portfolio) for 15 million euros.

1.2. IMPAIRMENT TEST ON GOODWILL

In accordance with IAS 36, we performed an impairment test on the goodwill recognised

- with regard to the companies of the NRB group. This consisted in comparing the value of the group's companies resulting from the «Discounted Cash Flow» method with the book value of specific items in the consolidated financial statements (goodwill, intangible assets, tangible assets and items determining the working capital requirement of the company concerned, i.e. other receivables, other assets, social security payables and tax debts). The value resulting from the DCF has also been stressed on the basis of relevant assumptions to ensure that in such assumptions, the economic value of the companies remains higher than the book value. The analysis leads to the conclusion that no impairment should be recognised on NRB goodwill recorded in the consolidated financial statements.
- at the time of the acquisition of Whestia. The purpose of this test is to compare the fair value of the segment with the value of the net book assets. The result of the test led us not to recognise any impairment on goodwill as at 31 December 2018. A significant decrease in the fair value of the segment, which could be due to a decrease in the expected mortality rate, would lead to the recognition of an impairment.

2. Other intangible assets

In thousands of euros	31 December 2018		
	Software and IT developments	Other intangible assets	Total
Gross value on 1 January	**184.599**	**41.430**	**226.029**
Accumulated amortization on 1 January	(107.255)	(5.604)	(112.859)
Accumulated impairments on 1 January	-	-	-
Net book value on 1 January	**77.344**	**35.826**	**113.170**
Acquisitions	26.432	856	27.288
Disposals	-	-	-
Reclassifications	(122)	-	(122)
Change in the consolidation scope	-	479	479
Net amortization	(9.225)	(13.776)	(23.001)
Impairments	-	-	-
Other changes	-	-	-
Net book value on 31 December	**94.428**	**23.384**	**117.813**

In thousands of euros	31 December 2017		
	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**

A review of the activation of IT programmes led to the recognition of an additional amortization of 9 million euros.

Another intangible asset of 33.5 million euros was recognised at 31/12/2017 following the acquisition of the portfolio “Work Accidents Law 1967”. This other intangible asset is amortized over 10 years based on the duration of the commitments.

3. Tangible fixed assets and investment properties

In thousands of euros	2018			
	Investment properties	Operational buildings	Other tangible fixed assets	Total
Gross value to be depreciated on 1 January	**587.867**	**186.243**	**208.754**	**982.864**
Acquisitions	5.622	329	9.449	15.401
Disposals and withdrawals	(17.883)	(1.906)	(13.208)	(32.997)
Properties held for sale	-	-	-	-
Change in the consolidation scope	14	-	1.303	1.317
Reclassifications from one heading to another	1.683	(1.695)	303	291
Other changes	-	-	-	-
Gross value on 31 December	**577.303**	**182.971**	**206.601**	**966.875**
Depreciations and accumulated impairments on 1 January	**(100.061)**	**(90.189)**	**(159.758)**	**(350.008)**
Depreciations of the financial year	(18.877)	(4.623)	(12.061)	(35.561)
Impairments of the financial year	-	-	-	-
Reversals of the financial year	-	-	-	-
Disposals and withdrawals	-	71	3.875	3.947
Reversals following disposals	6.828	950	4.803	12.581
Net impairment and reversal on properties held for sale	-	-	-	-
Change in the consolidation scope	(14)	-	(523)	(537)
Reclassifications from one heading to another	(540)	540	(1.725)	(1.725)
Other changes	-	-	-	-
Depreciations and accumulated impairments on 31 December	**(112.664)**	**(93.250)**	**(165.389)**	**(371.303)**
Net book value on 31 December	**464.639**	**89.720**	**41.212**	**595.572**
Fair value on 31 December	**582.595**	**130.560**	**41.212**	**754.367**

In thousands of euros	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)
Included loan costs	-	-	-	-
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
Net impairment and reversal on properties held 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**

The fair value of investment properties represents the estimated amount at which the real estate could be exchanged on the valuation date between a buyer and a willing seller on the basis of a transaction at arm's length after an appropriate marketing.

With regard to investment properties, the valuation method is that of the perpetual capitalization of the Estimated Rental Value (ERV). This method, in line with international valuation standards, is generally applied in the market where it is probable that the flow of income is constant. It consists in the perpetual capitalization, using a rate of return of the estimated rental value, plus or minus a series of adjustments. These adjustments are a correction to the present value so as to take into account a series of items that may have a material impact on the value of the property asset, viz.:

- Void periods;
- Rent incentives;
- Letting costs;
- Capital expenditures;
- Difference (positive or negative) between the estimated rental value and the passing rent until the next option date for termination of the lease contracts;
- Corrections specific to the property (example: parking taxes for the Brussels region).

The capitalisation rate is obtained on the basis of observations of comparable property values (and therefore rates of return) on the property investment market and depends inter alia on the location of the property, the quality of the property, the quality of the tenant and the length of the leases.

Fair value is the amount that the company would receive in the event of a sale of the real estate asset and depends, among other things, on the type of sale transaction. Costs related to the transfer of the asset are excluded from the estimate of the price at which the property may be sold on the market at the valuation date. This correction is different depending on the type of transaction that would apply in the event of a sale of an investment property:

- «Share deal» (sale in the form of a real estate company): costs paid by the acquirer relating to due diligence and legal costs (+/- 2.0 to 2.5%) are excluded from the estimated sale value;
- «Asset deal» (direct sale of the land and building as such): the registration fees payable by the buyer (+/- 10.0 to 13.5% depending on the location of the building) are excluded from the estimated sale value.

For buildings held for own use, the method of capitalizing the estimated rental value in perpetuity is also used. This estimated rental value is based on a «sale & lease back» scenario. In this context, a series of assumptions are made by Ethias mainly concerning the lease period taken into account and the estimate of future capital expenditure.

The valuation of real estate participations is covered in the «Participations» section.

Investment properties and held for own use are classified as level 3. Indeed, the valuation methods used by the experts are not based on observable data on these markets. In particular, market rental values or capitalization rates should be considered as input data of level 3.

Investment properties and held for own use are valued annually by independent real estate experts. Experts mandated to carry out the valuation of properties have the necessary professional qualifications and the appropriate experience. Ethias also ensures the independence of the experts.

A report is sent to Ethias which challenges the main assumptions used for valuation. The yield used is compared with the market rates reported in market research provided by other independent experts.

4. Investment in associates and joint ventures

4.1. 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%	4.747	3.891	857	806	257
Total on 31 December 2018		**4.747**	**3.891**	**857**	**806**	**257**
BelgiumDC	34,19%	4.868	4.268	599	4	(51)
Total on 31 December 2017		**4.868**	**4.268**	**599**	**4**	**(51)**

Belgium DC is held for 50 % by NRB.

4.2. EVOLUTION OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In thousands of euros	2018	2017
Net book value on 1 January	**471**	**496**
Interests sold during the financial year	-	-
Interests acquired during the financial year	-	-
Reclassifications	-	-
Share in the result of the financial year	129	(26)
Dividends paid	-	-
Other changes	-	-
Net book value on 31 December	**599**	**471**

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

5. Financial investments

5.1. OVERVIEW OF FINANCIAL INVESTMENTS BY CATEGORY

	31 December 2018					
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	52.857	(12.451)	75.469	-	115.875	115.875
Participating interests	**52.857**	**(12.451)**	**75.469**	**-**	**115.875**	**115.875**
Available for sale	318.276	(19.668)	37.416	-	336.025	336.025
Designated at fair value through profit or loss	136.656	-	-	(32.897)	103.758	103.758
Held for trading	-	-	-	-	-	-
Equities	**454.932**	**(19.668)**	**37.416**	**(32.897)**	**439.783**	**439.783**
Available for sale	148.708	(6.416)	43.014	-	185.306	185.306
Designated at fair value through profit or loss	11.172	-	-	211	11.383	11.383
Investment funds	**159.880**	**(6.416)**	**43.014**	**211**	**196.689**	**196.689**
Available for sale	12.214.935	(11.339)	778.814	-	12.982.409	12.982.409
Designated at fair value through profit or loss	559.133	-		17.127	576.260	576.260
Bonds	**12.774.068**	**(11.339)**	**778.814**	**17.127**	**13.558.669**	**13.558.669**
Loans and deposits	490.434	(8.581)	-	-	481.852	497.792
Other investments	**490.434**	**(8.581)**	**-**	**-**	**481.852**	**497.792**
Held for trading	4.086	-	-	(4.086)	-	-
Held for hedging purposes	-	-	52.317	-	52.317	52.317
Derivative financial assets	**4.086**	**-**	**52.317**	**(4.086)**	**52.317**	**52.317**
Investments belonging to unit-linked insurance contracts	**1.189.492**	**-**	**-**	**(16.270)**	**1.173.222**	**1.173.222**
Total	**15.125.749**	**(58.455)**	**987.030**	**(35.916)**	**16.018.407**	**16.034.347**

In thousands of euros	31 December 2017					
	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 hedging purposes	-	-	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**

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.

5.2. EVOLUTION OF FINANCIAL INVESTMENTS

	2018						
	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	**14.429.482**	**830.242**	**24.933**	**593.839**	**7.443**	**810.550**	**16.696.488**
Acquisitions	2.485.893	76.096	57.025	19.311	145	984.851	3.623.321
Reclassifications between categories	(46.321)	46.321	-	-	-	-	-
De-recognition following exercise option	-	-	-	-	(1.904)	-	(1.904)
Profits and losses realised on hedging instruments not yet recognised through profit or loss	1.766	-	-	-	-	-	1.766
Disposals and reimbursements	(2.851.865)	(192.403)	(77.772)	(131.324)	(122)	(574.428)	(3.827.914)
Foreign currency translation differences on monetary assets	(1)	-	-	-	-	-	(1)
Adjustment at fair value	(320.474)	(68.841)	(4.186)	-	46.756	(46.091)	(392.836)
Amortizations	(35.730)	2.397	-	-	-	(6.045)	(39.378)
Changes in accrued interests not yet due	(21.145)	(2.410)	-	(896)	-	4.386	(20.065)
Impairments	(22.030)	-	-	921	-	-	(21.109)
Change in the consolidation scope	40	-	-	-	-	-	40
Other changes	-	-	-	-	-	-	-
Net book value on 31 December	**13.619.615**	**691.401**	**-**	**481.852**	**52.317**	**1.173.222**	**16.018.407**

	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 realised on hedging instruments not yet recognised 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**

Adjustments to the fair value for derivatives break down into 46.9 million euros for derivative hedging instruments (against -22.6 million euros in December 2017) and -0.2 million euros for derivative trading instruments on 31 December 2018 (against -24.8 million euros in December 2017).

The decrease in the net book value of available-for-sale investments (- -809.9 million euros) is mainly due to sales on corporate bonds and bond funds as well as fair value adjustments of -320,5 million euros.

5.3. EVOLUTION OF IMPAIRMENTS ON INVESTMENTS

5.3.1. Impairment on available-for-sale investments

In thousands of euros	2018	2017
Balance on 1 January	**(35.327)**	**(35.276)**
Provision for impairments	(22.030)	(905)
Reversals of impairments	-	-
Reversals due to disposals	7.483	1.804
Change in the consolidation scope	-	-
Reclassifications	-	(950)
Other changes	-	-
Balance at 31 December	**(49.874)**	**(35.327)**

5.3.2. Impairments on loans, deposits and other financial investments

In thousands of euros	2018	2017
Balance on 1 January	**(9.663)**	**(16.920)**
Provision for impairments	(174)	(141)
Reversals of impairments	1.095	-
Reversals due to disposals	161	7.398
Change in the consolidation scope	-	-
Reclassifications	-	-
Other changes	-	-
Balance at 31 December	**(8.581)**	**(9.663)**

5.3.3. 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 2018							
					Net book value of unimpaired assets based on the following periods:			
In thousands of euros	Book value before impair-ments	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	12.993.749	(11.339)	12.982.409	-	12.982.409	-	-	-
Held-to-maturity financial assets	-	-	-	-	-	-	-	-
Financial assets unlisted on an active market	-	-	-	-	-	-	-	-
Loans, deposits and other financial investments	490.434	(8.581)	481.852	926	478.250	1.710	275	691
Total	**13.484.182**	**(19.921)**	**13.464.262**	**926**	**13.460.660**	**1.710**	**275**	**691**

	31 December 2017							
					Net book value of unimpaired assets based on the following periods:			
In thousands of euros	Book value before impair-ments	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**

5.4. 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 2018			
	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	3	-	115.872	115.875
Participating interests	**3**	**-**	**115.872**	**115.875**
Available for sale	336.025	-	-	336.025
Designated at fair value through profit or loss	103.758	-	-	103.758
Held for trading	-	-	-	-
Equities	**439.783**	**-**	**-**	**439.783**
Available for sale	101.036	16.139	68.131	185.306
Designated at fair value through profit or loss	11.383	-	-	11.383
Held for trading	-	-	-	-
Investment funds	**112.419**	**16.139**	**68.131**	**196.689**
Available for sale	11.928.594	954.585	62.892	12.982.409
Designated at fair value through profit or loss	129.163	383.002	64.094	576.260
Held for trading	-	-	-	-
Bonds	**12.057.757**	**1.337.588**	**126.985**	**13.558.669**
Held for trading	-	-	-	-
Held for hedging purposes	-	52.317	-	52.317
Derivative financial assets	**-**	**52.317**	**-**	**52.317**
Investments belonging to unit-linked insurance contracts	**1.132.660**	**40.562**	**-**	**1.173.222**
Total financial assets	**13.742.622**	**1.446.606**	**310.989**	**15.536.555**
Financial liabilities				
Investment contracts hedged by assets at fair value	**1.136.387**	**40.562**	**-**	**1.176.949**
Held for trading	-	-	-	-
Held for hedging purposes	-	9.355	-	9.355
Derivative financial liabilities	**-**	**9.355**	**-**	**9.355**
Total financial liabilities	**1.136.387**	**49.917**	**-**	**1.186.305**

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 hedging purposes	-	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 hedging purposes	-	4.868	-	4.868
Derivative financial liabilities	**-**	**4.868**	**-**	**4.868**
Total financial liabilities	**742.637**	**76.438**	**-**	**819.074**

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.

5.5. 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 recognised 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 valorised 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 valorise the shares recognised in level 1.

Are not recognised 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 valorise those funds that are recognised in level 1.

Are not recognised in level 1, funds for which the valorisation 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 recognised in level 1 in the same way as what is realised 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 recognised 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 recognised 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 valorisation is based on the bid price supplied by a single counterparty, the security will be recognised in level 2.

In any case, the fair value of the various instruments recognised 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 valorisation 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 these assets recognised in level 3 stands at 127 million euros at December 31, 2018 compared with 122.6 million euros at December 31, 2017.

Private equity funds, real estate funds and non-controlling interests of the Group also belong to level 3. The fair value of these share interests is namely essentially determined on the basis of an internal valorisation 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.

The valuation of these assets recognised in level 3 stands at 184 million euros at December 31, 2018 compared with 103.6 million euros at December 31, 2017.

5.6. IMPORTANT TRANSFERS BETWEEN INVESTMENTS ESTIMATED AT FAIR VALUE IN LEVEL 1 AND 2

In thousands of EUR	31 December 2018		31 December 2017	
	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	-	3.988	97.567	73.177
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Bonds	**-**	**3.988**	**97.567**	**73.177**
Held for trading	-	-	-	-
Held for hedging purposes	-	-	-	-
Derivative financial assets	**-**	**-**	**-**	**-**
Investments belonging to unit-linked insurance contracts	**-**	**-**	**-**	**-**
Total financial assets	**-**	**3.988**	**97.567**	**73.177**
Financial liabilities				
Investment contracts hedged by assets at fair value	**-**	**-**	**-**	**-**
Held for trading	-	-	-	-
Held for hedging purposes	-	-	-	-
Derivative financial liabilities	**-**	**-**	**-**	**-**
Total financial liabilities	**-**	**-**	**-**	**-**

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 2 to level 1 (i.e. for 4 million euros in 2018 compared to 73,2 million euros in 2017) involve securities for which the source of the market price was the price given by a counterparty and which are currently valued by the BGN price (generic Bloomberg).

5.7. EVOLUTION OF INVESTMENTS ESTIMATED AT FAIR VALUE IN LEVEL 3

In thousands of EUR	2018		
	Available-for-sale investments	Financial assets at fair value through profit or loss	Total
Opening balance on 1 January	**173.549**	**52.625**	**226.174**
Acquisitions	3.993	8.940	12.933
Reclassifications between categories	-	-	-
Reclassification to level 3	75.090	32.397	107.486
Exit from level 3	-	-	-
Disposals and reimbursements	(30.974)	(30.928)	(61.902)
Adjustment at fair value through equity	25.916	-	25.916
Adjustment at fair value through profit or loss	-	498	498
Changes in accrued interests not yet due	(251)	562	311
Impairments through profit or loss	(428)	-	(428)
Other changes	-	-	-
Closing balance on 31 December	**246.895**	**64.094**	**310.989**

In thousands of EUR	2017		
	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**

The amount of the acquisitions (4 million euros - AFS) includes the acquisition and release of calls for funds for the participations and certain funds. The amount of the acquisitions (8.9 million euros - FVPL) is only a purchase and sale of securities between two portfolios of Ethias SA. The disposals (31 million euros - AFS) are explained by the sale or redemption for participations (12.5 million euros) and by the sale or redemption for certain Funds and bonds (18 million euros).

The disposals (30.9 million euros - FVPL) are explained by the purchase and sale of securities between two portfolios of Ethias SA and the redemption (exercise of the call option) of a perpetual.

The amount of the transfer from level 2 to level 3 (75.1 million euros - AFS) includes the change from level 2 to level 3 for real estate funds, private equity funds and the change to model price of two bonds (32.4 million euros - FVPL).

6. Derivative financial instruments

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

In thousands of euros	31 December 2018					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
	< 1 year	Between 1 and 5 years	> 5 year			
Interest rate swaps	-	-	-	-	-	-
Options on interest rates	60.000	-	-	60.000	-	-
Bond futures	-	-	-	-	-	-
Options on shares or indices	-	-	-	-	-	-
Credit swaps	-	-	-	-	-	-
Subtotal held for trading	**60.000**	**-**	**-**	**60.000**	**-**	**-**
Interest rate swaps	-	-	-	-	-	-
Bond futures	500.000	200.000	-	700.000	29.644	(9.355)
Swap futures	278.000	350.000	-	628.000	22.673	-
Subtotal held for hedging	**778.000**	**550.000**	**-**	**1.328.000**	**52.317**	**(9.355)**
Total	**838.000**	**550.000**	**-**	**1.388.000**	**52.317**	**(9.355)**

In thousands of euros	31 December 2017					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
	< 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)**

The hedging solutions against the fall in interest rates were maintained in 2018 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.

In this context, we have continued the forwards starting swap programme, which now reaches a nominal amount of 628 million euros at end-2018 (715 million euros at 31 December 2017). The swaptions in portfolio at end-2017 matured in 2018 and were not renewed.

In 2018, we also set up a hedging programme against the OLO spread risk (via forward bonds coupled with forwards swaps) for a total nominal amount of 700 million euros at end-2018.

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.

With regard to the hedging against lower interest rates, no ineffectiveness of the hedge that should be recorded in the income statement has been identified. As regards spread hedging, initial costs of 2.1 million euros were recognised in the income instatement. Estimating the effectiveness of the spread hedge once these costs have been taken into account does not imply taking into account ineffectiveness.

7. Receivables

7.1. BREAKDOWN OF RECEIVABLES BY NATURE

In thousands of euros	31 December 2018		
	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	241.651	(18.790)	222.862
Receivables arising from ceded reinsurance operations	104.474	-	104.474
Receivables arising from other operations	59.268	(890)	58.378
Tax receivables	4.852	-	4.852
Other receivables	113.531	(217)	113.313
Total	**523.776**	**(19.897)**	**503.879**

In thousands of euros	31 December 2017		
	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**

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

The increase in receivables arising from ceded reinsurance operations is due to the change in the means of hedging technical liability.

Receivables arising from other operations 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.

7.2. EVOLUTION OF IMPAIRMENTS ON RECEIVABLES

In thousands of euros	2018	2017
Impairments on receivables on 1 January	**(18.481)**	**(16.442)**
Provisions of the financial year	(12.536)	(10.018)
Expenditures of the financial year	1.642	1.403
Reversals of the financial year	9.190	6.632
Change in the consolidation scope	-	-
Other changes	288	(56)
Impairments on receivables on 31 December	**(19.897)**	**(18.481)**

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 2018							
					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	241.651	(18.790)	222.862	-	74.571	123.998	17.829	6.463
Receivables arising from ceded reinsurance operations	104.474	-	104.474	-	104.474	-	-	-
Other receivables	177.651	(1.108)	176.543	71	169.562	5.338	732	840
Total	**523.776**	**(19.897)**	**503.879**	**71**	**348.607**	**129.335**	**18.562**	**7.304**

	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**

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

8. Any other assets

In thousands of euros	31 December 2018	31 December 2017
Interest and rent accrued but not yet due	476	435
Other accruals	12.814	9.421
Any other assets	18.749	14.521
Total	**32.039**	**24.377**

9. Cash and cash equivalents

In thousands of euros	31 December 2018	31 December 2017
Cash at bank and in hand	638.069	580.404
Cash equivalents	51.968	60.080
Total of the cash and cash equivalents	**690.037**	**640.484**
Payables arising from repurchase operations (repo)	(216.167)	(334.840)
Bank overdraft and other debts included in the cash flow statement	(41.710)	(8.023)
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	**432.160**	**297.621**

Cash equivalents consist mainly of treasury bonds.

At 31 December 2018, the amount received in collateral for the swaptions totals 0 million euros (compared to 0.5 million euros on 31 December 2017), 1.1 million euros for repurchase agreement transactions (compared to 0.5 million euros at 31 December 2017) and 40.5 million euros (compared to 7.1 million euros at 31 December 2017(forward swap and bonds)) for the swap forwards.

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

10. Deferred tax assets and liabilities

10.1. BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2018		
In thousands of euros	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	5.380	-	5.380
Available-for-sale investments in other items of comprehensive income	-	227.181	(227.181)
Financial assets designated at fair value through profit or loss	-	9.975	(9.975)
Insurance and investment liabilities in other items of comprehensive income	164.999	-	164.999
Insurance and investment liabilities through profit or loss	89.079	13.754	75.326
Employee benefits in other items of comprehensive income	4.468	-	4.468
Employee benefits through profit or loss	16.381	-	16.381
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	-	28.542	(28.542)
Carried forward tax losses	75.315	-	75.315
Gross deferred tax assets and liabilities	**355.621**	**279.451**	**76.171**
Compensation through taxable entity	(256.392)	(256.392)	-
Net deferred tax assets and liabilities	**99.229**	**23.060**	**76.171**

	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
Gross deferred tax assets and liabilities	**316.177**	**350.323**	**(34.145)**
Compensation through taxable entity	(315.831)	(315.831)	-
Net deferred tax assets and liabilities	**346**	**34.491**	**(34.145)**

As at December 31, 2018, net deferred tax assets amount to 76.2 million euros.

The change in net deferred taxes is mainly due to the valuation of the tax losses carried forward that are acquired by Ethias, for an amount of 75.3 million euros.

10.2. EVOLUTION OF DEFERRED TAX ASSETS AND LIABILITIES

In thousands of euros	2018			2017		
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Net book value on 1 January	**346**	**34.491**	**(34.145)**	**73.764**	**21.534**	**52.230**
Changes through profit or loss	86.396	2.143	84.253	(78.204)	(5.307)	(72.896)
Change in other items of comprehensive income	12.488	(13.471)	25.958	4.785	11.554	(6.768)
Change in scope	-	-	-	-	-	-
Other changes	-	(104)	104	-	6.711	(6.711)
Net book value on 31 December	**99.229**	**23.060**	**76.171**	**346**	**34.491**	**(34.145)**

10.3. RECOGNISED - UNRECOGNISED DEFERRED TAXES

In thousands of euros	31 December 2018	31 December 2017
Deferred tax asset recognised:		
Intended use within the year	34.436	-
Intended use between 1 and 2 years	31.396	-
Intended use between 2 and 3 years	8.693	-
Intended use after 3 years	1.651	-
Debt with maturity after 3 years	-	-
Subtotal	**76.176**	**-**
Deferred tax asset unrecognised:		
Limited recoverability	-	-
Unlimited recoverability	12.746	126.167
Subtotal	**12.746**	**126.167**
Total of recognised and unrecognised deferred taxes	**88.922**	**126.167**

The rate applied to deferred taxes in 2018 is 25%. DTA's arising from the tax credits as reflected in the company's tax position amount to 76.2 million euros.

