ANNUAL REPORT 2014

Ethias Group

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

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INTRODUCTION

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

These consolidated financial statements were approved by the Board of Directors of Ethias SA on 24 April 2015.

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

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

KEY FIGURES

Essential data of the consolidated income statement

In thousands of euro	31 December 2014	31 December 2013	Change during the year
Non Life			
Public bodies and Companies	738,068	722,924	2.09%
Private individuals	553,522	543,085	1.92%
Premium collection Non Life	**1,291,590**	**1,266,008**	**2.02%**
Life			
Public bodies and Companies	1,026,230	1,357,889	-24.42%
Private individuals	57,820	67,862	-14.80%
Premium collection Life	**1,084,049**	**1,425,751**	**-23.97%**
Total premium collection Life and Non Life	**2,375,639**	**2,691,760**	**-11.74%**
Consolidated revenues	**2,497,192**	**2,774,657**	**-10.00%**
Net profit (loss) on current transactions after tax	(598,927)	329,949	
Share of the associates in the result	741	222	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	60	-	
Consolidated net profit (loss) attributable to:	**(598,126)**	**330,171**	
Owners of the parent	(604,437)	325,151	
Non-controlling interests	6,311	5,020	

Essential data of the consolidated financial position

In thousands of euro	31 December 2014	31 December 2013	Change during the year
Total assets	22,006,632	21,379,572	2.93%
Equity of the Group	**1,146,066**	**1,744,154**	**-34.29%**
Non-controlling interests	51,869	42,150	23.06%

Legal coefficients

	31 December 2014	31 December 2013	Change during the year
Solvency ratio of the Group	**145.89%**	**184.99%**	**-21.14%**
Solvency ratio of the company Ethias SA	**179.11%**	**190.26%**	**-5.86%**
Coverage of the technical liabilities by the company Ethias SA	**111.99%**	**108.88%**	**2.86%**

Other key figures

	31 December 2014	31 December 2013	Change during the year
Number of employees:	**2,928**	**2,776**	**5.46%**

GOVERNANCE REPORT (ON 31 JANUARY 2015)

1. The Management Committee

Name	Office
Bernard Thiry	Chairman of the Management Committee (CEO)
Benoît Verwilghen	Vice-Chairman of the Management Committee (Vice-CEO) - Chief financial officer (CFO)
Frank Jeusette	Chief risk officer (CRO)
Luc Kranzen	Departments Private Individuals
Philippe Lallemand	Departments Public bodies & Companies

2. The Board of Directors

Name	Office
Erik De Lembre	Chairman, representative of the bvba BELCOM
Jacques Braggaar	Director
Claude Desseille	Chairman, representative of the cva C. Desseille
Jean-Pierre Grafé	Director
Philip Neyt	Director
Steve Stevaert	Director
Chris Verhaegen	Director, representative of the bvba RELPROM
Bernard Thiry	Director
Benoît Verwilghen	Director
Frank Jeusette	Director
Luc Kranzen	Director
Philippe Lallemand	Director

Tribute to Mr. Steve Stevaert

The members of the Board of Directors and the Management Committee wish to pay tribute to the legacy of Mr. Steve Stevaert, who unexpectedly died on 2 April 2015.

Mr. Stevaert was director of Ethias since 2005 and chairman of Ethias Common Law between 2007 and 2013. As a political figure, who laboured for his city, his region and his country, he held various prominent positions: he was successively province councillor, deputy, mayor, member of the parliament and Regional Minister, vice-chairman of the Flemish Government, party chairman, Minister of State and governor.

He was also a unconditional defender of Ethias and of the unique model that our company represents on the Belgian insurance market. His visionary mind and his common sense were characteristic of his presence within our various boards.

3. The Audit and Risk Committee

Name	Office
Claude Desseille	Chairman, representative of the cva C. Desseille
Erik De Lembre	Chairman, representative of the bvba BELCOM
Jean-Pierre Grafé	Member
Chris Verhaegen	Member, representative of the bvba RELPROM

4. The Appointments and Remuneration Committee

Name	Office
Erik De Lembre	Chairman, representative of the bvba BELCOM
Jacques Braggaar	Member
Steve Stevaert	Member

5. The statutory auditor

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

6. External offices exercised by the leaders of the Group

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

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

6.1. Directors of Ethias SA

Name	Company	Registered office	Office exercised
Jacques Braggaar	Société wallonne des aéroports	avenue des Dessus-de-Lives 8 5101 Namur	Director
	Union nationale des mutualités socialistes	Sint-Jansstraat 32-38 1000 Brussel	Director - Deputy Secretary-General
Erik De Lembre	C.L.U. Invest	Kartuizersstraat 45 1000 Brussel	Chairman of the Board of Directors
	Partena Business Services	Kartuizersstraat 45 1000 Brussel	Chairman of the Board of Directors
Claude Desseille	2 I Immo Invest	Bois Héros 15 1380 Lasne	Chairman of the Board of Directors
	Actualic	Blauwe Bosbessenlaan 56 1180 Ukkel	Manager
	Allfin	Koloniënstraat 56 1000 Brussel	Director
	Moury Management	rue Sainte-Marie 24 4000 Liège	Independent director
	Warehouses Estates Belgium	avenue Jean Mermoz 29 6041 Gosselies	CEO - Director
	Wilink	Boulevard Baudouin 1er 25 1348 Louvain-La-Neuve	Chairman - Independent director
Jean-Pierre Grafé	Liège-Airport	Aéroport de Bierset, Bâtiment 44 4460 Grâce-Hollogne	1st Vice-Chairman of the Board of Directors and of the Management Committee
	Liège-Airport Business Park	Aéroport de Bierset, Bâtiment 44 4460 Grâce-Hollogne	Director
	Liège-Airport Security	Aéroport de Bierset, Bâtiment 44 4460 Grâce-Hollogne	Chairman of the Board of Directors
	Development company of Liège-Guillemins	rue Sainte-Marie 3 4000 Liège	Director
Philip Neyt	Curalia (Insurance company)	Archimedesstraat 61 1000 Brussel	Director
	Eurco Ltd	George's Dock 6 Ifsc Dublin (Ireland)	Director
	Leo Stevens and Co (Investment company)	Schildersstraat 33 2000 Antwerpen	Manager
	Vladubel	Havenlaan 2 1080 Brussel	Director
Stevaert Steve	Dela Investment Belgium (Insurance company)	De Keyserlei 5/14 2018 Antwerpen	Director
	Elia Asset	Keizerslaan 20 1000 Brussel