11. Available-for-sale assets and liabilities including assets from discontinued activities

In 2018, as in 2017, no assets or liabilities were held for sale.

12. Equity

12.1. SUBSCRIBED CAPITAL

The capital issued and paid on 31 December 2018 amounts to 1,000 million euros. It is represented by 20 million shares without indication of the nominal value.

	2018	
	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**

12.2. OTHER ITEMS OF COMPREHENSIVE INCOME

12.2.1. Evolution of the revaluation reserve of the available-for-sale financial assets

In thousands of euros	2018	2017
Net book value on 1 January	**351.950**	**211.085**
Revaluation	(324.652)	(218.044)
Related taxes	76.332	178.977
Shadow accounting	183.515	428.269
Related taxes	(45.879)	(222.806)
Transfer resulting from disposals or impairments	(28.328)	(38.676)
Related taxes	7.082	13.146
Other changes	11.731	-
Net book value on 31 December	**231.752**	**351.950**

The line «Other changes» includes the restatement made to the result carried forward following the application of the shadow accounting on the «High Yield» sub-fund of the Sicav Ethias Sustainable Fund as from 1 January 2018.

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

In thousands of euros	2018	2017
Net book value on 1 January	**(9.290)**	**(8.688)**
Recognised actuarial profits and losses	4.282	843
Related taxes	(1.071)	(1.445)
Other changes	-	-
Net book value on 31 December	**(6.079)**	**(9.290)**

12.2.3. Evolution of the reserve for hedge accounting

In thousands of euros	2018	2017
Net book value on 1 January	**38.654**	**74.273**
Revaluation	44.531	(30.537)
Related taxes	(11.133)	15.058
De-recognition following exercise option	(1.904)	(29.938)
Related taxes	476	10.176
Profits and losses realised on hedging instruments not yet recognised through profit or loss	1.766	1.777
Related taxes	(442)	(444)
Amortizations	(2.367)	(2.282)
Related taxes	592	571
Change in scope	-	-
Change in accounting method	-	-
Other changes	-	-
Net book value on 31 December	**70.173**	**38.654**

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).

The revaluation item (44.5 million euros) mainly records revaluations at fair value on bond futures contracts as part of the programme for hedging against the OLO spread risk (22.4 million euros) as well as revaluations at fair value on swap futures contracts (19.9 million euros).

13. Insurance and investment contract liabilities

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.

13.1.1. Liabilities related to Non-Life insurance contracts

In thousands of euros	31 December 2018	31 December 2017
Mathematical provisions	893.429	865.374
Provisions for unearned premiums	291.366	293.272
Claims provisions	2.473.626	2.424.636
Shadow accounting	-	-
Other provisions	206.138	211.592
Total insurance contract liabilities (gross)	**3.864.559**	**3.794.875**
Reinsurers' share in liabilities related to Non-Life insurance contracts	140.537	131.187
Total insurance contract liabilities (after deduction of the reinsurers' share)	**3.724.021**	**3.663.687**

13.1.2. Liabilities related to Life insurance contracts

In thousands of euros	31 December 2018	31 December 2017
Mathematical provisions	4.178.767	4.340.200
Claims provisions	-	333
Shadow accounting	388.360	476.911
Insurance contract liabilities	**4.567.127**	**4.817.444**
Liabilities related to unit-linked insurance contracts	**335.839**	**25.222**
Total insurance contract liabilities (gross)	**4.902.966**	**4.842.666**
Reinsurers' share in liabilities related to Life insurance contracts	2.067	784
Total insurance contract liabilities (after deduction of the reinsurers' share)	**4.900.899**	**4.841.883**

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

Transfers from insurance contracts to unit-linked insurance contracts were made for an amount of 346 million euros.

13.1.3. Investment contract liabilities

In thousands of euros	31 December 2018	31 December 2017
Mathematical provisions	4.319.353	4.544.470
Claims provisions	-	-
Shadow accounting	274.341	401.478
Investment contract liabilities with discretionary participation features	**4.593.694**	**4.945.948**
Liabilities related to unit-linked investment contracts with discretionary participation features	**810.010**	**715.814**
Mathematical provisions	3.727	3.657
Investment contract liabilities without discretionary participation features	**3.727**	**3.657**
Liabilities related to unit-linked investment contracts without discretionary participation features	**27.372**	**69.513**
Total investment contract liabilities (gross)	**5.434.804**	**5.734.932**
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total investment contract liabilities (after deduction of the reinsurers' share)	**5.434.804**	**5.734.932**

13.1.4. Profit sharing liabilities

In thousands of euros	31 December 2018	31 December 2017
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	9.875	7.198
Profit sharing related to investment contracts	33.732	27.336
Liabilities for profit sharing of policyholders	**43.607**	**34.534**

13.2. EVOLUTION OF LIABILITIES RELATED TO NON-LIFE INSURANCE CONTRACTS

13.2.1. Evolution of gross values before reinsurance

In thousands of euros	2018	2017
Insurance contract liabilities on 1 January	**3.794.875**	**3.608.643**
Claims paid in the previous years	(365.399)	(310.154)
Change in claim costs compared to the previous financial years	(181.870)	(40.668)
Addition to liabilities on claims of the current year	596.259	486.790
Transfer of received/ceded reserves	-	-
Change in gross reserves for unearned premiums	(1.882)	2.069
Change in the consolidation scope	-	-
Shadow accounting	-	-
Other changes	22.576	48.194
Insurance contract liabilities on 31 December	**3.864.559**	**3.794.875**

Other changes in reserves mainly include changes in mathematical provisions.

13.2.2. Evolution of the reinsurers' share

In thousands of euros	2018	2017
Reinsurers' share in insurance contract liabilities on 1 January	**131.187**	**120.069**
Reinsurers' share in claims costs	(9.054)	(11.171)
Change in claim costs compared to the previous financial years	11.693	13.531
Addition to liabilities on claims of the current year	6.797	8.742
Other changes in reserves	(86)	16
Reinsurers' share in insurance contract liabilities on 31 December	**140.537**	**131.187**

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	2017	2018
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**	**2.219.389**
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			
2017	1.125.654	1.134.537	1.100.098	1.045.508	891.250	747.095	590.706	466.909	310.154		
2018	1.161.121	1.174.899	1.148.312	1.106.182	960.814	828.395	687.415	583.283	466.862	365.399	-
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			
2017	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		
2018	1.515.115	1.591.212	1.635.677	1.686.131	1.625.352	1.597.015	1.574.840	1.623.482	1.721.569	1.988.529	
Current claim liabilities	353.993	416.313	487.365	579.949	664.538	768.620	887.426	1.040.199	1.254.707	1.623.130	2.219.989
Surplus (insufficiency) of the initial provision compared to the estimated cost price on 31 December 2018:											
In nominal value	**260.492**	**380.232**	**495.089**	**413.390**	**467.626**	**513.979**	**517.654**	**480.563**	**355.086**	**187.386**	
In percent	**14,67%**	**19,29%**	**23,24%**	**19,69%**	**22,34%**	**24,35%**	**24,74%**	**22,84%**	**17,10%**	**8,61%**	
Other liabilities for claims related to Non-Life insurance contracts											254.237
Total of the provisions for claims related to Non-Life insurance contracts											**2.473.626**

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

13.3. EVOLUTION OF LIABILITIES RELATED TO LIFE INSURANCE CONTRACTS (WITHOUT UNIT-LINKED INSURANCE CONTRACTS)

13.3.1. Evolution of gross values before reinsurance

In thousands of euros	2018	2017
Insurance contract liabilities on 1 January	**4.817.444**	**4.932.214**
Premiums	287.231	235.258
Benefits	(279.766)	(279.212)
Time value	99.611	104.638
Internal transfers	(344.676)	(60.489)
Transfer of received/ceded reserves	(10.378)	(7.932)
Shadow accounting	(88.550)	(174.738)
Other changes in reserves	86.212	67.705
Insurance contract liabilities on 31 December	**4.567.127**	**4.817.444**

Other changes in reserves include adjustments related to the adequacy test of the technical provisions for 66 million euros.

13.3.2. Evolution of the reinsurers' share

In thousands of euros	2018	2017
Reinsurers' share in insurance contract liabilities on 1 January	**784**	**1.474**
Ceded premiums	-	-
Reinsurers' share in claims costs	-	-
Reinsurers' share in time value	-	-
Transfers	-	-
Other changes in reserves	1.284	(691)
Reinsurers' share in insurance contract liabilities on 31 December	**2.067**	**784**

13.4. EVOLUTION OF INVESTMENT CONTRACT LIABILITIES WITH SHARE INTERESTS (WITHOUT UNIT-LINKED INSURANCE CONTRACTS)

13.4.1. Evolution of gross values before reinsurance

In thousands of euros	2018	2017
Investment contract liabilities on 1 January	**4.945.948**	**6.196.708**
Premiums	1.000.438	853.008
Benefits	(1.019.648)	(1.492.111)
Time value	63.744	82.628
Internal transfers	(73.924)	(289.643)
Transfer of received/ceded reserves	(168.991)	2.392
Shadow accounting	(127.137)	(246.453)
Other changes in reserves	(26.736)	(160.581)
Investment contract liabilities on 31 December	**4.593.694**	**4.945.948**

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 -44 million euros.

13.5. EVOLUTION OF LIABILITIES RELATED TO UNIT-LINKED INSURANCE CONTRACTS

In thousands of euros	2018	2017
Liabilities related to unit-linked insurance contracts on 1 January	**810.550**	**408.389**
Premiums	428	440
Benefits	(41.388)	(2.707)
Revaluation of the provisions	(14.546)	54.168
Technical result and other transfers	-	-
Internal transfers	418.599	350.133
Transfer of received/ceded reserves	-	-
Other changes in reserves	(421)	126
Liabilities related to unit-linked insurance contracts on 31 December	**1.173.222**	**810.550**

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 419 million euros.

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.
- Unrealised gains observed and recognised on assets covering Life insurance liabilities and investment contracts are allocated to liabilities related to Life insurance contracts and investment contracts.

The main accounting estimates and significant judgements are included under point 6 of section ***V. General Information***.

14. Financial debts

14.1. CHANGES IN FINANCIAL DEBTS

In thousands of euros	2018		
	Subordinated debts	Other financial debts	Total
Opening balance on 1 January	**478.807**	**402.606**	**881.413**
Issuances	-	2.096	***2.096***
Interests payable	26.161	1.678	***27.839***
Repayments	(26.161)	(18.501)	***(44.663)***
Foreign currency translation differences on monetary assets	-	-	**-**
Amortizations	3.702	-	**3.702**
Changes in accrued interests not yet due	(2.141)	(34)	**(2.175)**
Issuances of payables arising from repurchase operations (repo)	-	683.420	**683.420**
Repayments of payables arising from repurchase operations (repo)	-	(802.069)	**(802.069)**
Change in bank overdrafts and other debts included in the cash flow statement	-	33.675	33.675
Change in the consolidation scope	-	22	**22**
Reclassifications between categories	-	-	**-**
Other changes	-	-	**-**
Net book value on 31 December	**480.369**	**302.891**	**783.260**

In thousands of euros	2017		
	Subordinated debts	Other financial debts	Total
Opening balance on 1 January	**475.774**	**387.102**	**862.876**
Issuances	-	12.185	***12.185***
Interests payable	4.703	22.597	***27.300***
Repayments	(4.703)	(25.819)	***(30.522)***
Foreign currency translation differences on monetary assets	-	-	**-**
Amortizations	3.035	-	**3.035**
Changes in accrued interests not yet due	(2)	(23)	***(25)***
Issuances of payables arising from repurchase operations (repo)	-	1.938.082	**1.938.082**
Repayments of payables arising from repurchase operations (repo)	-	(1.857.970)	**(1.857.970)**
Change in bank overdrafts and other debts included in the cash flow statement	-	(73.549)	(73.549)
Change in the consolidation scope	-	-	-
Reclassifications between categories	-	-	-
Other changes	-	-	-
Net book value on 31 December	**478.807**	**402.606**	**881.413**

14.2. BREAKDOWN BY NATURE

In thousands of euros	31 December 2018		31 December 2017	
	Balance value	Fair value	Balance value	Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	480.369	531.909	478.807	579.476
Subordinated debts	**480.369**	**531.909**	**478.807**	**579.476**
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Bank overdrafts	45	45	4	4
Payables arising from repurchase operations (repo)	216.167	216.167	334.840	334.840
Collateral received as guarantee	41.665	41.665	8.019	8.019
Others	45.014	45.014	59.743	59.743
Other financial debts	**302.891**	**302.891**	**402.606**	**402.606**
Total of the financial debts	**783.260**	**834.800**	**881.413**	**982.082**

The assessments at fair value of the loans issued in 2015 and the balance of the 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.

14.3. BREAKDOWN BY MATURITY

In thousands of euros	31 December 2018				
	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	19.728	75.000	371.641	14.000	480.369
Subordinated debts	**19.728**	**75.000**	**371.641**	**14.000**	**480.369**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Bank overdrafts	20	-	-	25	45
Payables arising from repurchase operations (repo)	216.167	-	-	-	216.167
Collateral received as guarantee	41.665	-	-	-	41.665
Others	12.456	9.166	19.355	4.037	45.014
Other financial debts	**270.308**	**9.166**	**19.355**	**4.062**	**302.891**
Total of the financial debts	**290.036**	**84.166**	**390.996**	**18.062**	**783.260**

In thousands of euros	31 December 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
Others	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**

The item «maturities less than 1 year» of the bond loans consists of accrued interest not yet due (19.7 million euros at December 31, 2018 compared to 21.9 million euros at December 31, 2017).

The amortization of issue costs on the non-convertible subordinated bond amounts to 3.7 million euros as of December 31, 2018 (compared to 3 million euros as of December 31, 2017).

15. Provisions

Provisions recognised in the balance sheet are analysed as follows:

In thousands of euros	2018			
	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	Total
Provisions on 1 January	**29.399**	**1.876**	**119.016**	**150.291**
Provisions (+)	11.916	-	4.451	16.367
Expenditures (-)	(2)	-	(106.283)	(106.285)
Reversals (-)	(2.860)	-	(11.885)	(14.745)
Transfers (+/-)	(5.140)	-	5.140	-
Change in scope	-	-	-	-
Other changes	-	-	-	-
Provisions on 31 December	**33.313**	**1.876**	**10.439**	**45.628**

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**

The decrease in other non-technical provisions is mainly due to the use of the provision for the cost related to the sale of FIRST A. This provision was endowed with an amount of 106 million euros in 2017.

At 31 December 2018, provisions mainly cover risks relating to pending disputes.

16. Employee benefits

16.1. DESCRIPTION OF THE EMPLOYEE BENEFITS

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

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

- «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 2017, 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.

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. 68 million euros.

The Group remains its own insurer for a bond amounting to 163 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 valorised in the financial statements.

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.

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.

16.2. OVERVIEW OF EMPLOYEE BENEFITS BY NATURE

The debt for employee benefits is analysed as follows:

In thousands of euros	31 December 2018	31 December 2017
Post-employment benefits	231.248	243.521
Long-term employee benefits	57.741	32.704
Termination benefits	7.800	9.671
Total	**296.789**	**285.896**

The current value of the financed bonds amounts to 336.9 million euros (the fair value of the assets is 269 million euros) and that of the non-financed bonds is 163.3 million euros.

Amounts of the projected benefits:

In thousands of euros	2019	2018
Post-employment benefits	5.526	3.118
Long-term employee benefits	4.280	1.997
Termination benefits	1.312	2.232
Total	**11.118**	**7.347**

16.3. ACTUARIAL ASSUMPTIONS AND SENSITIVITY ANALYSIS

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 2018
Discount rate according to duration:	
3 years	0,30%
10 years	1,40%
15 years	1,80%
25 years	2,00%
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 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

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.

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 26.3 million euros. A decrease of the same level would however result in a debt increase of 27.6 million euros.

The impact of an increase with 25 basis points of the expected wage increase rate amounts to 14.4 million euros. An equivalent decrease would however lower the debt with 14.5 million euros.

In thousands of euros	31 December 2018	31 December 2017
Discount rate		
Increase in rates with 50 basis points	(26.335)	(33.745)
Decrease in rates with 50 basis points	27.624	37.180
Expected wage increase		
Increase in rates with 25 basis points	14.434	21.618
Decrease in rates with 25 basis points	(14.501)	(19.981)

16.4. CHANGE IN LIABILITIES OF THE DEFINED BENEFIT SCHEMES

In thousands of euros	2018	2017
Net liabilities of the defined benefit schemes as of January 1st	**243.521**	**500.685**
Total expenses of the defined benefit schemes	26.503	30.134
Contributions paid by the employer	(27.235)	(269.351)
Benefits paid directly by the employer	(7.258)	(17.104)
Revaluation	(4.282)	(843)
Net liabilities of the defined benefit schemes as of December 31st	**231.248**	**243.521**

16.5. CHANGES IN DEFINED BENEFIT SCHEME OBLIGATIONS AND LONG-TERM BENEFITS

	2018			2017		
In thousands of euros	Post-employment benefits	Long-term benefits	Total	Post-employment benefits	Long-term benefits	Total
Defined benefit scheme obligation as of January 1st	**508.207**	**32.705**	**540.911**	**500.685**	**16.397**	**517.082**
Cost price of services	23.301	28.345	51.647	24.764	16.964	41.727
Interest charges	8.313	29	8.342	8.126	29	8.155
Benefits paid directly by the employer	(7.258)	(3.225)	(10.483)	(17.104)	(693)	(17.797)
Benefits paid	(12.045)	-	(12.045)	(7.547)	-	(7.547)
Others	72	1	73	126	1	127
Revaluation	(20.378)	(113)	(20.491)	(843)	8	(835)
Defined benefit scheme obligation as of December 31st	**500.212**	**57.741**	**557.954**	**508.207**	**32.705**	**540.911**

16.6. CHANGES IN FAIR VALUE OF THE DEFINED BENEFIT SCHEME ASSETS

In thousands of euros	2018	2017
Fair value of the defined benefit scheme assets as of January 1st	**264.686**	**-**
Interest income	5.184	2.882
Employers' contributions	27.235	269.351
Benefits paid	(12.045)	(7.547)
Income of interests on plan assets in excess of interest income	(16.096)	-
Fair value of the defined benefit scheme assets as of December 31st	**268.964**	**264.686**

16.7. ALLOCATION OF DEFINED BENEFIT SCHEME ASSETS

In thousands of euros	2018	
	Value	%
Bonds	209.842	78,02%
Equities	50.598	18,81%
Real estate	211	0,08%
Cash	8.313	3,09%
Total	**268.964**	**100%**

16.8. ITEMS AFFECTING THE INCOME STATEMENT RELATING TO DEFINED BENEFIT SCHEMES

In thousands of euros	2018	2017
Cost price of services	23.301	24.764
Net interest charges	3.130	5.244
Others	72	126
Total expenses	**26.503**	**30.134**

17. Trade and other payables

17.1. BREAKDOWN BY NATURE

In thousands of euros	31 December 2018	31 December 2017
Liabilities arising from direct insurance operations and accepted reinsurance	122.646	124.423
Liabilities arising from ceded reinsurance operations	120.679	107.429
Liabilities from operating activities	**243.325**	**231.852**
Tax on current result	9.459	6.977
Other contributions and taxes	19.740	23.484
Tax payables	**29.199**	**30.461**
Social security payables	58.752	60.994
Payables to associates	-	-
Payables from finance leases	7.051	10.278
Trade payables	92.602	65.838
Other payables	70.495	58.095
Other payables	**228.900**	**195.206**
Accruals for liabilities	**14.096**	**13.374**
Total other payables	**515.520**	**470.892**

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

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

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.

17.2. BREAKDOWN BY MATURITY

In thousands of euros	2018				
	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	111.571	2.246	268	8.560	122.646
Liabilities arising from ceded reinsurance operations	6.276	-	-	114.403	120.679
Liabilities from operating activities	**117.847**	**2.246**	**268**	**122.964**	**243.325**
Tax on current result	9.459	-	-	-	9.459
Other contributions and taxes	19.740	-	-	-	19.740
Tax payables	**29.199**	**-**	**-**	**-**	**29.199**
Social security payables	58.719	-	-	33	58.752
Payables to associates	-	-	-	-	-
Payables from finance leases	7.051	-	-	-	7.051
Trade payables	92.127	-	-	475	92.602
Other payables	65.937	1.175	-	3.383	70.495
Other payables	**223.834**	**1.175**	**-**	**3.891**	**228.900**
Accruals for liabilities	**13.719**	**96**	**232**	**50**	**14.096**
Total other payables	**384.599**	**3.517**	**500**	**126.904**	**515.520**

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**

VII. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Insurance premiums

In thousands of euros	31 December 2018			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Gross premiums	299.860	1.381.839	1.002.334	2.684.033
Premiums ceded to reinsurers	(2.817)	(37.438)	-	(40.256)
Change in provision for unearned premiums and outstanding risks (net of reinsurance)	-	1.821	-	1.821
Other income from insurance activities	3.417	1.799	51	5.268
Revenues of insurance activities (net of reinsurance)	**300.460**	**1.348.021**	**1.002.385**	**2.650.866**

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**

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

2. Claims and insurance benefits

In thousands of euros	31 December 2018			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Insurance service expenses	500.959	1.049.319	988.035	2.538.313
Net expenses or revenues ceded to reinsurers	(3.735)	(24.678)	-	(28.413)
Management costs	18.464	247.739	16.689	282.892
Technical expenses for insurance activities	**515.687**	**1.272.380**	**1.004.724**	**2.792.792**

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**

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.

3. Net profit (loss) of cessions in reinsurance

In thousands of euros	2018	2017
Premiums ceded to reinsurers	(40.256)	(30.921)
Change in provision for unearned premiums - reinsurers' share	(86)	16
Net expenses or revenues ceded to reinsurers	28.413	7.032
Net profit (loss) of cessions in reinsurance	**(11.928)**	**(23.873)**

4. Net profit (loss) of other activities

In thousands of euros	2018	2017
Revenues of institutions not being insurance companies	263.061	251.418
Other revenues of institutions not being insurance companies	11.223	6.402
Other revenues related to insurance activities	4.338	1.390
Revenues from other activities	**278.622**	**259.211**
Operating expenses of institutions not being insurance companies	(232.805)	(237.973)
Operating expenses of institutions being insurance companies	(6.530)	(6.869)
Other revenues of institutions not being insurance companies	(23.002)	(22.286)
Other expenses of institutions being insurance companies	(25.609)	(157.834)
Expenses for other activities	**(287.947)**	**(424.962)**
Net profit (loss) of other activities	**(9.325)**	**(165.751)**

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 the item «Other expenses of institutions being insurance companies» is mainly explained by anticipatively taking into account the estimated cost of selling the remaining FIRST A portfolio for 106 million euros in 2017.

5. Net financial result without finance costs

	31 December 2018					
In thousands of euros	Net income from investments	Net realised gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**31.789**	**7.248**	**-**	**(18.877)**	**-**	**20.160**
Available for sale	3.916	552	4.178	11.853	-	20.499
Participating interests	**3.916**	**552**	**4.178**	**11.853**	**-**	**20.499**
Available for sale	16.130	4.820	-	(16.749)	-	4.200
At fair value through profit or loss	3.583	3.064	(34.149)	-	-	(27.503)
Held for trading	820	(1.325)	(4.186)	-	-	(4.691)
Shares and investment funds	**20.533**	**6.558**	**(38.335)**	**(16.749)**	**-**	**(27.994)**
Available for sale	321.530	8.483	-	-	-	330.013
At fair value through profit or loss	66.095	28.517	(80.784)	-	-	13.828
Unlisted at amortized cost price	-	-	-	-	-	-
Bonds	**387.625**	**37.000**	**(80.784)**	**-**	**-**	**343.841**
Loans, deposits and other financial investments	**13.548**	**34**	**-**	**1.068**	**-**	**14.649**
Held for trading	153	(29)	(192)	-	-	(68)
Held for hedging purposes	2.367	(1.377)	(2.071)	-	-	(1.081)
Derivative financial instruments	**2.521**	**(1.407)**	**(2.263)**	**-**	**-**	**(1.149)**
Investments belonging to unit-linked insurance contracts	**(2.218)**	**-**	**-**	**-**	**-**	**(2.218)**
Cash and cash equivalents	**1.044**	**(4)**	**2**	**-**	**-**	**1.042**
Others	**1.312**	**-**	**-**	**-**	**(54.557)**	**(53.245)**
Net financial result without finance costs	**460.068**	**49.981**	**(117.201)**	**(22.705)**	**(54.557)**	**315.585**

In thousands of euros	31 December 2017					
	Net income from investments	Net realised gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**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**
Others	**28.449**	**-**	**-**	**-**	**(13.528)**	**14.920**
Net financial result without finance costs	**478.900**	**84.769**	**44.692**	**(9.700)**	**(15.404)**	**583.257**

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

The change in fair value of investments through profit or loss (-161.9 million euros) is mainly related to the significant decrease in the fair value of bonds (-144.4 million euros). This decrease is related to the sharp deterioration in the market observed in the last quarter of 2018.

The decrease observed between 31/12/2017 and 31/12/2018 for the category «Change in amortizations and depreciations on investments» (-13 million euros) is mainly related to the recognition of an additional impairment of 11.7 million euros on AFS shares to be divested in the first quarter of 2019.

6. Finance costs

In thousands of euros	2018	2017
Expenses related to bond loans	27.723	28.889
Expenses related to other financial debts	1.644	1.417
Total of the finance costs	**29.367**	**30.307**

7. Expenses by nature and allocation

In thousands of euros	2018	2017
Internal claim handling costs	122.373	101.785
Acquisition costs of contracts	78.086	79.907
Management costs	130.359	119.613
Management costs of investments	7.469	7.155
General costs related to other activities	239.336	244.842
Total of the overhead costs by allocation	**577.623**	**553.302**
Employee benefit expenses	307.239	301.969
Rental and leasing expenses	13.744	12.369
Expenses related to operational buildings	6.499	6.142
IT costs	114.579	96.625
Allocations, amortizations and Provisions for Other Risks and Expenses	18.480	34.187
Other expenses	120.705	124.398
Recovered overhead costs (-)	(3.624)	(22.387)
Total of the overhead costs by nature	**577.623**	**553.302**

Overhead costs increase by 24.3 million euros, i.e. 4.4 % compared to 2017.

Insurance-related expenses increase between 2017 and 2018, mainly in IT costs, following a review of the activation of IT programmes that has led to the recognition of an additional depreciation of 9 million euros. Regarding employee benefit expenses, please refer to point 8 below.

Recovered overhead costs are decreasing. Indeed, 2017 was favourably impacted by the recovery of Ethias Droit Commun's overhead costs by Ethias SA for 18 million euros. This recovery is no longer necessary in 2018 following the takeover by Ethias SA of the «Work Accidents Public Sector» insurance portfolio with effect from 31 December 2017.

Overhead costs relating to the other activities decrease by 2.25% compared to 2017. This decrease is mainly at the level of NRB.

Other expenses mainly consist of FSMA contributions, postage expenses, consulting expenses as well as advertising and sponsorship expenses at Ethias (61 million euros) and overhead costs related to the other activities of the subsidiaries.

8. Employee benefit expenses

In thousands of euros	31 December 2018	31 December 2017
Wages	205.162	200.767
Social security expenses	58.150	63.335
Post-employment benefits	29	(18)
Defined benefit schemes	26.827	29.942
Other long-term benefits	23	123
Other benefits	(236)	(4.458)
Others	17.283	12.278
Total of the employee benefit expenses	**307.239**	**301.969**

The fluctuation in the item "Wages" is explained by a slight increase in gross compensation as well as by the decrease in wages activated as part of the Century project, which will reduce the gross wage cost less significantly in 2018.

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to 26.8 million euros at end-December 2018 (against 29.9 million euros in 2017). 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. 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.

9. Income taxes

9.1. OVERVIEW OF THE TAX EXPENSE

In thousands of euros	2018	2017
Payable tax	(26.023)	(11.494)
Deferred tax	84.253	(72.896)
Income tax on permanent activities	**58.230**	**(84.391)**
Payable tax on available-for-sale activities	-	-
Deferred tax on available-for-sale activities	-	-
Tax on available-for-sale activities	**-**	**-**
Total tax expenses recognised through profit or loss	**58.230**	**(84.391)**
Tax expenses recognised in other comprehensive income components	**25.958**	**(6.768)**

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	2018	2017
Profit before tax (without contribution of divestitures and associates)	**134.968**	**245.133**
Theoretical tax rate	**29,58%**	**33,99%**
Tax expense / theoretical tax revenue	**(39.924)**	**(83.321)**
Impact of non-deductible expenses	(44.590)	(17.425)
Impact of non-taxable revenues	32.146	43.695
Impact of fiscal deficits	29.819	2.330
Impact of other temporary differences	82.598	(29.683)
Other impacts	(1.819)	13
Total of the tax expense adjustments	**98.154**	**(1.070)**
Real tax expense/proceed	**58.230**	**(84.391)**
Effective tax rate	**-43%**	**34%**

Impact of non-deductible expenses mainly originates from impairments and losses on realised securities and the amortization of goodwill in BGAAP. In the section of non-taxable revenues, the eligible dividends are recognised 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, and the valuation of deferred taxes related to tax credits.

VIII. NOTES RELATING TO ITEMS NOT INCLUDED IN THE BALANCE SHEET

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.

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	2018	2017
Past due during the year	36.174	34.581
Within more than one and maximum 5 years	136.471	131.176
Within more than 5 years	359.347	359.632
Total	**531.992**	**525.389**

Rent amount recognised as proceed within the financial year:

In thousands of euros	2018	2017
Minimum rent	38.423	36.312
Conditional rent	2.655	1.424
Total	**41.078**	**37.736**

Leased assets mainly relate to real estate.

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	2018	2017
Past due during the year	11.612	8.483
Within more than one and maximum 5 years	21.139	16.425
Within more than 5 years	-	-
Total	**32.751**	**24.907**

Rent amount recognised as expense within the financial year:

In thousands of euros	2018	2017
Minimum rent	14.178	12.369
Conditional rent	-	-
Total	**14.178**	**12.369**

Leased assets mainly relate to real estate and company cars.

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;
- Associates.

In accordance with IAS 24, the Group lists transactions between related parties.

The transactions with Vitrufin SA, the Ethias Pension Fund OFP and EthiasCo (formerly Ethias Droit Commun AAM) are represented in this note.

2.1. TRANSACTIONS RELATED TO THE BALANCE SHEET

In thousands of euros	31 December 2018	31 December 2017
Other financial investments	36.338	38.421
Receivables	737	228
Any other assets	-	-
Total assets with related parties	**37.075**	**38.649**
Insurance and investment contract liabilities	-	-
Financial debts	-	-
Trade and other payables	-	-
Total liabilities with related parties	**-**	**-**

Other financial investments concern the Vitrufin bond held by Ethias SA following the transfer of business from Ethias Droit Commun AAM at end-2017, for a nominal amount of 33.8 million euros. This bond matured in January 2019, and was reimbursed.

2.2. TRANSACTIONS RELATED TO REVENUES AND EXPENSES

In thousands of euros	31 December 2018	31 December 2017
Revenues	-	113.787
Operating expenses	29.298	(418.423)
Financial income	2.535	-
Financial expenses	-	28.850
Total of the revenues and expenses with related parties	**31.833**	**(275.786)**

The change in related transactions is explained by the acquisition of the «Work Accidents Public Sector" insurance portfolio from Ethias Droit Commun AAM at end-2017 (113.8 million euros in revenues, 148 million euros in operating expenses and 28.9 million euros in financial expenses) and by the transfer to the OFP in July 2017 (270.4 million euros in operating expenses). In 2018, operating expenses of 29 million euros relate to invoices paid to the OFP for the employees' group insurance.

2.3. 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 2018	31 December 2017
Short-term benefits	2.914	2.557
Post-employment benefits	732	592
Termination benefits	-	-
Other long-term benefits	-	-
Remunerations and other benefits for managers and directors	**3.647**	**3.149**

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 under point 10 of section ***III. Report of the Board of Directors***.

2.4. OTHER TRANSACTIONS WITH RELATED PARTIES

In 2017, the Group did not receive or give any commitments towards related parties, apart from the acquisition of the “Work Accidents Law 1967” portfolio from Ethias DC AAM.

This transaction has generated goodwill of 33.5 million euros, which was allocated to Other intangible assets.

In 2018, the Group did not receive any other commitments with related parties.

3. Fees of the Statutory Auditor

In thousands of euros	2018	2017
Fees for audit services	917	880
Fees for services relating to audit services	166	347
Fees for fiscal advice	86	171
Other fees for non-audit services	1.141	299
Total	**2.310**	**1.697**

4. Commitments

4.1. RECEIVED COMMITMENTS

In thousands of euros	31 December 2018	31 December 2017
Guarantee commitments	800.225	832.231
Finance commitment	623	-
Other received commitments	-	-
Total	**800.847**	**832.231**

Guarantee commitments include guarantees received from reinsurers and, mainly, guarantees linked to mortgage loans granted to the Group.

On 31 December 2018, the loans portfolio amounts to 699 million euros, which corresponds to the initially guaranteed amounts (against 749.8 million euros on 31 December 2017). One counts:

- mortgage loans for 695.1 million euros on 31 December 2018 (against 747 million euros on 31 December 2017),
- public body loans for 3 million euros on 31 December 2018 (against 1.8 million euros on 31 December 2017),
- real estate loans for 1 million on 31 December 2018 (identical on 31 December 2017).

4.2. GIVEN COMMITMENTS

In thousands of euros	31 December 2018	31 December 2017
Guarantee commitments with regard to financing	-	-
Other guarantee commitments	16.817	19.713
Commitments on securities	216.259	334.908
Other given commitments	261.556	86.424
Total	**494.632**	**441.046**

Other guarantee commitments mainly include personal guarantees given for 14.7 million euros at December 31, 2018 (compared to 17.6 million euros at December 31, 2017). 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 216.3 million euros.

The other guarantees given mainly include:

- property purchase commitments, i.e. 2 million euros on 31 December 2018 (against 1.7 million euros on 31 December 2017);
- 7.5 million euros in infrastructure lending commitments at 31 December 2018 (against 12.1 million euros in infrastructure lending commitments and 1.3 million euros in real estate lending commitments at 31 December 2017);
- commitments to acquire securities for 233.4 million euros at 31 December 2018. This total breaks down into commitments to bond funds for an amount of 9.6 million euros, commitment to equity funds for an amount of 24.7 million euros, commitments to purchase interests for an amount of 196.4 million euros and commitments to infrastructure funds for an amount of 2.8 million euros.
- acquisition commitments relating to the Century project for 18.5 million euros (see point 7.2 of section ***III. Report of the Board of Directors***).

5. Contingent liabilities

There are no contingent liabilities in 2017 and 2018.

IX. OTHER INFORMATION

1. Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2018

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 consolidated financial statements, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is 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 consolidated financial statements of Ethias SA for eleven consecutive years.

Report on 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 2018, 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 of total of kEUR 18.261.854 and a net consolidated profit for the year of kEUR 193.327.

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 2018, 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) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. 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.

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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 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.

Valuation and inadequacy of insurance contract liabilities provisions Non-Life and Life

Description of the key audit matter

As at 31 December 2018, the insurance contract liabilities Non-Life and Life amount to EUR 3,724 million and to EUR 4,901 million respectively, as per mentioned in the note VII.13.2 of the consolidated financial statements, and represent 47% of the total consolidated balance sheet.

The valuation of these provisions is a complex process requiring a significant level of judgement. The assumptions used in determining the value of these insurance contract liabilities can be affected by the economic conditions, future management actions as well as the legislations and regulations applicable to the Group. Given the materiality of these insurance contract liabilities in the consolidated financial statements as well as the level of uncertainty and the risk of inadequacy of the insurance contract liabilities, we consider the valuation and the adequacy of the insurance contract liabilities Non-Life and Life as a key audit matter.

How our audit addressed the key audit matter

Assisted by our internal actuarial experts, we reviewed the design and tested the operational effectiveness of the key controls put in place by the Group to guarantee the accuracy of the valuation of these insurance contract liabilities and their adequacy. We also focused on the controls implemented by the Group to ensure the quality of the data used in calculating the provisions.

We also assessed the relevance of the actuarial techniques applied and of the assumptions used in performing the calculation and the adequacy test of the insurance contract liabilities, considering the current market conditions, as well as their adequacy relative to the technical results observed in the period under review.

Note that we shared and corroborated our conclusions with the actuaries and the actuarial function of the Group.

Audit findings

Based on our audit, it is our view that the assumptions applied to determine the insurance contract liabilities Non-Life and Life are reasonable.

<u>Valuation of financial assets and liabilities for which no quoted prices in active markets are available ("levels 2 and 3")</u>

Description of the key audit matter

The Group holds financial assets and liabilities for which no quoted prices in active markets are available. As mentioned in the note VI.5.4 of the consolidated financial statements, the fair value of a certain number of financial instruments is valued based, or not, on valuation methods based on observable market data.

As at 31 December 2018, the Group holds financial assets of level 2 valued at EUR 1,447 million, financial liabilities of level 2 valued at EUR 50 million and financial assets of level 3 valued at EUR 311 million.

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 significance of the estimates made and valuation methods that could not be based on observable market data.

How our audit addressed the key audit matter

We reviewed the design and tested the operational effectiveness of the key controls put in place by the Group to guarantee the accuracy of the valuation of these financial investments of level 2 and level 3.

For a sample of financial investments, we also reviewed the estimates made and the key assumptions applied to determine the fair value. We also tested the standing data used to determine the fair value.

Finally, we relied on valuation experts in financial instruments who independently recalculated the fair value of a sample of investments.

Audit findings

It is our view that the key assumptions applied in determining the fair value of these investments are reasonable.

In the course of our independent testing, we did not find any exceptions as regards the determination of the fair value of the financial investments for which no quoted prices in active markets are available.

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Valuation of the software and IT developments booked in the other intangible assets

Description of the key audit matter

The past few years, the Group has made significant investments to improve and modernise its IT tools. The ongoing technological transformation programme covers, among other things, the modernisation of the IT architecture supporting the Non-Life business.
As at 31 December 2018, the amount of software and IT developments booked in the other intangible assets is EUR 94.4 million as mentioned in the note VI.2 of the consolidated financial statements.
In accordance with the valuation rules, the software and IT developments are recognised as assets based on the historical cost, net of depreciation and impairments. Considering the nature of this software and IT developments booked in the intangible assets and their materiality, it is our view that their valuation is a key audit matter.

How our audit addressed the key audit matter

We ascertained that the capitalised expenses concerning software and IT developments met the capitalisation criteria as set down in the note IV.5.6.2 of the consolidated financial statements. Particularly, the asset has to be identifiable and its cost must be estimable reliably. We also reconciled the amounts transferred to assets with the underlying invoices and we verified that they met the capitalisation criteria.

Finally, we checked that the depreciation period of the software and IT developments was reasonable in light of their estimated useful lives and that the depreciation amounts had been recognised in accordance with the valuation rules of the Group.

Audit findings

We did not find any exceptions in the course of the performance of our procedures.

Responsibilities of the board of directors for the preparation of 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 determine 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.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated financial statements in Belgium.

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.

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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.

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 in 2018) 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, the separate report on non-financial information 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.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in a separate report of the annual report on the consolidated financial statements. The 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 "UN Global Compact" reference framework internationally recognized. However, in accordance with article 148, §1, 5° of the Companies' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the "UN Global Compact" said framework.

Statement related to independence

- Our registered audit firm and our network did not provide services, which are incompatible with the statutory audit of the consolidated financial statements, and our registered audit firm remained independent of the Group 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, 18 April 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
represented by

Kurt Cappoen
Bedrijfsrevisor/ Réviseur d'Entreprises

X. ANNUAL ACCOUNTS OF ETHIAS SA

(In accordance with the Royal Decree of November 17, 1994)

Figures (in euro units) established on 31 December 2018 by the Board of Directors of 27 March 2019 and checked by the Statutory Auditor on 27 March 2019.

1. Balance sheet

Assets	2018	2017
B. Intangible assets	**131.957.894**	**128.958.877**
I. Formation expenses	1.276.250	2.033.732
II. Intangible assets	130.681.644	126.925.145
1. Goodwill	51.288.549	57.278.282
2. Other intangible assets	19.378.344	17.454.984
3. Advance payments	60.014.751	52.191.879
C. Investments	**14.224.981.329**	**14.904.239.973**
I. Land and properties	245.615.059	268.940.988
1. Real estate for corporate purposes	70.029.681	73.725.345
2. Others	175.585.378	195.215.643
II. Investments in associates and share interests	420.185.565	416.317.426
- Associates	352.617.381	341.497.326
1. Participating interests	318.725.283	305.500.326
2. Certificates, bonds and receivables	33.892.098	35.997.000
- Other companies linked by a participating interest	67.568.184	74.820.100
3. Participating interests	38.999.125	42.508.691
4. Certificates, bonds and receivables	28.569.059	32.311.409
III. Other financial investments	13.552.995.790	14.212.851.751
1. Shares, share interests and other variable income securities	444.422.957	448.834.627
2. Bonds and other fixed-income securities	12.469.364.675	13.004.608.487
4. Mortgage loans and mortgage credits	352.660.177	402.325.211
5. Other loans	285.403.419	351.775.865
6. Deposits with credit institutions	1.144.535	5.138.276
7. Others	27	169.285
IV. Deposits with ceding companies	6.184.915	6.129.808
D. Investments related to operations linked to a «Life» business investment fund whose investment risk is not borne by the company	**1.173.221.869**	**810.549.540**
Dbis. Reinsurers' share of technical provisions	**142.604.465**	**131.970.962**
I. Provision for unearned premiums and outstanding risks	596.425	682.217
II. Provision for Life insurance	2.067.066	783.510
III. Provision for claims to be paid	139.940.974	130.505.235
E. Receivables	**430.870.765**	**386.668.878**
I. Receivables arising from direct insurance operations	216.676.798	205.414.576
1. Policyholders	98.808.349	90.342.124
2. Insurance intermediaries	28.798.821	30.807.407
3. Others	89.069.628	84.265.045
II. Receivables arising from reinsurance operations	104.473.616	91.152.649
III. Other receivables	109.720.351	90.101.653
F. Other asset items	**627.420.821**	**564.730.873**
I. Tangible assets	24.492.726	23.286.940
II. Available values	602.928.095	541.443.933
G. Accruals	**198.896.102**	**223.319.581**
I. Interest and rent earned but not yet due	198.896.102	223.319.581
Total assets	**16.929.953.245**	**17.150.438.684**

Liabilities	2018	2017
A. Equity	**1.174.155.540**	**1.122.296.393**
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	25.552.859	26.248.883
IV. Reserves	43.909.307	31.953.389
1. Statutory reserve	34.750.000	26.350.000
3. Untaxed reserves	8.526.005	5.603.389
4. Available reserves	633.302	-
V. Result carried forward	104.693.374	64.094.121
1. Profit carried forward	104.693.374	64.094.121
B. Subordinated debts	**465.416.976**	**462.472.403**
Bbis Funds for future appropriations	**6.378.650**	**7.728.650**
C. Technical provisions	**13.296.721.350**	**13.629.267.279**
I. Provisions for unearned premiums and outstanding risks	291.365.781	293.272.275
II. Provision for Life insurance	9.362.519.858	9.765.963.190
III. Provision for claims to be paid	3.369.176.378	3.292.464.549
IV. Provision for profit sharing and refunds	44.018.915	34.534.465
V. Equalization and catastrophe provision	23.502.697	31.440.312
VI. Other technical provisions	206.137.721	211.592.488
D. Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company	**1.173.221.869**	**810.549.539**
E. Provisions for risks and costs	**106.493.926**	**213.706.645**
I. Provisions for pensions and similar liabilities	1.517.155	3.476.887
II. Provisions for taxes	3.664.612	2.880.925
III. Other provisions	101.312.159	207.348.833
F. Deposits received from reinsurers	**114.403.323**	**103.001.026**
G. Debts	**572.624.296**	**778.842.824**
I. Liabilities arising from direct insurance operations	122.645.597	124.422.760
II. Reinsurance payables	6.275.940	4.428.313
IV. Debts owed to credit institutions	257.944.487	342.931.554
V. Other debts	185.758.272	307.060.197
1. Amounts payable for taxes, remuneration and social security	57.581.707	63.425.840
a) taxes	20.806.481	24.419.433
b) remunerations and social security costs	36.775.226	39.006.407
2. Others	128.176.565	243.634.357
H. Accruals	**20.537.315**	**22.573.925**
Total liabilities	**16.929.953.245**	**17.150.438.684**

2. Income statement

I. Technical account Non-Life	2018	2017
1. Earned premiums, net of reinsurance	**1.346.221.498**	**1.303.140.620**
a) Gross premiums	1.381.838.962	1.333.968.213
b) Outgoing reinsurance premiums (-)	(37.438.165)	(28.814.349)
c) Change in the provision for unearned premiums and outstanding risks, gross of reinsurance (increase -, decrease +)	1.906.494	(2.028.993)
d) Change in the provision for unearned premiums and outstanding risks, reinsurers' share (increase -, decrease +)	(85.792)	15.749
2bis. Investment income	**123.776.715**	**139.217.265**
a) Income of investments in associates or companies linked by a participating interest	7.935.688	7.263.811
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	2.103.628	1.431.751
1° share interests	878.752	842.197
2° certificates, bonds and receivables	1.224.876	589.554
b) Income from other investments	94.595.894	110.332.753
aa) income from land and properties	88.546	47.320
bb) income from other investments	94.507.348	110.285.433
c) Write-back of value adjustments on investments	10.201.755	13.443.431
d) Gains on disposal	11.043.378	8.177.270
3. Other technical income, net of reinsurance	**1.799.489**	**1.155.386**
4. Claims costs, net of reinsurance (-)	**(1.039.666.144)**	**(918.669.720)**
a) Net amounts paid	974.042.874	875.333.946
aa) gross amounts	987.301.896	883.268.116
bb) reinsurers' share (-)	(13.259.022)	(7.934.170)
b) Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	65.623.270	43.335.774
aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	75.059.009	38.582.586
bb) change in provision for claims to be paid, reinsurers' share (increase -, decrease +)	(9.435.739)	4.753.188
5. Change in the other technical provisions, net of reinsurance (increase +, decrease -)	**5.454.768**	**11.894.513**
6. Profit sharing and refunds, net of reinsurance (-)	**(3.022.714)**	**(9.417.682)**
7. Net operating costs (-)	**(235.188.223)**	**(243.668.692)**
a) Acquisition costs	113.627.655	139.975.698
c) Administrative costs	123.560.892	104.415.635
d) Commissions received from the reinsurers and share interests (-)	(2.000.323)	(722.641)
7bis. Investment-related costs (-)	**(33.453.896)**	**(14.106.012)**
a) Investment management costs	3.379.579	4.498.437
b) Value adjustments on investments	22.391.833	4.745.176
c) Losses on disposal	7.682.484	4.862.399
8. Other technical costs, net of reinsurance (-)	**(28.653.568)**	**(26.153.246)**
9. Change in provision for equalization and catastrophe, net of reinsurancee (increase -, decrease +)	**7.937.615**	**1.083.824**
10. Result of the Non-Life technical account		
Profit (+)	145.205.539	244.476.256

II. Life technical account	2018	2017
1. Premiums, net of reinsurance	**1.309.593.381**	**1.148.352.137**
a) Gross premiums	1.312.410.806	1.150.458.727
b) Outgoing reinsurance premiums (-)	(2.817.425)	(2.106.590)
2. Investment income	**425.755.672**	**480.161.611**
a) Income of investments in associates or companies linked by a participating interest	14.407.367	8.643.101
aa) associates	10.810.001	7.390.803
1° share interests	10.810.001	7.390.803
bb) other companies linked by a participating interest	3.597.366	1.252.298
1° share interests	3.024.600	827.429
2° certificates, bonds and receivables	572.766	424.869
b) Income from other investments	296.865.218	345.244.645
aa) income from land and properties	15.469.899	14.834.078
bb) income from other investments	281.395.319	330.410.567
c) Write-back of value adjustments on investments	32.209.685	30.230.947
d) Gains on disposal	82.273.402	96.042.918
3. Value adjustments on investments of the assets side D. (income)	**74.893.362**	**108.837.385**
4. Other technical income, net of reinsurance	**3.468.748**	**4.146.539**
5. Claims costs, net of reinsurance (-)	**(1.360.748.736)**	**(1.916.878.611)**
a) Net amounts paid	1.361.082.213	1.918.633.865
aa) gross amounts	1.362.798.297	1.922.020.073
bb) reinsurers' share (-)	(1.716.084)	(3.386.208)
b) Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	(333.477)	(1.755.254)
aa) change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	(333.477)	(1.755.254)
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 -)	**137.321.299**	**411.275.502**
a) Change in provision for Life insurance, net of reinsurance (increase -, decrease +)	(193.248.446)	463.303.383
aa) change in provision for Life insurance, gross of reinsurance (increase -, decrease +)	(194.532.002)	463.994.055
bb) change in provision for Life insurance, reinsurers' share (increase +, decrease -)	1.283.556	(690.672)
b) Change in the other technical provisions, net of reinsurance (increase -, decrease +)	55.927.147	(52.027.881)
7. Profit sharing and refunds, net of reinsurance (-)	**(9.484.450)**	**(10.464.850)**
8. Net operating costs (-)	**(27.340.206)**	**(37.913.361)**
a) Acquisition costs	8.001.403	9.330.652
c) Administrative costs	20.074.619	29.042.834
d) Commissions received from the reinsurers and share interests (-)	(735.816)	(460.125)
9. Investment-related costs (-)	**(95.637.422)**	**(72.006.830)**
a) Investment management costs	16.099.838	(11.947.573)
b) Value adjustments on investments	40.502.895	54.150.922
c) Losses on disposal	39.034.689	29.803.481
10. Value adjustments on investments of the assets side D. (costs) (-)	**(122.663.419)**	**(82.591.392)**
11. Other technical costs, net of reinsurance (-)	**(24.403.824)**	**(9.223.755)**
12bis.Change in fund for future appropriations (increase -, reduction +)	**1.350.000**	**25.036**
13. Result of the Life technical account		
Profit (+)	37.461.807	23.719.411

III. Non-technical account	2018	2017
1. Result of the Non-Life technical account		
Profit (+)	145.205.539	244.476.256
2. Result of the Life technical account		
Profit (+)	37.461.807	23.719.411
3. Investment income	**13.996.610**	**17.005.463**
b) Income from other investments	12.669.034	15.284.463
bb) income from other investments	12.669.034	15.284.463
c) Write-back of value adjustments on investments	1.296.000	1.721.000
d) Gains on disposal	31.576	-
5. Investment-related costs (-)	**(29.207.567)**	**(28.541.100)**
a) Investment management costs	27.549.498	28.404.100
b) Value adjustments on investments	545.000	137.000
c) Losses on disposal	1.113.069	-
7. Other income	**15.015.303**	**9.825.142**
8. Other costs (-)	**6.038.928**	**(156.573.474)**
8bis. Current result before taxes		
Profit (+)	188.510.620	109.911.698
15. Income taxes (-/+)	**(17.405.066)**	**(3.336.119)**
15bis. Deferred taxes (-/+)	**(783.686)**	**119.275**
16. Result of the financial year		
Profit (+)	170.321.868	106.694.854
17. a) Withdrawal from the untaxed reserves	**1.404.293**	**223.124**
b) Transfer to the untaxed reserves (-))	**(4.326.908)**	**(1.138.565)**
18. Result for the period to be appropriated		
Profit (+)	167.399.253	105.779.413

Appropriation and withdrawal	2018	2017
A. Profit to be appropriated	**231.493.374**	**215.590.826**
1. Profit for the period available for appropriation	167.399.253	105.779.413
2. Profit carried forward from the previous period	64.094.121	109.811.413
B. Charge to shareholders' equity (-)	**-**	**3.803.295**
2. to reserves	-	3.803.295
C. Transfers to equity (-)	**(8.400.000)**	**(5.300.000)**
2. to the statutory reserve	8.400.000	5.300.000
D. Result to be carried forward		
1. Profit to be carried forward (-)	(104.693.374)	(64.094.121)
F. Profit to be distributed (-)	**(118.400.000)**	**(150.000.000)**
1. Remuneration of capital	118.400.000	150.000.000

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	206.659.926	331.833.883	248.377.201	35.997.000
Changes during the year:				
- Acquisitions	24.957.032	-	30.096.756	-
- Disposals and withdrawals	-	(18.086.698)	(17.257.387)	-
- Reclassified between headings	-	-	-	-
- Other changes	-	-	(6.385.659)	-
Year end	231.616.958	313.747.185	254.830.911	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	77.701.049	93.951.822	15.222.027	-
Changes during the year:				
- Decided	21.958.015	12.301.422	2.920.988	2.104.902
- Written back as excessive	-	-	-	-
- Cancelled	-	(7.062.191)	(9.692.235)	-
Year end	99.659.064	99.191.053	8.450.780	2.104.902
c) Amounts not called up				
Previous year end	-	-	-	-
Changes during the year:	-	-	-	-
Year end	-	-	-	-
Net book value, year end	**131.957.894**	**245.615.059**	**318.725.283**	**33.892.098**

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	57.704.751	32.311.409	457.444.619	13.036.042.720
Changes during the year:				
- Acquisitions	25.232	-	233.684.401	2.722.877.171
- Disposals and withdrawals	(6.543.881)	(3.742.350)	(220.900.358)	(2.955.667.618)
- Reclassified between headings	-	-	-	-
- Other changes	(25.000)	-	(500.016)	(285.276.601)
Year end	51.161.102	28.569.059	469.728.646	12.517.975.672
b) Increase in value				
Previous year end	-	-	-	-
Changes during the year:				
- Decided	-	-	-	-
- Cancelled	-	-	-	-
Year end	-	-	-	-
c) Reductions in value				
Previous year end	13.218.970	-	4.990.742	31.434.232
Changes during the year:				
- Decided	450.393	-	36.493.743	38.738.423
- Written back as excessive	(69.370)	-	(5.292.653)	(7.491.951)
- Cancelled	-	-	(13.638.394)	(14.069.707)
- Transfers from one heading to another	(2.600.106)	-	-	-
Year end	10.999.887	-	22.553.438	48.610.997
c) Amounts not called up				
Previous year end	1.977.090	-	3.619.250	-
Changes during the year:	(815.000)	-	(867.000)	-
Year end	1.162.090	-	2.752.250	-
Net book value, year end				
	38.999.125	28.569.059	444.422.958	12.469.364.675

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		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)	
Air Properties s.a. Rue Léon Laval 12 L-3372 Leudelange B179.427	110.925	51	0	30-09-18	EUR	6.489	1.057
Ankaret Invest s.a. Rue des Croisiers, 24 B-4000 Liège BE 0438.840.866	2.368.879	100	0	31-12-17	EUR	17.561	116
Archeion s.a. Rue des Croisiers, 24 B-4000 Liège BE 0832.269.896	28.410	100	0	31-12-17	EUR	2.181	96
Ariane Building s.a. Place Saint-Jacques, 11/104 B-4000 Liège BE 0862.467.382	8.050	25	0	31-12-17	EUR	2.685	8.329
Ariane Real Estate s.a. Rue des Croisiers, 24 B-4000 Liège BE 0898.866.435	200	100	0	31-12-17	EUR	8.975	(123)
Assurcard nv Fonteinstraat, 1A/301 B-3000 Leuven NN 475.433.127	900	20	0	31-12-17	EUR	2.964	86
Bedrijvencentrum Meetjesland-Kerkstraat 108 B- 9050 Gentbrugge BE 0452.586.063	32	27,59	0	31-12-17	EUR	291	(48)
Bedrijvencentrum Regio Geraardsbergen Herenveld, 2 B-9500 Geraardsbergen BE 0456.832.584	32	27,12	0	31-12-17	EUR	831	46
Bora s.a. Rue des Croisiers, 24 B-4000 Liège BE 0444.533.281	484	100	0	31-12-17	EUR	6.686	(87)
Brussels I3 Funds nv Witte Patersstraat, 4 B-1040 Etterbeek BE 0477.925.433	1.090	18,17	0	31-12-17	EUR	12.459	7.213
Centrexperts NV Leuvensesteenweg,510/30 B-1930 Zaventem BE 0463.891.315	80	10	0	31-12-17	EUR	62	(13)
Crédit populaire Place Communale Hôtel de Ville, 1 B-4100 Seraing BE 0403.943.335	400	10	0	31-12-17	EUR	236	(1)
De Oostendse Haard VZW Nieuwpoortsesteenweg, 205 B-8400 Oostende BE 0405.277.282	1.400	16,16	0	31-12-17	EUR	18.655	(20)
E.D.A. s.a. Avenue de la Cokerie, 9 B-4030 Grivegnée BE 0823.162.982	10	10	0	31-12-17	EUR	215	(5)
Epimède Rue Lambert Lombard, 3 B-4000 Liège BE 0634.750.380	2.080	20	0	30-06-18	EUR	393	(2.977)

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 Patrimoine s.a. Rue des Croisiers, 24 B-4000 Liège NN 894.377.612	40	100	0	31-12-17	EUR	21.600	272
Ethias Services s.a. Rue des Croisiers, 24 B-4000 Liège NN 825.876.113	999	99,9	0	31-12-17	EUR	307	89
Ethias Sustainable Investment Fund s.a. (European Equities High Yield) Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	223.060	86,6	8,93	31-12-17	EUR	107.042	16.784
Ethias Sustainable Investment Fund s.a. (Global Equities) Rue des Croisiers, 24 B-4000 Liège NN 865.127.063	22.427	100	0	31-12-17	EUR	22.595	2.768
Expertisebureau Bellefroid nv Kiewitstraat, 175,B-3500 Hasselt BE 0429.884.105	13	10,4	0	31-12-17	EUR	703	10
Foncière du Berlaymont SPRL Rue des Croisiers, 24 B-4000 Liège BE 0833.012.640	1.000	100	0	31-12-17	EUR	228	(160)
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	31-12-17	EUR	793	(10)
Het Gehucht nv Rue des Croisiers, 24 B-4000 Liège BE 0808.840.636	500	100	0	31-12-17	EUR	1.479	(87)
Immo Hofveld s.a. Rue des Croisiers, 24 B-4000 Liège NN 889.535.233	1.000	100	0	31-12-17	EUR	-793	(718)
Immovivegnis s.a. Rue des Croisiers, 24 B-4000 Liège BE 0463.660.394	10.500	100	0	31-12-17	EUR	74	36
Impulse Microfinance Investment Fund Sneeuwbeslaan, 20/2 B-2610 Antwerpen NN 870.792.160	1.200	10,54	0	31-12-17	EUR	3.104	(596)
Jan Dockx s.a. Rue des Croisiers, 24 B-4000 Liège BE 0458.920.757	2.500	100	0	31-12-17	EUR	2.316	(144)
Koala s.a. Rue des Croisiers, 24 B-4000 Liège BE 0873.412.150	400	100	0	31-12-17	EUR	4.487	(116)
Les Hauts Prés s.a. Rue des Croisiers, 24 B-4000 Liège BE 0812.149.029	1.000	100	0	31-12-17	EUR	6.392	(1)
Lothian Developments IV Rue des Croisiers, 24 B-4000 Liège BE 0463.648.518	1.012.873	100	0	31-12-17	EUR	2.931	(152)

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)	
L'Ouvrier chez lui s.a. Rue d'Amérique, 26/1 B-4500 Huy NN 401.465.578	9.000	51,16	0	31-12-17	EUR	2.649	24
Maison de l'Assurance Square de Meeus, 29 B-1000 Bruxelles BE 0403.306.501	2.776	10,66	0	31-12-17	EUR	2.800	44
NEB Foncière s.a. Rue Louvrex, 95 B-4000 Liège BE 0480.029.838	145	29,41	0	31-12-17	EUR	210	60
NEB Participations s.a. Rue Louvrex, 95 B-4000 Liège BE 0480.029.739	60.503	29,43	0	31-12-17	EUR	64.472	4.640
Network Research Belgium s.a. Parc Industriel des Hauts-Sarts 2e avenue, 65 B-4040 Herstal BE 0430.502.430	42.530	68,39	0	31-12-17	EUR	95.256	6.742
Palais des Expositions de Charleroi S.C. Avenue de l'Europe, 21 B-6000 Charleroi NN 401.553.571	9.856	23,02	0	31-12-17	EUR	325	185
Real Goed Invest Rue des Croisiers, 24 B-4000 Liège BE 0872.354.157	1.046	100	0	31-12-17	EUR	2.439	(39)
Sagitta s.a. Rue des Croisiers, 24 B-4000 Liège BE 0812.356.489	240	100	0	31-12-17	EUR	3.376	8
Theodorus II s.a. Avenue Joseph Wybran, 40 B-1070 Bruxelles NN 879.436.147	600	11,11	0	31-12-17	EUR	660	1.528
Vecquim s.a. Rue des Croisiers, 24 B-4000 Liège NN 459.183.449	600	100	0	31-12-17	EUR	1.846	60
Veran Real Estate s.a. Rue des Croisiers, 24 B-4000 Liège BE 0894.106.012	100	100	0	31-12-17	EUR	5.436	(20)
Vital Building s.a. Place Saint-Jacques, 11/105 B-4000 Liège NN 875.171.810	5.000	50	0	31-12-17	EUR	4.443	12

N°3. ACTUAL VALUE OF INVESTMENTS

Asset items	Amounts
C. Investments	**15.446.793.723**
I. Land and properties	288.185.972
II. Investments in associates and share interests	643.618.919
- Associates	508.305.981
1. Participating interests	474.391.635
2. Certificates, bonds and receivables	33.914.345
- Other companies linked by a participating interest	135.312.938
3. Participating interests	107.930.362
4. Certificates, bonds and receivables	27.382.576
III. Other financial investments	14.508.803.917
1. Shares, share interests and other variable income securities	520.634.204
2. Bonds and other fixed-income securities	13.333.385.373
4. Mortgage loans and mortgage credits	363.844.901
5. Other loans	289.794.877
6. Deposits with credit institutions	1.144.535
7. Others	27
IV. Deposits with ceding companies	6.184.915

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
Swap futures contracts, volume: 628,000,000 euros, rate risk	-	22.672.878
Bond futures contracts, volume: 1,400,000,000 euros, credit risk	-	20.288.964

INVESTMENT POLICY

As in previous years, the majority of the investments in 2018 were made in government bonds and corporate bonds. As in 2017, low visibility on the expected evolution of interest rates led us to invest gradually throughout the year. The level of liquidity has remained stable over the year. Derivative programmes to hedge against a decline in interest rates have been adjusted in line with ALM objectives and a new hedging programme against a widening of OLO spreads has been put in place.

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.

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 04 December 2018. In its investment property, Ethias SA also prefers investments which strengthen its social role, such as investments in nursing and care homes.

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	xxxxxxxxxxxxxx
- Changes during the year:		
- Year end	1.000.000.000	xxxxxxxxxxxxxx
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	xxxxxxxxxxxxxx	20.000.000
G. Ownership structure of the company at the closing date of the accounts		
Vitrufin SA	xxxxxxxxxxxxxx	20.000.000

N°6. STATEMENT OF PROVISIONS FOR OTHER RISKS AND CHARGES - OTHER PROVISIONS

Breakdown of the liability item E.III	Amounts
Provision retirement plan	56.192.526
Provision for disputes	33.253.190
Other provisions for risks and charges	11.866.444

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	465.416.976
II. Non-convertible loans	465.416.976
Total	**465.416.976**
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	1.173.221.869
G. Debts	216.259.300
IV. Debts toward credit institutions	216.259.300
Total	**1.389.481.169**
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	20.806.481
2. Remunerations and social security costs (item G.V.1.b) of the liabilities)	
b) Other debts with regard to remunerations and social security costs	36.775.226

N°8. STATEMENT OF ACCRUALS FOR LIABILITIES

Breakdown of the liability item H	Amounts
Financial income to be carried forward	733.955
Financial charges to be allocated (Bond Issue and REPO)	19.803.360

N°10. INFORMATION ON TECHNICAL ACCOUNTS

I. Non-Life insurance

Content		Direct business			
	Total	Total	Accidents and disease (branches 1 and 2)	Automobile Civil Liability (branch 10)	Automobile Other branches (branches 3 and 7)
1) Gross premiums	**1.381.838.962**	1.380.707.624	498.991.472	265.122.229	190.085.516
2) Earned gross premiums	**1.383.745.455**	1.382.532.808	498.670.582	267.166.822	191.304.339
3) Gross damages	**1.062.360.905**	1.066.136.980	426.093.137	243.394.526	104.924.629
4) Gross operating costs	**237.188.546**	237.030.304	57.802.986	55.127.054	37.922.758
5) Reinsurance balance	**(12.846.015)**	(12.823.539)	(11.832.041)	9.591.678	(1.204.109)
6) Commissions (art. 37)		32.966.056			

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	349.165	211.146.828	118.043.352	174.780	17.469.194
2) Earned gross premiums	353.002	209.148.033	118.412.102	161.957	18.312.939
3) Gross damages	(229.471)	148.327.685	82.737.124	4.532	10.205.141
4) Gross operating costs	119.476	42.163.681	18.050.907	47.172	4.257.606
5) Reinsurance balance	-	(13.105.247)	3.752.462	-	-
6) Commissions (art. 37)					

Content	Direct business		
	Legal protection (branch 17)	Assistance (branch 18)	Accepted cases
1) Gross premiums	40.199.427	39.125.661	1.131.338
2) Earned gross premiums	40.205.033	38.797.999	1.212.647
3) Gross damages	25.703.901	24.975.776	(3.776.075)
4) Gross operating costs	8.766.212	12.772.452	158.242
5) Reinsurance balance	-	(26.282)	(22.476)
6) Commissions (art. 37)			

II. Life insurances

Content	Amounts
A. Direct business	
1) Gross premiums:	1.312.410.806
a) 1. Individual premiums	56.679.851
2. Premiums under group insurance contracts	1.255.730.955
b) 1. Periodic premiums	1.137.274.122
2. Single premiums	175.136.684
c) 1. Premiums for non-bonus contracts	22.175.146
2. Premiums for bonus contracts	1.289.807.924
3. Premiums from contracts where the investment risk is not borne by the company	427.736
2) Reinsurance balance	918.031
3) Commissions (art. 37)	2.917.857
B. Accepted cases	
Gross premiums:	-

III. Non-Life insurance and Life insurance, direct business

Content	Amounts
Gross premiums :	
- in Belgium	2.628.153.795
- in the other states of the EEC	64.964.635

N°11. STATEMENT ON PERSONNEL EMPLOYED

Categories	2018		
	Total number at closing date	**Total average number of persons employed (*)**	**Number of hours worked**
Personnel under employment or internship contract (**)	1.829	1.686,7	2.416.767
Temporary staff and persons made available to the company	-	7,2	12.567
Total	**1.829**	**1.694**	**2.429.334**

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	1.671,6	2.096.249
Temporary staff and persons made available to the company	-	0,4	757
Total	**1.799**	**1.672**	**2.097.006**

(*) 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:

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	2018	2017
a) Their total number at the financial year's closing date	1.829	1.799
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::	1687	1672
- management staff	29	26
- clerical staff	1.658	1.646
c) The number of hours worked	2.416.767	2.096.249

B. The following information relating to the financial year and the previous financial year, concerning temporary staff and persons made available to the company	2018	2017
d) Their total number at the financial year's closing date	-	-
e) Average number of full-time equivalents calculated in a simi lar way to employees registered in the personnel register	7,2	0,43
f) The number of hours worked	12567	757

N°12. STATEMENT ON ALL ADMINISTRATIVE AND MANAGEMENT COSTS, BROKEN DOWN BY TYPE

Name	Amounts
I. Employee benefit expenses	**181.052.641**
1. a) Remunerations	106.370.377
b) Pensions	-
c) Other direct social benefits	42.862.616
2. Employers' social security contributions	33.620.116
3. Employers' allowances and premiums for extra-legal insurances	129.111
4. Other employee benefit expenses	30.153
5. Provisions for pensions, remuneration and social security costs	(1.959.732)
a) Appropriations (+)	-
b) Expenditures and reversals (-)	(1.959.732)
II. Services and other goods	**161.264.184**
III. Depreciation and write-down on intangible and tangible assets other than investments	**25.090.040**
IV. Provisions for other risks and expenses	**(3.970.000)**
1. Allocation (+)	2.480.000
2. Expenditures and reversals (-)	(6.450.000)
V. Other current expenditure	**10.391.466**
1. Fiscal operating costs	1.270.584
a) Property tax	1.269.938
b) Others	646
2. Contributions to public bodies	6.103.275
4. Others	3.017.607
VI. Administrative costs recovered and other current income (-)	**3.988.086**
1. Recovered administrative costs	3.988.086
b) Others	3.988.086
Total	**369.840.245**

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	10.966.029
Capital gains realised on assets other than investments	22.633
Received commissions	831.126
Others	3.195.515
B. Breakdown of the other costs (item 8 of the non-technical account)	
Amortizations	757.481
Impairments on receivables	12.422.463
Capital losses realised on assets	2.817.964
Provisions for risks and charges	(117.010.095)
Divestiture of the FIRST A portfolio	94.170.889
Equity-related charges	487.231
Others	315.139

N°15. INCOME TAXES

	Amounts
A. . Breakdown of item 15 a) 'Taxes':	**17.977.904**
1. Income taxes for the financial year:	17.755.000
a) Refundable advance payments and prepayments	15.525.962
d) Estimated tax supplements (included in heading G.V.1a) of liabilities)	2.229.038
2. Income taxes on previous periods:	222.904
a) Additional income taxes due or paid:	222.904
B. Main sources of differences between the profit before tax, as stated in the accounts, and the estimated taxable profit	
- Changes in reserves, provisions and taxable impairments (excluding shares):	10.400.000
- Income exempt and non-allowable losses on shares:	(11.600.000)
- Disallowed expenses (excluding shares):	7.400.000
- Miscellaneous deductions (previous losses, notional interest, income from innovation ...)	(132.200.000)
D. Sources of deferred tax assets:	
1. Deferred tax assets:	1.396.400.000
Accumulated tax losses deductible from future taxable profits	-
Accumulated tax losses and definitively taxed income ("RDT") (carry-forward)	299.900.000
Taxed technical provisions	1.045.500.000
Taxed impairments and financial provisions	51.000.000
2. Future tax liabilities:	12.200.000
Surplus value (spread taxation)	12.200.000

N°16. OTHER TAXES AND CHARGES BORNE BY THIRD PARTIES

	2018	2017
A. Charges:		
1. Charges on insurance contracts borne by third parties	252.960.005	239.521.271
2. Other charges borne by the company	1.296.303	1.772.200
B. Amounts retained on behalf of third parties in respect of:		
1. Withholding tax on earned income	293.890.916	265.894.536
2. Withholding tax (on dividends)	5.436.507	3.860.676

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:	230.846.549
D. Collateral received (others than in cash):	
a) securities and values of reinsurers:	97.758.582
b) others:	753.679.995
H. Others:	**2.554.131.652**
Commitments to acquire real estate	2.023.791
Caps/floor	60.000.000
Infrastructure lending commitments	7.529.305
Participating interest commitments	196.354.593
Bond fund commitments	9.629.956
Equity fund commitments	24.684.641
Infrastructure fund commitments	2.791.996
Commitments to acquire other securities	1.328.000.000
Commitments to dispose of other securities	904.575.824
IT projects commitments	18.541.546

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	
		2018	2017	2018	2017
C.	**II. Investments in associates and share interests**	**352.617.381**	**341.497.326**	**67.568.184**	**74.820.100**
1 + 3	Share interests	318.725.283	305.500.326	38.999.125	42.508.691
2 + 4	Certificates, bonds and receivables	33.892.098	35.997.000	28.569.059	32.311.409
	- other	33.892.098	35.997.000	28.569.059	32.311.409
D.	**II. Investments in associates and share interests**	**2.137.046**	**152.289**	**-**	**547**
1 + 3	Share interests	2.137.046	152.289	-	547
E.	**Receivables**	**310.918**	**7.836**	**-**	**-**
I.	Receivables arising from direct insurance operations	310.918	7.761	-	-
III.	Other receivables	-	75	-	-
B.	**Subordinated debts**	**3.500.000**	**3.500.000**	**-**	**-**
G.	**Debts**	**21.250.889**	**9.446.114**	**-**	**-**
I.	Receivables arising from direct insurance operations	560.888	-	-	-
V.	Other debts	20.690.001	9.446.114	-	-

N°18BIS. RELATIONS WITH ASSOCIATES

Relations with the associates (*)

	2018	2017
1. Amount of the financial fixed assets	**20.793.452**	**24.127.203**
Participating interests	20.793.452	24.127.203

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 (*)	421.166

* 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:	**637.500**
2. Fees for exceptional services or special missions accomplished within the company by the statutory auditor:	**156.925**
- Other control missions	79.300
- Other missions outside the audit missions	77.625
3. Fees for exceptional services or special missions accomplished within the company by the persons with whom the statutory auditor is linked:	**87.291**
- Tax advice missions	74.791
- Other missions outside the audit missions	12.500

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)

Intangible assets are capitalized at their purchase or cost price, including incidental expenses.

Software and development costs are capitalized if they relate to investment projects, i.e. large-scale projects that introduce or replace an important business objective or model.

Computer software and licences that have been purchased or internally created for own use are stated at historical cost, less depreciation and any impairment of assets. Internally created software and licenses are only recognised as intangible assets when the following conditions are met: identification criteria for the asset, control of resources, probability of future economic profits and the ability to measure cost reliably.

Software developed by third parties, as well as internal and external development costs for investment projects, are amortized on a straight-line basis over 5 years from the time the software or developments are ready for use, while for "core" systems with a longer useful life, the term is 10 years.

Internal and external research costs related to these projects, as well as all costs related to ICT projects other than investment projects, are directly included in the income statement.

Intangible assets other than IT investment projects are amortized on a straight-line basis at a rate of 20%, except for amortization of development costs and goodwill when the useful life cannot be reliably estimated, which is spread over a maximum period of ten years. The amortization period of goodwill is justified in the note to the financial statements.

Investments (heading C)

Land and properties (sub-heading C.I.)

They are capitalized at their purchase or cost price, including incidental expenses.

Land is not depreciated.

Immovable properties acquired before 1 January 2011 are depreciated using the linear method at the following rates:

- Immovable properties: 2 %
- Alterations: 10 %

Immovable properties acquired after 1 January 2011 are divided in the following categories:

- Structural work
- Roof
- External woodwork
- Special techniques
- Finishing

These immovable properties are depreciated on a straight-line basis over the expected useful life of each component, after deduction of their residual value, provided that they can be determined reliably.

Investments in associates and share interests (sub-heading C.II)

These investments are subjected to depreciation in case of durable impairments. Additional or exceptional impairments can be recognised 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 unrealised 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 recognised 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 realised 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 recognised 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 recognised 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 recognised 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 recognise 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 unrealised loss observed.

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

- 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 realised gains and losses, is determined on the basis of the weighted average price.

Within the framework of an arbitrage operation, the realised gains and losses on the balance sheet are maintained and recognised 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 recognised 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 recognised 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 250 euros 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 recognised through profit or loss if they serve no longer any purpose.

Deposits received from reinsurers (heading F) and debts (heading G)

These items are recognised at their nominal value.

Other particular rules

Accounts denominated in currencies

The monetary items are valorised 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 recognised through profit or loss. The balance of the positive differences is recognised in the accruals as deferrable proceed.

Derivatives

The derivative financial instruments, used on a speculative basis, follow the prudence principle. This means that the unrealised losses are subjected to impairments of are used to constitute provisions for financial risks. However, the unrealised gains are not recognised 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 recognised as such and this, from the conclusion of the transaction.

N°21. CHANGES TO THE VALUATION RULES (ARTS. 16 AND 17):

A. Statement of changes and their justification:

The amortization period for major IT projects relating to the core business has been extended from 5 to 10 years in order to take into account their longer useful life.

B. Estimation difference resulting from the changes (to be indicated for the first time for the financial year in which these changes were made):

Items and sub-items concerned (*)	Amounts
B.II.2. Other intangible assets	1.572.813

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	30.756.829

Derivative financial instruments used	
Swaptions	13 maturity transactions
Forward buy bonds	2 financial year transactions
Forward sell bonds	19 acquisition transactions
Forward buy swaps	17 acquisition transactions and 3 financial year transactions
Call	1 acquisition transactions and 1 financial year transaction
Cap/floor	No acquisition transactions and no disposal transactions

Profit and loss accounts	Result	Reversal of impairment losses	Provision for impairment losses
Swaptions	(14.420)	167.885	(153.465)
Forward sell bonds	-	-	(2.070.509)
Forward buy swaps	(1.377.415)	-	-
Call	153.181	-	(51.961)
Cap/floor	-	-	(1.373)

Additional impairment on shares

In line with the valuation rules, additional impairments for an amount of 19 million euros were recorded following the deterioration in equity markets at end-2018.

Other intangible assets

A review of the activation of IT programmes led to the recognition of an additional amortization of 9 million euros.

Flashing-light provision

On 12 December 2018, 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 2018 financial year, as the solvency requirements were met.

Goodwill amortization period

The amount of 51 million euros shown on the assets side of the balance sheet under the heading «II.1 Intangible assets - Goodwill» includes:

- Goodwill resulting from the merger with Whestia in 2017, for a net amount of 21 million euros (gross value of 26 million euros), amortized over the duration of the commitments, viz. 10 years

Goodwill resulting from the acquisition of the "Work Accidents Law 1967" portfolio as at 31 December 2017, for an amount of 30 million euros (gross value of 34 million euros), amortized over 10 years, based on the duration of the commitments.

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.

2018 (during the financial year)	Total	Men	Women
Average amount of employees			
Full-time	1.442,90	823,3	619,6
Part-time	370,9	101,3	269,6
Total in full-time equivalents (FTE)	1.686,70	882,9	803,8
Number of hours actually worked			
Full-time	2.076.126,00	1.204.652,90	871.473,10
Part-time	340.640,80	86.614,90	254.025,90
Total	2.416.766,80	1.291.267,80	1.125.499,00
Employee benefit expenses			
Full-time	154.179.109,25	87.972.597,30	66.206.511,94
Part-time	26.873.531,25	6.569.575,32	20.303.955,93
Total	181.052.640,50	94.542.172,63	86.510.467,87
Amount of benefits granted in addition to wages	**266.145,12**	**138.975,81**	**127.169,31**

2017 (during the financial year)	Total	Men	Women
Average amount of employees	**1.671,5**	**870,6**	**800,9**
Number of hours actually worked	**2.096.248,51**	**1.097.689,52**	**998.558,99**
Employee benefit expenses	**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**

2018 (at the balance sheet date)	Full-time	Part-time	Total (FTE)
Number of employees	**1.514**	**315**	**1.728,50**
By type of employment contract			
Permanent contract	1.448	315	1.662,50
Fixed-term contract	65	-	65
Replacement contract	1	-	1
By sex and educational level			
Men	**865**	**71**	**908,9**
secondary education	149	32	167,7
higher non-university education	437	27	454,1
university education	279	12	287,1
Women	**649**	**244**	**819,6**
secondary education	100	63	140,8
higher non-university education	311	136	410,8
university education	238	45	268
By professional category	-	-	-
Management staff	29	-	29
Clerical staff	1.485	315	1.699,50

Temporary staff and persons made available to the company

2018 (during the financial year)	Temporary staff
Average number of persons employed	7,18
Number of hours actually worked	12.566,54
Costs for the company	443.967,57

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.	**96**	**1**	**96,5**
By type of employment contract			
Permanent contract	63	-	63
Fixed-term contract	33	0,5	33,5

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.	**62**	**5**	**63,8**
By type of employment contract			
Permanent contract	45	4	46,3
Fixed-term contract	17	1	17,5
By reason of termination of the contract			
Retirement	3	-	3
Unemployment with company allowance	6	1	6,8
Dismissal	5	-	5
Other reason	48	1,8	49

Information about training for employees during the financial year

2018	Men	Women
Formal initiatives of continuing vocational training paid by the employer		
Number of employees involved	778	848
Number of hours of training	9 430	10.467
Net costs for the company	1.231.879	1.354.398
of which gross costs directly linked to trainings	1.140.887	1.255.219
of which contributions and deposits paid to collective funds	90.992	99.179
Less formal or informal initiatives of continuing vocational training paid by the employer		
Number of employees involved	936	893
Number of hours of training	8.896	7.839
Net costs for the company	550.218	484.811

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	Chair	18.000,00	27.500,00	24
Jacques Braggaar	Non-executive director	22.063,92	9.500,00	23
Marc Descheemaecker	Non-executive director	24.000,00	12.500,00	30
Kathleen Desmedt	Non-executive director	18.261,96	7.500,00	14
Philippe Donnay	Non-executive director	27.000,00	12.500,00	33
Olivier Henin	Non-executive director	22.676,88	9.500,00	23
Ingrid Loos	Non-executive director	24.000,00	12.500,00	28
Marc Meurant	Non-executive director	37.482,35	12.500,00	33
Philip Neyt	Non-executive director	14.000,00	7.500,00	14
Anne-Marie Seeuws	Non-executive director	23.680,65	9.500,00	24
Karl Van Borm (*)	Non-executive director	12.000,00	7.500,00	12
Bruno van Lierde	Non-executive director	27.000,00	22.500,00	33
Philippe Lallemand (**)	CEO	-	-	36
Benoît Verwilghen (**)	Vice-CEO/CCO	-	-	29
Cécile Flandre (**)	CFO	-	-	31
Frank Jeusette (**)	CRO	-	-	27

(*)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 meetings NRB (Board of Directors, Appointments and Remunera-tion Committee, Audit Committee)
Philiippe Lallemand	Chairman	4.500,00	12.500,00	11
Brigitte Buyle	Non-executive director	3.000,00	5.000,00	6

(***) paid to Ethias SAA

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 meetings NRB (Board of Directors, Appointments and Remunera-tion Committee, Audit Committee)
Myriam Van Varenbergh	Non-executive director	3.000,00	3.750,00	6
Bruno van Lierde	Non-executive director	4.500,00	4.687,50	9

Name of the member of the executive commitee	Function	Gross remuneration (*)	Gross variable remuneration (*)
Philippe Lallemand	CEO	423.605,95	19.373,91
Benoît Verwilghen (1)	Vice-CEO/CCO	348.590,16	19.724,23
Brigitte Buyle	CDTO	292.465,95	14.742,13
Cécile Flandre (1)	CFO	277.487,76	6.719,17
Frank Jeusette	CRO	283.605,53	14.193,71
Luc Kranzen	CSO	283.619,67	15.185,30

(*) Does not include other benefits.

(1) Independent status

6. Note: Declaration on non-financial information

NON FINANCIAL REPORT

2018

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HEAD OFFICE FOR FLANDERS

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HEAD OFFICE FOR THE GERMAN-SPEAKING REGION

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INTRODUCTION

1919 – 2019: a century at the service of our customers! Ethias is turning 100 years old. Ethias is the insurance leader of public bodies with over 1 200 000 private clients in Belgium. As n°1 insurer in direct distribution, Ethias has always opted for a relationship based on proximity, trust and innovation with its customers. Customer satisfaction has always been a part of our values and of the daily work of our 1.800 employees.

It is no coincidence that Ethias received an award as the most "customer friendly" insurance company and the strongest brand on the Belgian insurance market in 2018!

This non-financial report is a new opportunity to demonstrate Ethias' accomplishments in 2018 and its commitment since 2003, together with the social partners, in the field of Corporate Social Responsibility (CSR).

For Ethias, CSR is much more than a popular concept or a mere communication tool. Above all, it is a management tool that enables the company not only to position its activities in line with its values, its mission statement and its vision but also to evaluate – within the framework of an ongoing dialogue with all its stakeholders – the progress made in the social, societal and environmental fields.

To this end, the Ethics Committee was founded in 2003 in order to bring together as much representatives of the Management as of the employees. This Ethics Committee aims at developing, monitoring and evaluating CSR-related approaches, initiatives and projects for all of our business. The non-financial report is fully in line with this approach. It is the result of the collaboration of the members within the Ethias Ethics Committee, and more broadly of all its employees, but also the fruit of good relations with the various stakeholders.

In the interest of a better, fairer, more ecological and more inclusive world, the report presents the results of Ethias as a

- Trustworthy insurer
- Sustainable company
- Responsible investor

The insurer of tomorrow will have to bring more added value to society. It has a duty to get involved in social, ethical and environmental causes.

Ethias' mission statement is simple: "Making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service."

We wish you a pleasant reading and remain at your disposal.

Philippe LALLEMAND
Chairman of the Executive Committee
Chief Executive Officer

Myriam VAN VARENBERGH
Chairman of the Board of Directors

TABLE OF CONTENTS

1. GENERAL FRAMEWORK

1.1 KEY TRENDS

The insurance sector is facing numerous challenges brought by evolving consumption patterns and habits, the regulatory and demographic frameworks as well as new technologies.

A few challenges for the insurance sector:

Changing the client's consumption habits

- New risks
- New distribution models
- Shared economy
- Client experience
- Search for the shortest and simplest possible relationship
- ...

Technological and digital evolution

- Internet of Things (IoT)
- Big Data
- Social networks
- Digitalization
- Robotization
- Artificial Intelligence
- ...

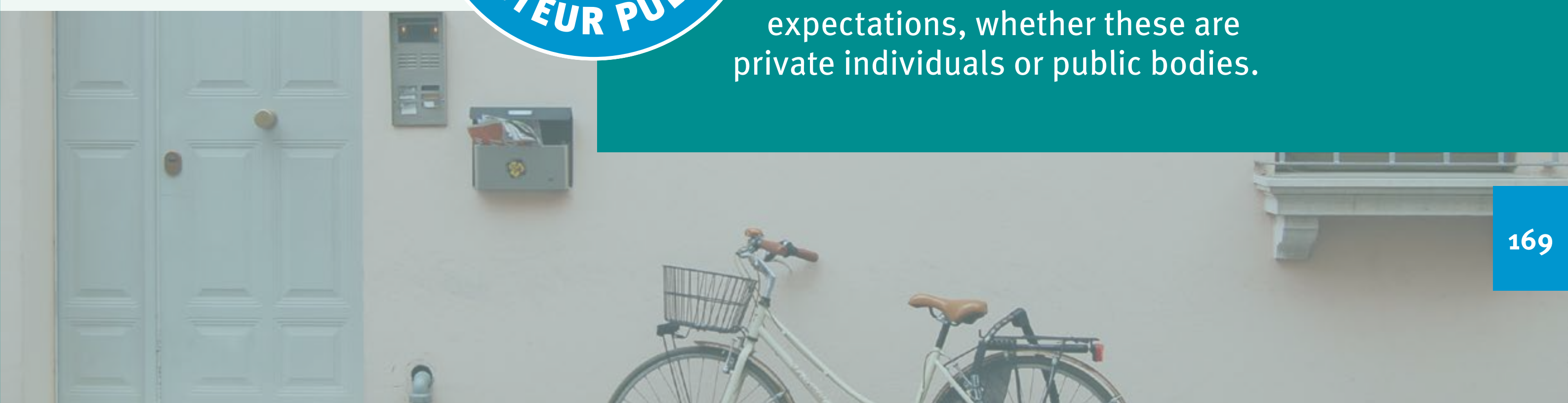
Regulatory context

- Solvency II
- General Data Protection Regulation (GDPR)
- Insurance Distribution Directive (IDD)
- IFRS17 Accounting Standards
- Markets in Financial Instruments Directive (MiFID)
- ...

Macroeconomic and demographic environment

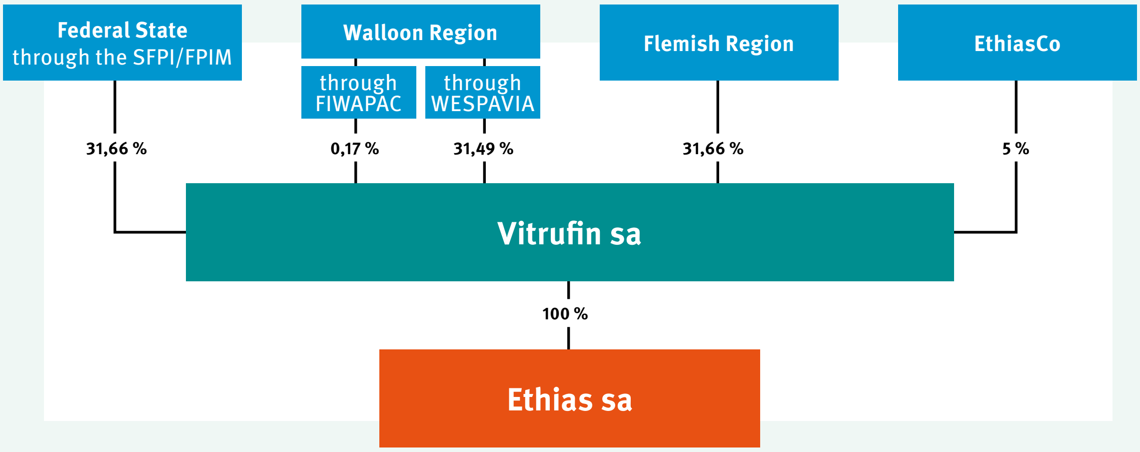
- Population ageing
- Low rate environment
- ...

In this context, Ethias' unique business model revolving around proximity (n°1 Direct insurer and partner of public bodies) and innovation enables us to better meet the customers' expectations, whether these are private individuals or public bodies.



1.2 THE ETHIAS MODEL

Ethias is a Belgian insurance company, founded in 1919 by public authorities.



Ethias is the 3rd largest insurer for Non-Life activities in Belgium, with a market share of 11%. For Life activities, Ethias has a market share of 7.6% while being the first insurer for 1st pillar activities (pension insurance).

Ethias is a **multi-branch Life and Non-Life insurer**, for **public, non-profit and corporate clients** as well as for **private individuals**.

Ethias is the first insurer of the public sector and its agents

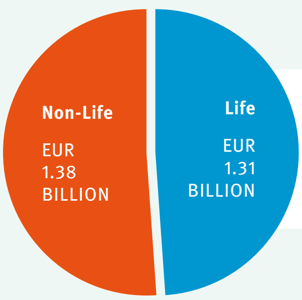
Ethias' insured parties include the **Federal State, Regions** and **Communities, local public authorities** (provinces, cities and municipalities, public social welfare centres...), **public companies** as well as thousands of **intercommunity and semi-public bodies, schools, hospitals, public interest organizations, miscellaneous associations...**

Over 1 200 000 people put their trust in Ethias every day.

Ethias is the only major direct insurer in Belgium

Distribution channels:

- A network of **39 regional offices** throughout Belgium
- 2 **Customer Centres**
- www.ethias.be and its **applications**
- A **team of inspectors, technical sales representatives** and **prevention specialists** for public authorities
- A **network of brokers** for corporate clients



INCOME

Ethias' income as of 31 December 2018 amounts to **EUR 2.69 billion**

Ethias is the only insurer selling 10 full online products, from offer to payment.

1.3 THE STRATEGIC FOUNDATIONS OF ETHIAS

2018 was a pivotal year for Ethias!

Ethias started a huge transformation and modernisation program back in 2017 in order to strengthen our governance and to launch Ethias 2.0, a new customer-oriented organisation model.

In 2018, the Executive Committee developed a program updating the company's strategic foundations, according to a structured, methodical and internal approach.

The Board of Directors approved this program, which was then distilled into initiatives at team level.

This strategic program aims at reinforcing Ethias' position as insurer n°1 in Direct, n°1 in Digital and leader in public bodies.

The **Executive Committee** is now composed of 4 men and 2 women.

Philippe Lallemand
Chairman of the Executive Committee
Chief Executive Officer

Benoît Verwilghen
Vice-Chairman of the Executive Committee - Chief Client Officer

Brigitte Buyle
Chief Digital Transformation Officer

Cécile Flandre
Chief Financial Officer

Frank Jeusette
Chief Risk Officer

Luc Kranzen
Chief Services Officer

The gender parity is balanced.

Since 2017, women make up for a third of the Executive Committee and Board of Directors (BoD). For the first, a woman is at the head of the BoD.

Board of Directors:

Myriam Van Varenbergh
Chairwoman

Jacques Braggaar
Director

Marc Descheemaecker
Director

Kathleen Desmedt
Director

Philippe Donnay
Director (independent)

Olivier Henin
Director

Ingrid Loos
Director (independent)

Marc Meurant
Director

Philip Neyt
Director

Anne-Marie Seeuws
Director (independent)

Karl Van Borm
Director

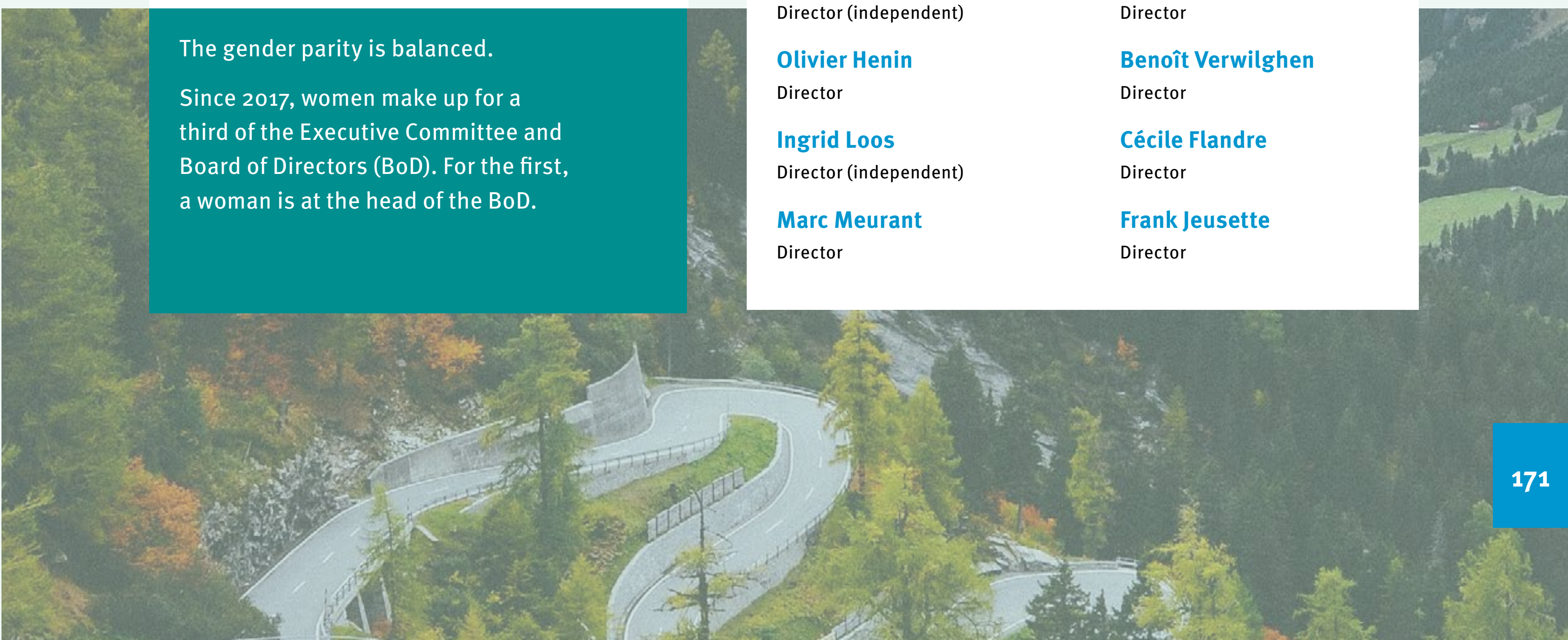
Bruno van Lierde
Director (independent)

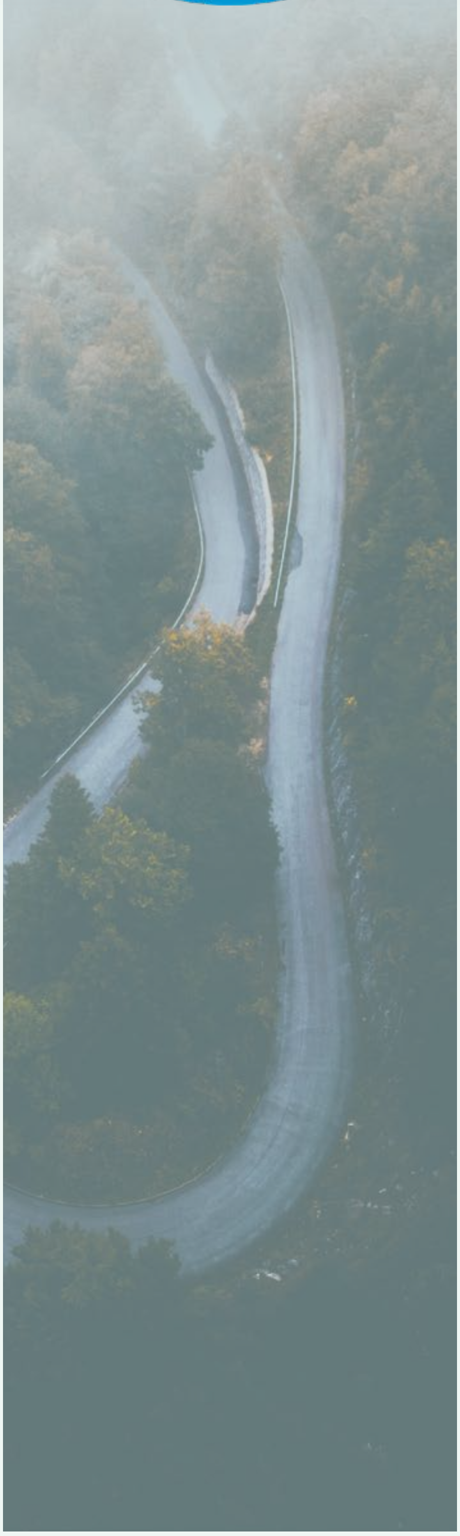
Philippe Lallemand
Director

Benoît Verwilghen
Director

Cécile Flandre
Director

Frank Jeusette
Director





#ProudOfOurValues

Values are at the foundation of a company's identity, culture and personality. They guide all employees in their daily work, regardless of their activity.

Together with our employees, we defined our values as:

#Human

Humanity is at the heart of all our relationships which we treat with respect and empathy.

We are a true partner for each of our interlocutors. For us, proximity and solidarity are no empty words.

#ClientSatisfaction

This is the driving force of our activities and of all our actions. Driven by our mutualist origins, we emphasize on client contact possibilities and on top-notch service quality. Our accessibility, our efficiency, our flexibility speak for themselves and clearly contribute to the satisfaction of our clients.

#Commitment

For 100 years, we have been daily committed to our clients, to our colleagues and to society. We are reliable, trustworthy and purposeful. This commitment also relates to ethics, which remains at the root of all our actions, and to our social responsibility.

#Enthusiasm

Because whatever happens, a heart beats within Ethias. Every day, we show energy, vitality, optimism and dynamism. This enthusiasm leads us to be creative and to undertake innovative projects.

Throughout 2018, we have applied our values inside and outside of the company by displaying a charter of good conduct in our offices in order to inspire every employee and through daily communications on the corporate intranet, video clips, website, non-financial report, conferences, etc.

MISSION STATEMENT

The **mission** statement is the company's raison d'être.

It illustrates what the company does, what it offers and how it positions itself.

Our mission statement:

Our mission statement: making insurance easier so as to bring you security, peace of mind and freedom of initiative, with innovative services and products. As partner of your daily life, we put our expertise and our energy at your service."

Just like our values, our ambassadors – our employees, advisers, inspectors or preventors – applied the mission in the field.

VISION

The company's **vision** was approved in 2018. It revolves around our ambition to strengthen Ethias as insurer n°1 in Direct, n°1 in Digital and as the leading insurer of public bodies.

This vision is about enhancing the customer experience through our large product range, our Omnichannel model, constant innovation of our processes and services and the empowerment program that will turn our employees into our main ambassadors.

This vision is mainly based on:

- Mobility
- Health
- Population ageing

It aims at creating and capturing value for our clients, our staff and our shareholders.

STRATEGIC PLAN

Based on our values, on our mission statement and in order to sustain our vision over a 5-year timespan, teams drew up a strategic plan which was approved by the Board of Directors.

This strategic plan aims at fulfilling our vision and reinforcing Ethias' position as the n°1 company in Direct, n°1 in Digital and leader in public bodies.

It revolves around distribution, our products, the service provided to the clients and the quality of our solutions including several initiatives for each component.

To support its growth and to strengthen its direct insurer's model, Ethias has embarked on an ambitious plan for **technological transformation**. This includes the acquisition of new IT tools to meet the future needs of our customers and to improve overall performance. These tools mainly support the launch of the Omnichannel strategy (e-commerce, social media, etc.). This program also includes the modernization of the IT architecture supporting the Non-Life business through the Guidewire application.

To prepare for the integration and use of Guidewire within Ethias, an implementation program called «Century» has started in December 2015. The aim of Century is to do everything in our power to make Guidewire operational in 2019. The program also focuses on accompanying measures and training needed to facilitate this transformation. The target is to carry on with the operational roll-out while focusing on the car insurance policies and launching production in the course of 2019.

In addition to this transformation program, Ethias is perfectly aware of the important influence of social media on the digital strategy and therefore commits to substantially growing its online presence.

Also, our products are still to be purchased online (only Belgian insurer with 10 insurance products that can be fully underwritten online, from offer to payment) and we keep on investing in our network of offices in order to build the concept of contemporary office (Concept Store 3.0).

1.4 RISKS AND OPPORTUNITIES

Just like any other commercial or industrial company,
Ethias is subject to risks related to the execution of its activity.

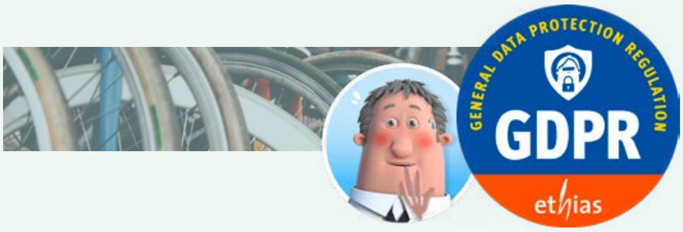
In order to prevent these risks, Ethias drew up several policies defining the:

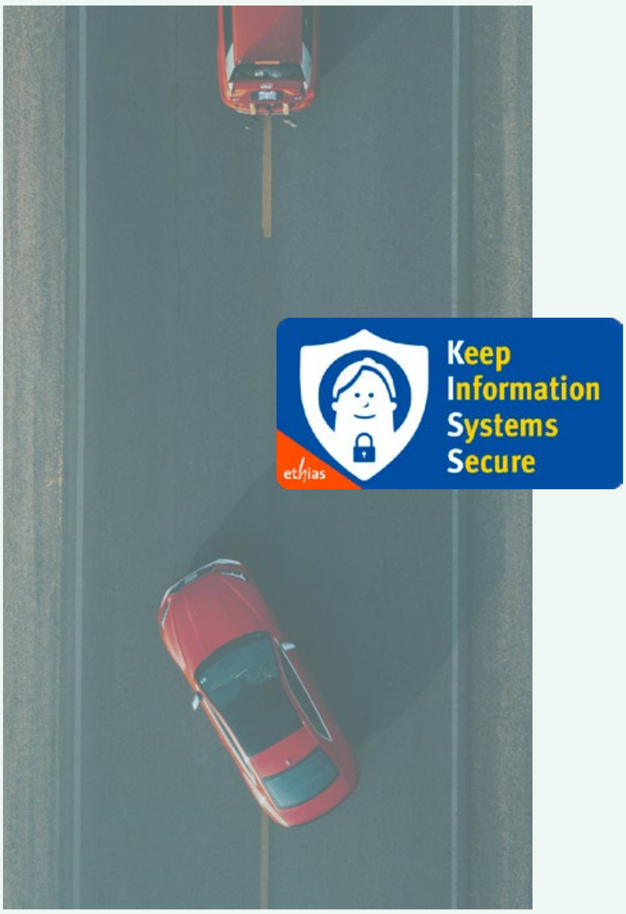
- established governance to optimise risk management;
- roles and missions of the stakeholders (Board of Directors, Audit and Risk Committee, Executive Committee, Chief Risk Officer, Risk Management, monitoring functions...);
- risk tolerance to these risks in particular.

Therefore, Ethias also complies with the following policies:

- General risk policy
- Investment risk management policy
- Operational risk management policy
- General security policy
- Business continuity policy

In the course of 2018, Ethias implemented several actions to protect itself from specific non-financial risks.





Risk of loss or alteration of personal data

Due to the coming into effect of the General Data Protection Regulation (GDPR), Ethias launched a large-scale action plan in order to fully comply with the new standards.

Within this framework, Ethias achieved the following actions:

- Strengthening governance with regard to personal data
- Creating a data processing record such as required by the regulation
- Designating a Data Protection Officer
- Strengthening and formalising the duties of subcontractors and partners
- Generalising the Privacy by design approach in all IT or OpEx-related projects followed by impact assessments for the processing of the most sensitive data
- Enhancing the security of data storage sites
- Improving the collaboration with IT subsidiaries in order to define shared best practices
- Improving the procedure for reporting Privacy incidents
- Defining notification and communication procedures in the event of data breach

Ethias also focused on training and raise the staff's awareness about GDPR's principles. In 2018, all employees earned a bonus for successfully completing a test measuring their knowledge and assimilation of all “privacy” and “security” concepts. Success rate was over 90%!

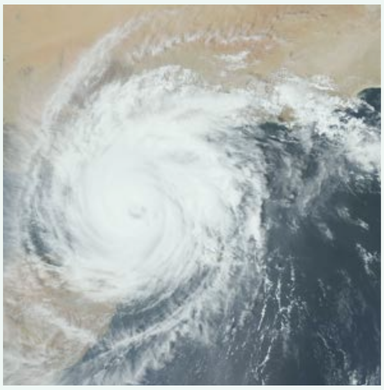
In 2019, Ethias will have the opportunity to provide its customers (private, bodies or corporate) with innovative solutions ensuring a highly secured data exchanges through the various IT channels at their disposal.

Cyber Risk

Keen to position itself as a leading player in the Digital sector, Ethias has obviously taken into account the risks associated with ever-growing cybercrime.

In order protect itself from such a risk, Ethias has taken out a specific insurance contract with a foreign insurer covering its potential liability in this respect and providing the financial resources in order to absorb any potential damage as quickly as possible.

Ethias also wanted to offer a similar guarantee to its policyholders and developed Ethias Cyber Protection insurance for Public bodies. This insurance provides not only for guarantees in terms of liability and restoration of systems but also for prevention and monitoring services.



Environmental risks

Ethias is attentive to climate issues (global warming, pollution...) that are likely to affect either the profitability of its products or the very continuity of its activities.

As part of its ORSA process (Own Risk and Self-Assessment), Ethias evaluates the potential impacts of a natural disaster each year. Stress tests that are carried out are meant to challenge the company's reinsurance policy. In addition, its Ethical Investment Code excludes investments in environmentally harmful industrial activities. As part of the development of its continuity plan, Ethias regularly conducts business continuity tests to determine its resilience capacity to risks of a catastrophic nature. In the same vein, black-out tests are carried out periodically in order to test our resilience based on our energy self-sufficiency.

Reputational risk

In order to protect itself from reputation risk, Ethias takes various measures to preserve the integrity of its image.

Therefore, the Ethical Investment Code excludes the acquisition of shares in presumably dubious activities.

Several internal departments have established operating charters (Privacy, Risk Management, Actuarial Control, Compliance, etc.) in order to raise the staff's awareness of the ethical behaviour that should be adopted in the performance of their activities.

Ethias regularly conducts opinion surveys to gather the opinion of its policyholders on the quality of its services. The results of these surveys carried out by independent research firms regularly demonstrate the quality of the Ethias brand name.

1.5 METHODOLOGY

This non-financial report is a true opportunity for Ethias

This is not only a matter of continuity, since Ethias has been drawing a corporate social responsibility report since 2007, but mostly an opportunity to take stock of the insurer's approach as a precursor in corporate social responsibility. This second edition of the non-financial report goes way beyond the legal obligation.

Hence, this report is an opportunity to identify any shortcomings and to update the CSR strategy, defining the objectives that Ethias wishes to achieve in 2019 as well as the measurement elements (KPI). This report is intended to be a unifying document, since it reflects the collaboration between the different entities to achieve a common objective: to be and remain a socially responsible insurer.

At end-2018, the various entities (Sales & Customer, HR, Finance, Risk, Facilities, Vendor Management, IT, etc.) were invited to workshops dedicated to describing the aspects of their business and responsibilities related to CSR.

At each workshop, a framework of topics to be addressed was presented and discussed with representatives of the participating entities. The points to be updated and developed have been identified for integration into a multi-year action plan.

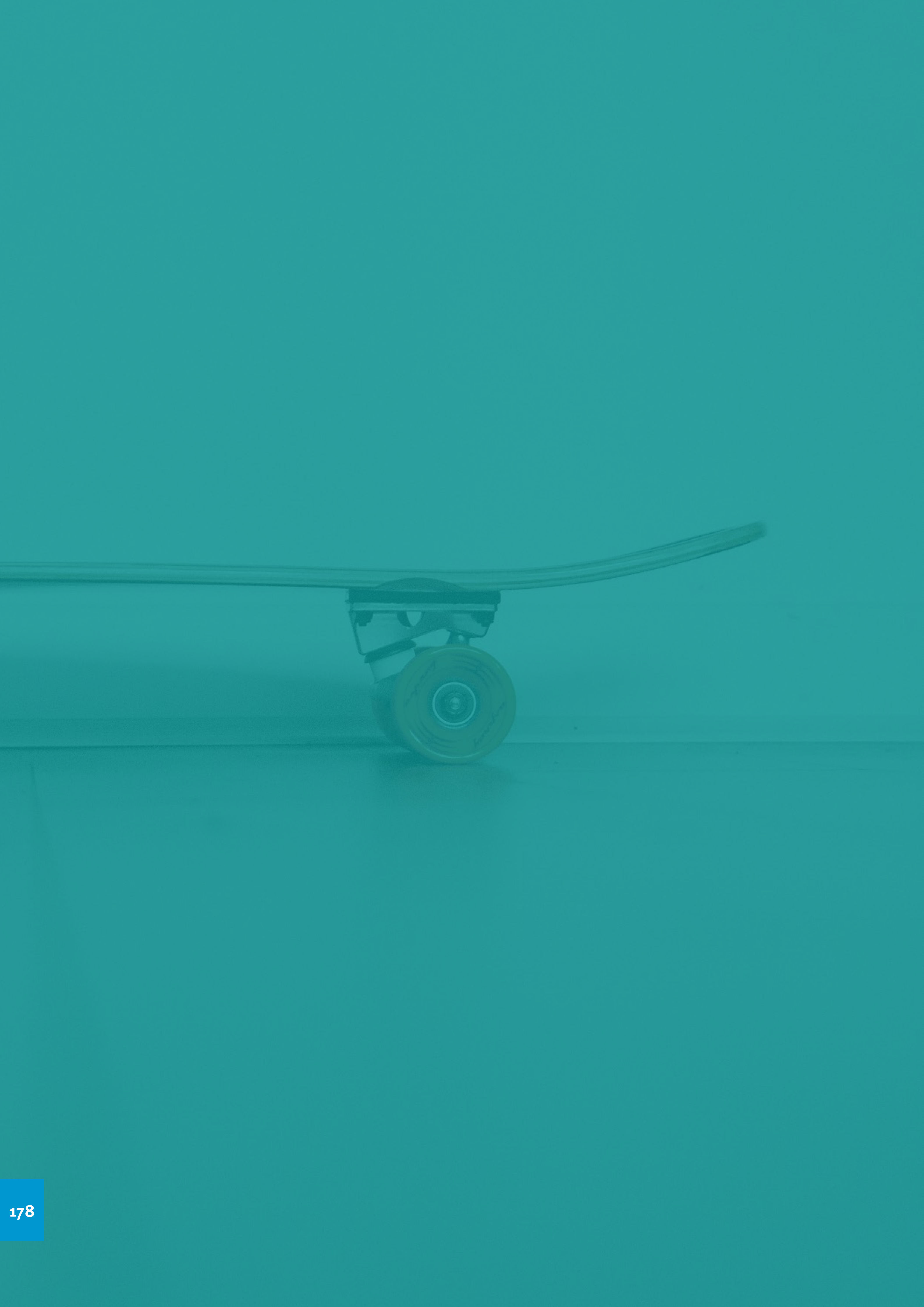
Following these workshops, **the three roles of Ethias in society were structured as follows**:

- Ethias as a trustworthy insurer
- Ethias as a sustainable company
- Ethias as a responsible investor

Based on this process, the report was produced under the aegis of the Ethics Committee, which was set up within Ethias in 2003. A special feature of the Ethics Committee is that it is a joint body composed of as many representatives of the employer as of the employees. Its mission is to deploy CSR within the company and to ensure compliance with the rules of social ethics.

To produce this report, Ethias has based itself on **the 10 principles of the United Nations Global Compact**. Each of Ethias' actions is guided by an overall strategy based on this responsibility and the resulting commitments. Ethias is a participant of the United Nations Global Compact, a keystone of our CSR policy.

A summary of Ethias' actions responding to these 10 principles can be found at the end of the document.



2. ETHIAS AS A TRUSTWORTHY INSURER

Ethias, close to its clients

Ethias' strength is to be found in its proximity to its B2C and B2B clients.

This proximity revolves around 3 fundamental characters for a unique client experience: Simple – Efficient – Human.

This experience is brought by the power of Omnichannel. Policyholders can choose how they want to be taken care of through:

- 1 network of 39 offices (37 from March 2019 onwards) all over Belgium
- 2 Customers Centers
- 2 Call Centers for claims
- 68 sales representatives working for Public bodies, the private sector and partner brokers
- 1 website
- 1 mobile app for claims reporting
- 3 social media platforms.

Ethias is connecting the digital and physical worlds to bring the best solution to its customers: the **Phygital** world.

2.1 SUSTAINABLE INSURANCE PRODUCTS › TRANSPORT, HEALTH CARE AND POPULATION AGEING

Ethias' CSR approach is only to influence the behaviour of the company, its stakeholders and its employees, but also to promote responsible behaviour in a sustainable way.

Ethias is willing to join the energy transition and reward sustainable behaviours with eco-friendly certified products, services and price offers.

- **"Under 10 000 km" insurance:** low-mileage drivers whose bonus-malus level is between 0 and 2 benefit from an advantageous rate for their car insurance (15% off the civil liability premium and 10% off the omnium).
- **Special price for clean vehicles:** owners of an electric or hybrid car with CO2-emissions remaining under 100 grams can also benefit from a discount (hybrid car: 20% off the civil liability premium and omnium – electric car: 30% off the civil liability premium and omnium).
- **Reward for responsible driving:** commercials discounts and benefits for drivers who have not had an accident at fault for several years.
- **Ethias Young Drivers:** finding the right car insurance policy can be tricky for young drivers. Ethias wants to support them and make them responsible with the Ethias Young Drivers Bonus product. Young drivers' bonus-malus decreases 2 times faster during the first two years if there are no claims.
- **Sustainable transport cover for free with the family insurance:** the number of sustainable transportation vehicles has increased significantly in recent years. To help our insurers and use these new transportation vehicles, Ethias decided in March 2018 to cover free of charge all transportation devices (including electric wheelchairs) below 45km/h and that does not require plate registration through the family insurance and legal assistance.
- **Bike & More:** in April 2018, Ethias launched its new product and services "Ethias Bike & More" dedicated to sustainable transportation devices which are increasing investments for household budgets. From now on, all sorts of covers can be purchased on demand for regular and electric bikes, hover boards, unicycles or scooters just like for cars : material damages (total or partial), body injuries insurance for drivers and passengers (for bicycles with child seats, for example), breakdown assistance and theft in Belgium.
- **6-Wheel insurance:** this insurance is a perfect response to developments in the car market and the growing trend to combine the use of different motor vehicles for travel in order to avoid traffic jams. With this preferential offer, Ethias brings a new solution to multimodal transport in favour of car- or motorbike-owners within a household.
- **Fire insurance without deductible:** in August 2018, Ethias abolished the deductible applicable to fire insurance contracts. Most consumers think that paying a deductible is unfair because they pay premiums in the first place so that they don't have to put money up in the event of a claim. Just like for our car and assistance insurance, Ethias abolished the deductible to guarantee the policyholder absolute peace of mind even when confronted with an unpleasant life event as an owner or tenant. At the same time, Ethias improved the general conditions of its brand insurance contract.
- **Health care insurance:** as a socially responsible actor, Ethias has a duty to position itself when it comes to health and population ageing. Therefore, Ethias will sell in the beginning of 2019 the first package of Health care products that combines innovative covers and services to meet the highest needs of our customers and help them through difficult times.

2.2 PARTNERSHIPS

Ethias has been partnering with Blue-bike for 3 years now. These are rental bicycles available at SNCB/NMBS train stations. Ethias provides an insurance for the bikes and the Assistance coverage to people who borrow them. This partnership was renewed in 2018. Discussions are ongoing to improve this partnership and bring new integrated mobility solutions to the client (ecosystem).

Ethias has entered into a partnership with Traxio-Vélo for the marketing of Bike & More in Traxio member stores.

Through our Whestia label (Outstanding balance), Ethias works with the FLW (Walloon Housing Fund) and with agents selling social loans in Wallonia.

Through various partnerships with the public sector, Ethias provided customized products for civil servants.

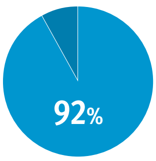
2.3 CLIENTS

Ethias has identified three major trends in new customer needs[1] :

- **Customization:** customers are looking for customizable contracts that fit their specific needs. A customized offer provides an optimal price-quality ratio.
- **Trust:** customers want their insurer to get to know them better, so that they can build a trust relationship.
- **Digital :** customers want their insurer to provide them with efficient digital tools. A digital service offers more simplicity, more efficiency, but also more transparency.

Ethias meets these needs with a **Customer Satisfaction** approach by constantly improving its products, services, digital tools and by getting closer to the customers.

In view of the results, this approach seems adequate.



Studies conducted in 2018 show an **overall satisfaction rate of 92 %**[2]

After contacting Ethias, **2 out of 3 clients would recommend Ethias to their family and friends.**

8 out of 10 customers would choose Ethias again for their insurance.

1 **Source:** study "Consumer Needs" by external partner, October 2018.

2 These indicators come from the NPS (Net Promoter Score) project, a tool set up in 2014 to measure the satisfaction and recommendation rate of private individuals (customers & prospects) who have had contact with Ethias. 2018 sample: 19.613 customers.

PRÉVENTION

The protection of people's health and physical integrity as well as the preservation of clients' property is the primary goal of Ethias.

To achieve this objective and beyond compensation, Ethias undertakes multiple actions in prevention:

- **Advice**
- **Tools**
- **Applications**
- **Trainings**
- **Preventive mental support**
- **Professional reintegration**

Ethias also provides **personalized support through prevention experts** in various fields:

- protection of individuals
  (accidents at work, well-being at work, school accidents...)
- protection of goods and services
  (car, theft, fire, floods...)
- protection of information
  (cyber-risks)

Some prevention services

IRM Prévention: free service for local administrations for sending text message alerts on the main risks of bad weather: wind, rain, snowfall/ice and storms. Prevention tips and tricks for optimal protection.

Ethias Prevention Reporter: app providing digital assistance to improve prevention reporting (geolocation, risk/claim classification, voice recorder/recognition system, photo and video recording, etc.). The Ethias Prevention Reporter underwent a new facelift in 2017 to provide rapid on-site prevention reporting.

Fleet Reporting: analytical tool for claims related to a car fleet. This tool helps raising awareness among fleet managers and beneficiaries of a vehicle and implementing an appropriate prevention policy.

On our website for Insured bodies = online publications Insurance Product Information Document , a news blog (prevention, retirement, finances...) awareness-raising video clips and testimonies from clients helps building a reltionship with them while remaining attentive to their needs.

- 5 tips for more exercise at work
- Road risk prevention
- Preventing traffic accidents near schools
- Household help safety
- ATEX, risk assessment to prevent explosions
- 10 tips to prevent battery fires
- What costs can be cut by investing in prevention?

A blog is dedicated to prevention on the Ethias website:
www.ethias.be/**blog-fr**

DIGITAL

For 20 years, Ethias has been strengthening its leading position in digital technology through e-commerce & services that are constantly evolving and fully integrated into its direct distribution model.

This is the fastest way from consumer's needs to the immediate answer of the expert online.

It is no coincidence that Ethias is the first Belgian direct insurer to offer no less than **10 insurance products that can be fully subscribed online, including payment**.

- Ethias Assistance Family
- Ethias Assistance Car & Family
- Ethias Assurance Home
- Ethias Assurance Tenant
- Ethias Starter Pack (Home + Family)
- Ethias Civil Liability Family
- Ethias Annual Travel Cancellation
- Ethias Temporary Travel Cancellation
- Ethias Insurance All Risk Luggage
- Ethias Insurance Digital Omnium

1996
First static web page

1997
Birth of the extranet

2000
Online offers and contract requests

2002
MyEthias

2005
Car claim declaration

2007
Fire claim declaration

2008
Matthias, virtual assistant

2010
My Ethias website, customization

2012
New version of MyEthias

2013
App 24/7

2015
New website with online signature and payment

2016
Prise de rendez-vous en ligne

2017
My Ethias Health Care, AssurKiné and AssurPharma

2018
Client Space and E-billing

New features and services are introduced each year to make the life of the customer easier.
A few recent examples:

myethias
SOINS DE SANTÉ

Ethias launched **myethias Health Care** in 2017, a free and secure online service that allows clients' employees and their family members to manage their health care records.

AssurPharma :
a partnership between insurers and pharmacists to make life easier for users. The transmission of pharmaceutical costs is carried out electronically for both health care and work accident files.

AssurKINE : launched in 2017, it is a third-party payment system for physiotherapy care within the frame of an accident at work.

Ethias Pension Corner is an online platform specialised in pension-related information.

Since 2018, customers can choose their billing preferences:
online billing, direct debits, Zoomit...

The **brand new customer area** also allows them to request duplicates of their contracts, invoices or their green card.

myethias | Connexion

The offer procedure for a car policy is **more efficient and easier**: customers know directly how much their insurance is going to cost.

From 2019, **car policies can by directly purchased online**.

From your customer space, you are now able to **update your personal data, visualize all your contracts, deal with your work accident case or contact your claim manager**.

In 2019, **Mathias** will be there to help users on their **smartphone** (Mobile First).

On the B2B side, Ethias Connect provides an even more secure access to the management of collective contracts: the invoicing app allows you to consult and manage invoices and will soon be upgraded with new features.

Ethias places the customer experience at the heart of its concerns and digital is an opportunity to constantly improve and expand our range of products and services while remaining in line with the expectations and needs of our customers (Simple - Efficient - Human).

2.4 RISK MANAGEMENT

For private individuals, non-financial risks are checked by employees when underwriting a policy, on the basis of a synopsis available on the intranet.

The refusal to underwrite a car policy insurance may be due, for example, to an excessive claims experience, a vehicle too powerful for a young driver, a litigation...

For the public and corporate sector, there is an underwriting guide in each branch.

Various controls (Underwriting Files Reviews) are carried out periodically, after the underwriting process.

Risks related to corruption and human rights are not taken into consideration.

2.5 COMPLAINT MANAGEMENT

Ethias complies with the Assuralia Code of Conduct for complaint management.

Any interested party – a candidate policyholder, a policyholder, an insured, a beneficiary or an injured third party – may address his dissatisfaction concerning an insurance contract or service.

PLAINTES INTRODUITES

The amount of complaints sent to our **internal complaint service** remains relatively stable. Comparing to 2016, we notice a decrease over 4 %.

1 512 plaintes ont été introduites en 2018, pour 1 348 en 2017 et 1 574 en 2016

Complaints may be lodged:

- Via the online form
- By email
- By post

A Complaint Correspondent will review the file objectively and send it to the complainant within 20 working days of receiving the complaint. If this deadline can't be met, the complainant will receive a detailed letter.

An annual report on complaint management is produced each year

When we analyse the complaints sent to the independent non-profit association of the **Insurance Ombudsman**, we notice that only 5.7% of the complaints concern Ethias, whereas our market share is above 9%.

3. ETHIAS AS A SUSTAINABLE COMPANY

3.1 SOCIAL COHESION

Ethias considers the social cohesion and well-being of its employees as an absolute priority, in direct connection with its values and as an extension of its CSR commitments.

1 829	AT DECEMBER 31, 2018, THE COMPANY HAD 1 829 EMPLOYEES (893 women / 936 men)

A respectful, collaborative and responsible social dialogue has always been part of Ethias' corporate culture. This social cohesion has allowed the company to go through a century of existence. The quality of its social dialogue has become one of the assets for the company's stability, growth and future.

Like all insurance companies, Ethias faces many challenges resulting from global changes. The company's objectives are therefore adapted to the changing situation and to the needs of our society and those of the labour market.

3.2 ETHIAS 2.0 / 2.1

In September 2017, the Human Resources Department (HRD) supported the Executive Committee in the construction, communication and operationalization of the new Ethias 2.0 structure. Then, in the summer of 2018, in a spirit of continuous improvement, the HRD assisted the Executive Committee in evaluating this new organization and the managers appointed to support our transformation. In September 2018, we closed the financial year with the implementation of the new 2.1 structure.

In order to support the new strategy aimed at making Ethias more dynamic, more agile and even more responsive to its clients, major transformations were initiated in 2017 within the Human Resources Department. They have been implemented since 2018. These transformations aim at shaping an inspiring and exciting environment for every employee. Our company regularly anticipates changes and is particularly flexible. We are already planning to transform this structure in 2019.

Overview of the main transformations:

- **Reward:** new compensation policy that is simpler, fairer and more unifying, aiming at paying every employee according to the market reference remuneration and valuing the individual and collective performance of each employee.
- **Performance Review:** new simplified evaluation process for more dynamism, objectivity and speed.
- **Flex@Ethias:** the cafeteria plan allows the employees to customize their salary packaging according to their own needs. This packaging includes CSR-related items: donation to charity (11.11.11), purchase of a company bike, medical check-up.
- Since the implementation of our new compensation policy, each employee is entitled to variable compensation, in the form of a collective and individual bonus.
- The **Homeworking project** aims at the 4 following targets:
  - » **Overheads reduction**
    Space optimization.
  - » **Attractiveness.**
    In the midst of the current war of talents, many companies have allowed home-working in order to appeal to Millennials. Nowadays, more and more people are allowed to work from home.
  - » **Reduction of carbon footprint.**
    This approach is part of a broader transportation plan (less time spent in the car).
  - » **Business Continuity Management.**
    Home-working makes the emergency launch of the Business Continuity Plan easier.
- **Talent Management policy**

Talent Management Policy

Talent Management policy had also been implemented in 2017 and formalised in 2018.

711	711 EMPLOYEES RECEIVED TRAINING for a total of 19 896,62 hours.

Investments in training have been intensified: **a specific change support programme was set up** in 2017 without losing sight of technical training. Indeed, in response to market developments, it is important to maintain a very high level of technical (insurance), commercial and management expertise, while being attractive to young talents who respond to new insurance professions.

Bootcamps

In 2019, we will organize 4 boot camps with teams working together on the following topics: transport, health, customer satisfaction and time-to-market.

Simultaneously, HR is working on 6 management skills:

- Inspiring Leadership
- Compelling Communication
- Enabling Change
- Intellectual Agility
- Adaptability
- Business Minded

467	**467 INTERNAL JOB CHANGES** (including the reorganisation of Ethias 2.0) have been implemented thanks to the talent management policy in order to better meet the needs of Ethias and its clients.

Digital Learning

Our employees and managers have high expectations when it comes to training. This is all the more true as our businesses evolve considerably, as new technologies impact on our businesses and as internal mobility is constantly developing. In order to optimize the offer and access to training, a new platform is coming in 2019. It provides better information regarding the training offer, simplify day-to-day management and make our colleagues more responsible for their employability. Finally, it will strengthen our training offer for new employees as for older ones. For these reasons, we will launch and promote the Ethias OnLine Academy.

Ethias Young Talent

Besides, HR launched the "Ethias Young Talent" program to meet current and future challenges.

HR launched project built in different phases to promote the job of manager among our young people, to identify and select young talents, to ensure their development and, subsequently, to activate these skills.

Selected talents will take part in a coaching program called "leadership 2.1". Besides preparing the next generation of managers (developing the skills of our young talents and giving them visibility) this approach also has many advantages:

- Stronger skills and sense of belonging of employees (career perspective)
- Cultural evolution to encourage emulation
- Creation of a transversal community
- Gathering resources to create useful initiatives for the company and our customers, in line with our strategy

Onboarding process

Studies show that a successful welcome has an extremely positive impact on the quality of the relationship between the employee and the company. Our priority is to make the onboarding process more professional. In 2019, we will launch a procedure and an app for new recruits. This will enable us to provide qualitative information to the selected candidates, to ensure that optimal working conditions are in place from day one and to regularly measure the quality of the integration of new employees.

3.3 DIVERSITY

In 2006, Ethias adopted an internal diversity charter.
In 2007, this approach earned the company a Diversity label.

This Charter bans all forms of direct or indirect discrimination and favours a proactive mindset (recruitment, career management, fair reflection of the diversity of Belgian society among employees, enriching the social dialogue in the company by promoting the expression of the various actors on the topic of discrimination in a climate of confidence, tolerance and openness). Diversity covers several aspects: man/woman, abled/disabled, ethnic and cultural diversity...

The diversity charter remains relevant and is published on the company's intranet.

97 — **97 RECRUITMENTS IN 2018**
43 women and 54 men

Diversity has translated into many concrete actions:

- **Intergenerational dynamics**: solidarity between generations (portraits of employees aged 50 and over that were published on the intranet, a «45 Plus Day")
- **Onboarding and supporting new recruits** in order to pass on the corporate culture and promote integration

Diversity covers many aspects:

- man/woman
- abled/disabled
- ethnic and cultural diversity
- ...

11 — **11 DUOS WERE FORMED IN 2018**
as part of the Duo For a Job and Be.Face initiatives

In 2017, as part of the continuation and strengthening of Ethias' CSR policy, the Executive Committee gave the green light to relaunch new projects promoting diversity in 2018:

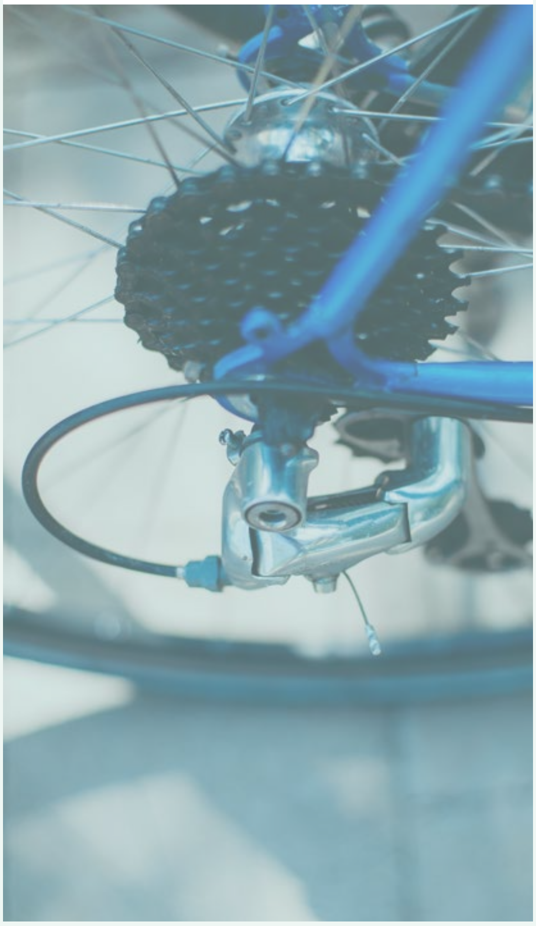
- **Care4 Vitality** (support for people at the end of their careers): these workshops help our older employees (enrolled in the End-of-career plan or non-active and all other staff members older than 58) to plan their departure through an End-of-career plan or (early) retirement. A survey was sent to the target group to know more about their expectations and interests. Based on this bottom-up survey, the social cell and the CSR team designed four half-day workshops. Based on this bottom-up survey, the social cell and the CSR team designed four half-day workshops to support as best as possible the participants to become "inactive". In 2018, 15 people took part in these workshops (7 in Liège and 8 in Hasselt). They were given a detailed textbook that they are free to read at any time.
- **Organisation of working time** and **end of career**
- In 2015, **Flexitime** (flexible working hours) was applied more broadly, for a better work-life balance. Flexitime also impacted transport: depending on the requirements of the services, some employees can avoid rush hour while remaining available for our customers.
- **Duo for a job:** this mentoring project creates an exchange across generations and cultures to help young people to get a job while highlighting the value of older employees. In Belgium, the activity rate between 55 and 64 is among the lowest in Europe (48.8%). Duo for a job allows older people to share their experience, to be a part of a professional network and a community that shares the same values for society. The cross-cultural and intergenerational dimension of mentoring is one of its strengths.
- **Be Face:** network of companies pooling their resources to promote the social and professional integration of vulnerable groups through training and sponsorship. This non-profit is mostly working in Brussels but is coming to Liège this year, in collaboration with welfare centres and the city of Liège.

3.4 CHANGE MANAGEMENT

- **Passwerk**: Passwerk is a unique concept, a unique company with unique people. Passwerk combines its business with a social dimension and offers this as an added value to its customers. Passwerk is on the “convergence market”. The Passwerk organisation adapts to the profile of its employees and not the other way round. The employees, the results and the development of its employees are at the heart of Passwerk. Passwerk employs the qualities of people with autism spectrum profile (ASP), with normal ability, in software testing activities. Through the professional management, by means of job coaching, the restrictions of employees with ASP are overcome.
- Internships are provided to bachelor and master students. Ethias works with several schools to provide internships for students attending schools from the Flemish special education network (Buso) and from vocational schools for students with special needs.
- **YouthStart** is a non-profit aiming at boosting the self-confidence of young people looking for opportunities and at helping them making their dreams come true. Youthstart encourages young people by helping them setting up their own business plan. Every participant has to present their own plan on certification day. Training sessions are given by outstanding trainers in an unconventional way. They come from the corporate world and want to share their passion and experience. The involvement of employees contributes to the professional integration of young people. Result? Over 80 % of our former students are going back to school or to work after their training. Some even start their own business! In 2018, Ethias entered into a three-year partnership with YouthStart to financially support their activit.
- **Mentor2Work** is job project from the Forum des minorités. Finding a job can be tricky for immigrants. Despite their qualification and relevant experience, they encounter many difficulties in their job search. The diversity of society must be reflected in the workplace. The Forum des minorités wants to increase the chances of job-seekers with an immigration background. They connect job seekers with mentors to strengthen them in their job search. In 2018, Ethias asked its employees to become involved as mentors. Three people have made this commitment. These colleagues participated in admission interviews and mandatory training in 2018. When the Forum des minorités finds the right match, the persons involved will be informed.

Our activity: Accompany the changes resulting from «business» projects (with emphasis on strategic projects) at the human level in order to maximize the chances of success of the project by ensuring that the employees involved understand why these changes are taking place, that they have the necessary tools and training to apply them, while anchoring them in the organization.

For this purpose, we use a change methodology to give structure to these changes and integrate them into the project management.



3.5 OPERATIONAL EXCELLENCE FOR EVERYONE

L'approche est centrée sur le service au client.

This customer-oriented approach focuses on the following items:

- **Performance management**: the quality of services is constantly monitored and improved.
- **Process improvement**, to increase efficiency, to standardize activities, to increase client satisfaction.
- **Organizing the skills** of managers and employees to be effective and to take on current and future responsibilities.
- **Stimulating the mindset**, so that all teams work together to satisfy policyholders.

To ensure maximum consistency in this approach, standard tools have been implemented in the various entities, adapted to the needs of each team: dashboard/capacity management, whiteboard, platform for exchanging best practices, cascading meetings...

The process will continue in 2019, with the objective of extending operational excellence throughout the company.

Achievements in 2017-2018

Since April 2017, we have worked on 5 waves in the Support departments in order to redistribute 10% of the workforce in the Business and one wave in the Business in order to boost the existing ExOp practices.

By the end of 2018, we covered about 25% of the organization. We went through 16 teams and supported 430 employees in these new ways of working.

2017-2018 Support

- ✓ Digital Information Management
- ✓ Administration
- ✓ Communication
- ✓ Taskforce Staff Canteen
- ✓ Risk Management
- ✓ Finance
- ✓ Actuarial Control
- ✓ IT
- ✓ Vendor Management
- ✓ Facilities
- ✓ HR
- ✓ Accounting
- ✓ Strategic Planning & Controling

Reboost Business

Since September 2018, we are reboosting the business.

3.6. RE-ENCHANTMENT PROCESS

In 2017, a re-enchantment process was initiated within the company to promote well-being and a sense of belonging to the company. In 2018, there were various actions taking place such as Casual Fridays (more casual dress code on Fridays throughout the summer, breakfast at the company restaurant, etc.), team-building activities, bike-to-work days.

In June, the Staff Day (called "Ethias Get2gether") was an opportunity to share, within a convivial atmosphere, the corporate vision of a renewed and forward-looking team spirit.

3.7 PREVENTION OF PSYCHOSOCIAL RISKS

Since 2017, managers have been trained on burnout prevention. At Ethias, there is an ongoing analysis of psychosocial risks.

A formal and informal procedure, called "win-win-win", for the reintegration of people with long-term illness has been launched, with the support of staff representatives' organisations.

Taux d'absentéisme	2017	2018
Short-term absenteeism rate for sick days	2,59 %	2,36 %
Long-term absenteeism rate < 1 year	1,77 %	1,63 %
Long-term absenteeism rate > 1 year	1,73 %	1,30 %

2 additional AEDs (automated external defibrillators) were placed in the Ethias buildings in 2017.

SOCIAL CELL

The Social Cell has existed since 1997. There is one at the head office in Liège and one at the office for Flanders in Hasselt. Its main missions are: listening to staff members with personal issues, ensuring a follow-up, accompanying people suffering from long-term illnesses (visits and contacts) and facilitating their reintegration when they get back to work, organizing blood drives, etc.

76 — 76 PEOPLE WERE TAKEN CARE OF (24 in Hasselt, 52 in Liège and 118 interviews in total)

PERSONS OF CONFIDENCE

A person of confidence is competent to manage all psychosocial risks related to work. Their broad mission is to help employees with all issues related to **violence at work, moral or sexual harassment, stress, burn-out, conflicts... A team of 5 people (Liège and Hasselt) is at the disposal of all employees**.

80 — 80 PEOPLE HAD AN APPOINTMENT WITH OUR PERSON OF CONFIDENCE (35 in Hasselt and 45 in Liège)

FIRST AIDERS

About fifty trained first aiders are located throughout the company. They provide first aid in case of illness, injury, etc. Each year, they follow a refresher training in first aid.

81 — IN 2018, 81 PEOPLE WERE TAKEN CARE OF BY THE FIRST AID TEAM 18 in Hasselt and 63 in Liège

During the summer of 2018, articles on first aid were published on the company's intranet (stroke detection, burns, wounds, poisoning, etc.).

264 — 264 PEOPLE WERE VACCINATED (free of charge) against influenza (137 in Hasselt and 127 in Liège)

343 — 343 BLOOD DONORS

FibriCheck

FibriCheck is a medically certified screening and monitoring mobile app on prescription for the detection of irregular heart rhythms, including atrial fibrillation. User-friendly: it only requires you to place your finger on the camera of your smartphone to measure your cardiac rhythm. All the information is automatically shared with a medical professional in order to get a faster diagnosis, resulting in an adequate treatment plan.

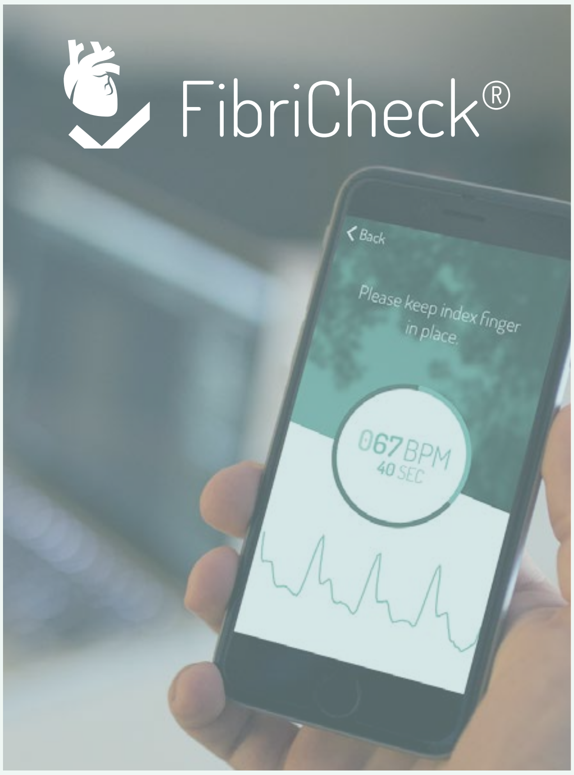
We are therefore proud to be the first Belgian insurance company to be part of a campaign with a partner that has placed Belgium on the map of the medical world!

FibriCheck's preventive framework is perfectly in line with Ethias' corporate vision.

This application was made available for free for our customers and employees for 7 days, so that they can measure their cardiac rhythm anywhere and at any time. A total of 1.890 people used FibriCheck. With those actions, we show our customers and employees that Ethias intends to be one of the major players in the field of prevention.

Impulse

In order to prevent burn-out, a pilot project has been launched in Hasselt in collaboration with the Impulse music school. A total of 21 employees participated. Many people may have already taken music lessons when they were younger or dreamed of playing music. Unfortunately, this is often not compatible with busy work schedules, family, children's activities... With Impulse, Ethias wanted to solve this problem with a positive employer-employee relationship. Thanks to music, employees have the opportunity to clear their heads during their lunch break and forget all their worries. Ethias provides a nice and cozy space and Wi-Fi. Impulse hires teachers and brings the instruments. They don't follow the classical way of renowned music schools: each employee receives an individual program of lessons based on their own abilities and interests.



3.8 EMPLOYEE ASSOCIATION

The Employee association was founded in 1959 and has 6.630 members (active colleagues and retired staff, their partner and children). People are more efficient when they feel good at work, that's why the Employee association works hard to maintain and improve the friendly relationships between colleagues. To do so, the association organizes each year many cultural and sports events.

2018 overview

- 947 colleagues are active members of our sports teams.
- Each year, 400 kids take part with their parents in the 2 Saint Nicholas celebration days in Liege and Hasselt.
- 255 went to Pairi Daiza.
- 130 took part in the annual "Rallye Fun".
- 142 went to the Christmas Afterwork (Liège).
- 177 kids took part in special events (Kids@Work – Easter egg hunt).

In Liege as in Hasselt, our friendly committee is always there for our colleagues.

3.9 INTEGRITY

Our company's business is founded on strong values which guide our work, organization and pol.

Integrity lies at the heart of these values and must lead all of our actions and decisions.

This is how we build the trust of our stakeholders and protect our credibility and reputation, which are key factors for our success.

INTEGRITY

The integrity policy includes the internal and external rules of conduct that apply to the company's employees and provides a reference framework to guide each of their actions, inspire their choices and bring the company's values to life on a daily basis.

It was entirely revised in 2018 and approved by the Board of Directors on January 24 2019. Awareness around this policy will be raised throughout 2019.

UNITED NATIONS GLOBAL COMPACT

Since 2006, Ethias is a member to the United Nations Global Compact and renewed its membership in 2018. The Global Compact remains fully integrated into the company's strategy.

This pact defines a global framework in terms of ethics, respect for human rights, respect for labour law and environmental policy (see the table at the end of the document).

On a daily basis, Ethias translates this global framework into concrete actions, while involving all its stakeholders and promoting these values.

Human rights: promotion and respect of the protection of human rights, in Ethias' fields of co.

Labour rights

The following four principles relating to labour law are concretely applied in

- the Social Ethics Code;
- the Ethical Investment Code;
- contracts between Ethias and its suppliers.

SOCIAL-ETHICAL CODE

This code recalls the company's values and commitments, including the basic principles of the International Labour Organisation (ILO), and provides for the establishment of the Ethics Committee. It reaffirms its commitment, in the field of labour relations, to the founding values of the social economy, which seeks to reconcile profitable economic activity with a people-centred social policy, to which primacy is given.

There is a procedure for reporting non-compliance with the Social-Ethical Code.

Core values of the company included in the Social-Ethical Code:

- Respect for the dignity of individuals and their private lives
- Freedom of association and the right to collective bargaining
- Prohibition of discrimination in employment relations on the grounds of sex, race, nationality, beliefs (religious, philosophical or political) or social origin, individual physical characteristics or state of health
- Equal treatment and equal opportunities
- Professional training and development of employee qualifications
- Encouraging an internal communication policy
- Prohibition of psychological harassment, sexual harassment and all forms of violence
- Compliance with laws and regulations, individual and collective labour agreements
- Compliance with company procedures and guidelines
- Preserving excellent safety, hygiene and well-being at work

Charter on Ethias' commitment to the social economy

Built on values of solidarity and social progress, Ethias intends to fully assume its social, societal and environmental responsibility.

This charter includes considerations such as:

- Respect for freedom of association and recognition of the right to collective bargaining
- Elimination of all forms of forced or compulsory labour
- Abolition of child labour
- Elimination of discrimination in respect of employment and occupation
- Fight against corruption
- Action against corruption in all its forms, including extortion and bribery

CODE OF CONDUCT FOR THE FINANCIAL DEPARTMENT

This code of conduct defines a set of professional and ethical rules and specific procedures allowing to ensure that the staff members of the company's Finance Department carry out their mission in compliance with the values of Ethias.

ETHICS COMMITTEE

Established in 2003, as part of the Social-Ethical Code, its objective is to ensure the implementation of ethical and corporate social responsibility (CSR) tools, to monitor and evaluate them and to make any necessary corrections.

Together with Compliance, it is the guarantor of professional codes of ethics, which regulate insider trading and corporate gifts in particular.

The Ethics Committee is the interlocutor of the representatives of the company's stakeholders for all requests, proposals and complaints relating to its field of competence. It is composed equally of 25 members, employee and employer representatives.

3.10 PROTECTION OF THE ENVIRONMENT

ENVIRONMENTAL GOVERNANCE

Even if the service activities of Ethias do not in themselves seem polluting, the company and its employees still represent an «environmental impact» through their travel, energy consumption, waste and CO2 emissions, or even water and paper consumption.

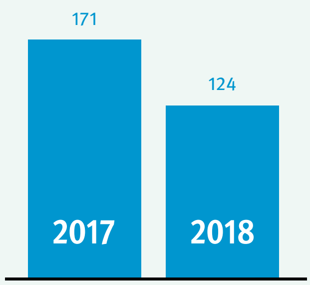
Ethias has taken the lead by deciding to quantify the ecological impact in order to better reduce this impact through numerous actions on the ground.

REDUCTION OF CO_2 EMISSIONS

When measuring its carbon footprint by CO2Logic (every two years), Ethias was able to demonstrate the following:

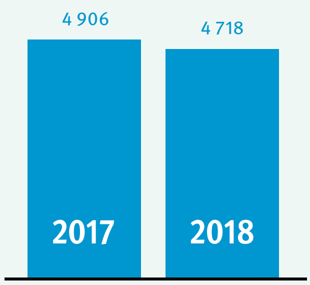
-27 %

CONSUMABLES
(Meat and paper)



-4 %

ETHIAS' OVERALL CO2-EMISSIONS
(tonnes CO2)



In detail, the actions undertaken in 2012-2013 continue in 2018:

- Conclusion of electricity supply contracts favouring the «green label with guarantee of origin». This guarantees the supply of energy produced by hydroelectric power, wind, cogeneration or solar means (energy 2030).
- In partnership with the company CO2Logic, we measure the carbon footprint resulting in proposals for actions to reduce our footprint. From 2018 onwards, the carbon footprint will be measured each year (previously every two years).
- Partnership with bpost for the CO2 compensation of postal mailings;
- Modernization of production equipment and management of heating/air conditioning.
- Implementation of corrective and innovative measures in order to reduce our emissions (installation of energy metering modules, presence detectors).

Since 2009, Ethias has implemented a resolute policy in the following 4 areas:

- Reduction of CO2 emissions
- Waste reduction
- Responsible suppliers
- Mobility

Ethias worked on the following issues:

WASTE MANAGEMENT

- Management of waste, packaging and used consumables. In 2018, we launched a pilot project for the collection of hand paper towels. This test turned out to be a success and we should be able to get rid of one of our waste dumpster. Green paper is sent to the production factory SCA in Holland where it is reused to produce recycled toilet paper (we have come full circle).
- Order of "Cradle to Cradle" certified chairs - 90% recycled - QUALITY OFFICE Certification
- Quantifying the reduction in consumption (energy, water, paper, waste): 15.8 tons of paper and cardboard were recycled in collaboration with the non-profit organization Terre.

Ethical, sustainable and local choices

- Management of suppliers in accordance with ethical standards and with sustainability and proximity criteria
- Donation of 80 desks to charities
- Giroflex (office chairs) certified ISO 9001 and ISO14001
- Order of furniture with Certificates, ISORecyclage of electrical and electronic materials via Sofie scrl-fs
- New range of CO2-neutral ink pads
- Implementation of a «slow food» policy in staff restaurants: 131.109 meals were served in 2018
- Local suppliers adhering to the Ethias food charter and sustainable labels / sustainable agriculture / organic farming. Our company restaurants favour local, seasonal products from a sustainable and environmentally friendly cultivation. It aims at «zero waste» by implementing a system that allows the employee to order their lunch the day before.

RESPONSIBLE SUPPLIERS

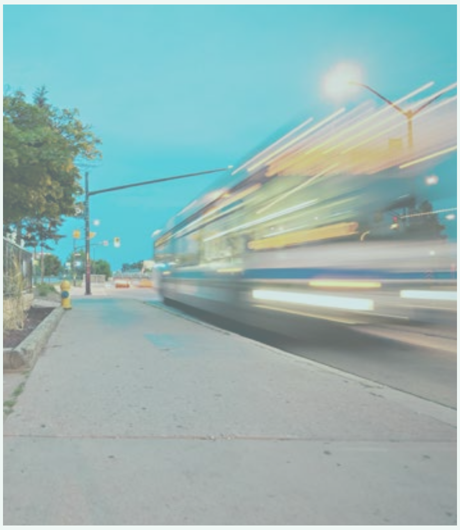
Since 2017, Ethias set up a Vendor Management Department in charge of purchasing material goods and services, in order to obtain the best guarantees under the best conditions.

Ethias ensures that the general terms of all purchase orders include an article according to which suppliers commit themselves (as well as their potential subcontractors and manufacturers) to respect the basic principles of the International Labour Organization (ILO) such has:

- prohibition of child labour;
- respect of freedom of association;
- elimination of all forms of forced labour, prohibition of discrimination in employment and occupation.

The company also makes its subcontractors aware of this problem.

Since 2014, Ethias has continued in this direction by integrating variants of «eco sustainable» labelled products and techniques into its works tenders. This reflection should allow to offer a genuine «responsible» alternative. This was implemented in 2018 for all Ethias suppliers.



Strategic choice of renovation

- Ethias' consultations in terms of equipment and infrastructure naturally take into account environmental criteria when selecting its suppliers and partners (choice of recyclable material, low energy consumption, ecological and biodegradable products).
- Implementation of the "sustainable commercial agency» concept: the Concept Store targets a company that is close to its clients (proximity). Materials used for furniture and construction/renovation are either recycled or recyclable. A framework contract was signed with an architectural design business to develop this environmental spirit.

A new Concept Store opened in 2018 and an office was renovated. Opening of 4 new Concept planned for 2019.

Purchases

- Definition of selection criteria for suppliers (proximity, sustainability criteria, ethical standards, ILO, etc.)
- Ethias' purchasing policy in terms of equipment and infrastructure naturally take into account environmental criteria when selecting its suppliers and partners (choice of recyclable material, low energy consumption, ecological and biodegradable products).
- Introduction of «sustainable, societal and proximity» criteria in the selection of goods and suppliers.
- Purchases through suppliers from fair trade, organic production and local sectors to supply the company restaurants.
- Nutrition and health: Ethias is one of the few companies offering fair trade meals in its restaurant every day. This policy has earned Ethias a "Fairtrade@Work Award" from Max Havelaar. Alongside this company restaurant, Ethias promotes healthy, organic, sustainable and fair food to its employees.
- Buy-Aid Coffee Week: Ethias participates in this annual operation. In 2012, it joined UNICEF in supporting children in developing countries. This action is carried out every year.
- Once a year, Ethias orders to Nekto, Oxygen+ or Buy-Aid in order to support these organizations. Associations promoting adapted work for people with a mild mental, motor or sensory disability or organisations such as Unicef or Child Focus.

MOBILITY

CO_2 emissions linked to commuter traffic have a particularly significant environmental impact:

Ethias has developed a mobility plan that focuses on several axes.

A working group composed of representatives of various departments and staff representatives has been continuing the work since 2013.

Ethias, pioneer in soft mobility

- The use of public transport and carpooling have thus been the subject of an internal awareness policy. Ethias applies the «third-party payment» (a complimentary subscription to public transport for employees).
- Ethias, in partnership with the Walloon Region, has also supported and participated in "Tous vélos actifs", an initiative promoting cycling as a commuting alternative. End 2018, Ethias has been awarded for 3 consecutive years the 5 stars label "Tous Vélos actifs" as well as the "integrated cycling policy" badge. Over 6-year period, the number of daily cyclists at Ethias has increased fivefold (11.6 % of the staff in 2018).
- Ethias has also supported alternative mobility programs set by public authorities, such as the «Covoit-stop» initiative.
- Since 2014, Ethias provides its employees for their personal trips (during lunch time, after work) with a fleet of 10 business bikes (including one electric bike). Part of this fleet was renewed in 2017.
- Since 2013, around 20 employees have benefited from an electric bicycle for their commute to work (pilot project subsidized at 50% by the Walloon Region).
- A free electric charging station for bicycles is installed in its car parking.
- Since 2015, Ethias organizes The Bicycle Spring and offers bike commuters free maintenance/overhaul of their bikes: an important preventive measure for an insurance company.
- In early summer, a Bike to Work day was organised by the Employee association and the restaurant. On that day, over 50 employees had a picnic in the Parc de la Boverie.
- In 2018, Ethias was invited to present its strategy for promoting soft mobility at various occasions, in particular to the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) the Walloon Mobility Managers Network.
- Since 2008, the company applies an environmental measure to its company vehicles: a carbon emission limit rate has been set for each category of company cars. The control of carbon emissions is a priority action plan for Ethias.
- Since 2015, from spring to autumn, Ethias has been installing a «Green Mile Counter» on its intranet: cyclists and pedestrians are invited to enter their carbon neutral mileage. In 2018, 84 076 kilometres were covered, which symbolically represent 17 tons of CO_2 being saved.

A carpooling project is coming in 2019: the carpooling policy will be more flexible so that more employees can give it a try and enjoy the tax benefit. The Taxistop – Common has been selected.

Ethias' mobility policy is not settled in a general mobility plan. Nevertheless, a section of the company' intranet is dedicated to mobility and is regularly updated. All actions in favour of soft mobility are highlighted on the company's intranet and on its internal television circuit.

GREEN MOVEMENT

In 2016, a group of Ethias employees created the «Green Movement».

Its ambitions:

- To be a focal point for measures and ideas, a reference point for environmental initiatives and above all an engine for changing the habits and behaviours of every Ethias employee.
- To provide tools, tips and tricks as well as local information so as to become or continue to be «environmentally responsible» on a professional and/or private basis, today and for future generations.

In 2018, the Green Movement has among others

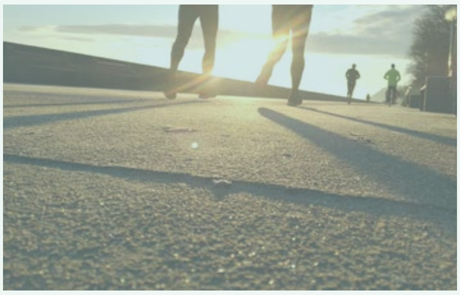
- Published, twice a month, environmental tips and advice on the company's intranet (promotion of Repairs Cafés, selective collections, the relay point at Ethias of "La Coopérative Ardente" (small local producers), promotion of the Fairtrade Challenge, etc.).
- Organized the collection of empty batteries for recyclin.

3.11 SPONSORING

Ethias has a long-standing sponsoring policy. **Its main goal is to translate the company's values into actions.**

Ethias is an active sponsor in 4 main areas

- **Sport**: via sports federations or umbrella sports organisations;
- **Culture**: mainly music and also a number of important cultural players;
- **Projects with a human dimension**: citizenship education, sustainable projects and organisations;
- **Prevention**: road safety, prevention in the sporting community, etc



Ethias sponsors via financial contributions or via advertising support (through its own communication channels). **It attaches much importance to its involvement in each project as a sponsor.**

Ethias bans any sponsoring activities that could link its name to:

- doping
- corruption
- violence
- racism
- incitement to hatred
- addiction
- Discrimination based on race, sex, age, sexual orientation or belief (homophobia, antisemitism, islamophobia...)

Any organisation violating morality or public order is also banned.

Its sporting, cultural and civic partners share its values: human, commitment, client satisfaction and enthusiasm.

For example, Ethias supports:

- **Article 27**: a non-profit organisation that facilitates access to culture for people in difficult social or economic situations.
- **Mnema (la cité Miroir)**: an education centre for tolerance and citizenship.
- Preventive actions by the Vlaamse Stichting Verkeerskunde, the Red-Cross of Belgium and its emergency vehicle driving simulator, Fédémot, Apper, the AWSR.

- **Sports federations**: more than twenty federations such as tennis, volleyball, handball, judo... as well as institutional umbrella organisations (Sport Vlaanderen, Adeps, ISB, AES and AISF).

- **Culture**: Walloon Heritage Days, Brussels Summer festival, Ghent Jazz Festival, major philharmonic orchestras (Belgian National Orchestra, Royal Philharmonic Orchestra of Liège, Antwerp Symphony Orchestra).
- **Education for responsible citizenship and promotion of democracy** (Creccide).

4. ETHIAS AS A RESPONSIBLE INVESTOR

Within the frame of its financial investments, Ethias believes it has a duty to act in the long-term interests of its policyholders.

This long-term vision is crucial in the management of statutory and supplementary pensions in particular. All investments (except investments in external funds not managed by Ethias) are governed by the ethical investment code.

Ethias' responsible investment policy is based on **two pillars**:

- excluding investments in companies and countries (for government bonds) **on the basis of social, environmental and governance criteria**;
- investment with **environmental, social and societal impact**.

4.1 ETHICAL INVESTMENT CODE

This code has existed since 2005 and is reviewed annually since 2012 with the help of an external partner. It includes a list of prohibited investments which has been validated by the Ethical Investment Committee and by the Executive Committee of Ethias. It is an asset towards policyholders and applies to all of Ethias' direct investments. The methodology and scope of the code are continually evolving to keep pace with societal trends.

Since 2017, Ethias has excluded from its investments thermal coal, which is the fossil energy that contributes most to global warming.

The ethical investment code blacklists of two kinds of investments: shares and corporate bonds and government bonds.

- **Blacklisted companies**: companies that are not aligned with the ten principles of the UN Global Compact that relate to human rights, labour law, the environment and the fight against corruption or that are involved in controversial weaponry or in thermal coal.
- **Blacklisted countries**: two concepts are used for government bonds.
  - Countries with **beneficial taxation** as referred to in the 1992 Income Tax Code.
  - Countries with the lowest **environmental, social and governance ratings** as defined by the non-financial rating agency Vigeo Eiris (viz. the least compliant with international human rights, labour rights and environmental protection standards).

4.2 RESPONSIBLE INVESTMENTS

INVESTMENT WITH ENVIRONMENTAL, SOCIAL AND SOCIETAL IMPACT

Ethias claims its place inside the social economy and provides reception structures, social economy funds (Netwerk Rentevrij, Carolidaire), scientific research funds, etc.

Ethias holds financial participations in the following fields: social loan companies, housing companies, microfinance institutions (Incofin, Impulse Microfinance), active support to associations and alternative finance institutions.

Ethias has also established privileged relations with companies in that particular sector.

Here is a non-exhaustive list of financial products and financial holdings in which Ethias is a stakeholder:

Through the Global 21 Ethical Fund

The **Ethias Global 21 Ethical** Fund is intended for the management of pension and group insurance reserves. It is certified **"Ethibel Excellence"**. This fund has two solidarity mechanisms, for the benefit of the **Réseau Financité** and **Fairfin**. Depending on the client's choice, Ethias pays one of these partners 0.05% of the average capital invested in the fund at year-end. Affiliates who so wish may also retrocede all or part of their yield to the association of their choice.

Through financial participations

- **Impulse Microfinance Investment Fund,** Belgium's leading private equity fund specialising in microfinance
- **Triodos**: Ethias holds Triodos share certificates to support the mission of this ethical and sustainable bank
- **Epimède**: fund investing in the private, unlisted capital of technological SMEs with growth potential. The main sectors are biosciences (biology, biotechnology, and medical technology), engineering sciences (new information and communication technologies, clean technologies) and business services.

Through investments with added value for society

- **Hospitals and nursing homes:** Ethias supports a very large number of institutions, such as psychiatric and recovery & care centres for the elderly, research centres, etc
- **Scientific research** (university funds, spin-offs)
- **Gimv Health & Care Fund :** Ethias is a strategic partner of the Gimv Health & Care Fund. This fund focuses on companies active in health & care services and MedTech sectors (medical technology) and invests in innovative healthcare concepts within these sectors. In this way, the fund is collaborating to address a number of challenges that our society faces: an ageing population, increasing chronic diseases, rising health care costs and increasing demands for quality information from patients.

Environmental investments

As responsible investor, our duty is to play a part in the energy transition into a low-carbon economy.

Green bonds and infrastructure funds

Green bonds are issued by a company or public entity (international agency, State, local organisations...) to finance projects, assets or activities with an environmental benefit. As of 31 December 2018, Ethias had an outstanding amount of 110 million worth of green bonds.

Ethias also holds shares of infrastructure funds investing in renewables (wind, solar, biomass), public transport, energy efficiency...

Passive and sustainable real estate

- **SWECO** (Malines): investment in a 100 % passive office building. Sweco's new head office is at the forefront of sustainable and ecological renovations in Belgium. This former building of the RTT (former Belgian State Telephone Company) from the 1950s is a pioneer in sustainable renovation technologies.
- **State Archives** (Namur & Ghent): Ethias owns the buildings of the State Archives in Namur and Ghent. Built for the "Régie des Bâtiments" (Belgian Building Authority), these two new complexes meet the highest environmental quality standards. The Namur building has received a Valideo certificate.
- **BDO's** new headquarters (Luxembourg): Ethias invested in an office building in Luxembourg which received the «Interim Certificate - Design Stage BREEAM» in 2015. It was decided to extend the certification mission to obtain the BREEAM «Post Construction» certificate in 2016. The final certificate of the building was received with the mention «very good» (Renovation).

5. CONCLUSIONS

5.1 SCOPE OF THE REPORT

This report describes Ethias' social, societal and environmental situation in 2018, as required by Directive 2014/95/EU, and complements the annual report.

In several areas, the collection of information enabled to identify areas for improvement which were integrated into the company's corporate social responsibility strategy as objectives for 2018 which will be further developed in 2019.

5.2 PRINCIPLES OF THE REPORT

The information presented in this report has been provided and approved by the main managers of the areas covered.

It has objectively described Ethias' activities and commitments for many years, especially since 2017, when the non-financial report became a legal requirement.

5.3 MEMBERSHIP

In 2018, Ethias renewed its membership to the United Nations Global Compact (became a member in 2006). The Global Compact remains fully integrated into the company's strategy.

10 UN PRINCIPLES Companies were encouraged to:	ETHIAS' ANSWERS
Promote and respect the protection of international human rights law	• Joint Ethics Committee • Integrity policy (new policy in 2019) • Social-Ethical Code • Ethical Investment Code
Ensure that they are not complicit in human rights violations.	• Signing of an ILO convention by all suppliers • Ethical Investment Code (new 2018 version)
Respect freedom of association and recognize the right to collective bargaining	• Social governance
Eliminate all forms of forced or compulsory labour	• Signing of an ILO convention by all suppliers
Contribute to the effective abolition of child labour	• Signing of an ILO convention by all suppliers
Contribute to the elimination of all discrimination in employment and occupation	• Diversity Charter • Talent Management Policy
Apply this approach to environmental problems	• Environmental Governance • Ethical Investment Code (new 2018 version)
Take initiatives to promote greater environmental responsibility	• ISAE 3000 Financial Management • CO_2 balance (yearly since 2018) • Mobility
Promote the development and diffusion of environmentally friendly technologies	• Responsible suppliers • Strategic choice of renovation
Take actions against corruption in all its forms, including extortion and bribery	• Integrity policy (new policy in 2019) • Ethical Investment Code (new 2018 version)

NON-FINANCIAL REPORT

In the interest of a better, fairer, more ecological and more inclusive world, the report presents the results of Ethias as

- Trustworthy insurer
- Sustainable company
- Responsible investor.

RSE MVO

ethias

www.ethias.be

7. Statutory auditor's report on the financial statements for the year ended 31 December 2018

pwc

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ETHIAS SA ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is 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 11 consecutive years.

Report on 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 2018, 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 16.929.953.245 and a profit and loss account showing a profit for the year of EUR 167.399.253.

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 2018, and of its results for the year then ended, in accordance with the financial-reporting framework applicable to insurance companies in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. 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.

PwC Bedrijfsrevisoren cvba - PwC Reviseurs d'Entreprises scrl - Financial Assurance Services
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Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Valuation and adequacy of the technical provisions for life insurance and claims to be paid

Description of the key audit matter

As at 31 December 2018, the technical provisions for life insurance and claims to be paid amount to EUR 9.363 million and to EUR 3.369 million respectively, and represent 75% of the total balance sheet.

The valuation of these provisions is a relatively complex process requiring a significant level of judgement. The assumptions used in determining the value of these technical provisions can be affected by the economic conditions, future management actions as well as the legislations and regulations applicable to the Company. Given the materiality of these technical provisions in the financial statements as well as the level of uncertainty and the risk of inadequacy of the technical provisions, we consider the valuation and the adequacy of the technical provision for life insurance claims to be paid as a key audit matter.

How our audit addressed the key audit matter

Assisted by our internal actuarial experts, we reviewed the design and tested the operational effectiveness of the key controls put in place by the Company to guarantee the accuracy of the valuation of these provisions and their adequacy. We have focused our audit efforts especially on the controls implemented by the Company to ensure the quality of the data used in calculating the technical provisions.

We also assessed the relevance of the actuarial techniques applied and of the assumptions used in performing the calculation and the adequacy test of the technical provisions, considering the current market conditions, as well as their adequacy in respect of the observed technical results in the period under review.

We assessed the movement analysis of the technical provisions for life insurance as prepared by the management ("Fouret" analysis).

Our review of a sample of claim files allowed us to assess that the provision for claims to be paid were estimated in accordance with the valuation rules as determined by the Company.

Finally, we performed an independent test on the adequacy of the technical provisions, of which the outcome was compared with the amounts as determined by the Company.

We also shared and corroborated our conclusions with the actuaries and the actuarial function of the Company.

Result of our procedures

Based on our audit, it is our view that the assumptions used to determine the technical provisions for life insurance and claims to be paid are reasonable.

Valuation of investments for which no quoted price in an active market is available

Description of the key audit matter

The Company holds investments for which no quoted price in active markets is available. Indeed, the fair value of a certain number of investments is determined using valuation methods based on observable market data or on unobservable market data.

As at 31 December 2018, the Company holds assets valued by a non-independent counterparty (mainly bonds and other fixed income securities) for an amount of EUR 547.4 million. In addition, the Company holds internally valued assets (mainly corporate bonds) for an amount of EUR 163.9 million.

The valuation of these investments is a key audit matter due to the significance of the estimates made and the impact that the valuation can have on note 3 of the annual accounts and the determination of impairments to be accounted for.

How our audit addressed the key audit matter

We reviewed the design and tested the operational effectiveness of the key controls put in place by the Company to guarantee the accuracy of the valuation of these investments.

For a sample of investments, we also reviewed the estimates made and the key assumptions applied to determine the fair value. We also tested the standing data used to determine the fair value.

Finally, we relied on valuation experts in financial instruments who independently recalculated the fair value of a sample of investments.

Result of our procedures

It is our view that the key assumptions applied in determining the fair value of these investments are reasonable.

In the course of our independent testing, we did not find any exceptions in respect of the determination of the fair value of the investments for which no quoted price in an active market is available.

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Valuation of the intangible assets (excluding goodwill)

Description of the key audit matter

The past few years, the Company has made significant investments to improve and modernise its IT tools. The ongoing technological transformation programme covers, among other things, the modernisation of the IT architecture supporting the non-life business.

As at 31 December 2018, the amount of intangible assets (excluding goodwill) related to the other intangible assets and advance payments amounts to EUR 79.4 million. It is mainly related to software, as well as advance payments on IT development costs.

In accordance with the valuation rules of the Company, the intangible assets are recognised as assets based on the historical cost, net of depreciation and impairments. Considering the nature of these intangible assets and their materiality, it is our view that their valuation is a key audit matter.

How our audit addressed the key audit matter

We ascertained that the investments in intangible assets met the capitalisation criteria as set down in the accounting law and the Company's internal rules.

We also reconciled the capitalised expenses to the related invoices and verified that the capitalisation criteria were met.

We also assessed the impairment test prepared by the management and the impairment charge accounted for in 2018.

Finally, we checked that the depreciation period of the other intangible assets was reasonable in light of their estimated useful lives and that the depreciation amounts had been recognised in accordance with the valuation rules of the Company.

Result of our procedures

Our procedures did not reveal any exceptions.

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Responsibilities of the board of directors for the preparation of 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 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.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the annual accounts of insurance companies in Belgium.

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.

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, the separate report on non-financial information 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 in 2018) 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, the separate report on non-financial information 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, 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.

The non-financial information required by virtue of article 96, §4 of the Companies' Code is included in a separate 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 "UN Global Compact" internationally recognized reference framework. However, in accordance with article 144, §1, 6° of the Companies' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the said "UN Global Compact" internationally recognized reference framework.

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 engagement.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm 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.

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Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable 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.
- An interim dividend has been distributed during the year in relation to which we have issued the attached report in accordance with legal requirements.
- In accordance with article 523 of the Companies' Code, we are required to report on the following transactions that took place during the year ended 31 December 2018:

  - At its meeting on 24 January 2018, the board of directors assessed the achievement of 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 that they had, within the meaning of article 523 of the Belgian Companies' Code, an opposite interest of a 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 2017 objectives.
  - At its meeting on 24 January 2018, the board of directors examined for the first time the 2018 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 Belgian Companies' Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the setting of the 2018 objectives for the members of the executive committee.
  - At its meeting on 23 February 2018, the board of directors set the 2018 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 Belgian Companies' Code, an opposing interest of financial nature in the decision that the board of directors was likely to take, viz. the setting of the 2018 objectives of the members of the executive committee, which intervene in the payment of their 2018 variable remuneration.

Liège, 27 March 2019

The statutory auditor
PwC Réviseurs d'Entreprise scrl / PwC Bedrijfsrevisoren cvba
represented by

Kurt Cappoen
Réviseur d'Entreprises / Bedrijfsrevisor

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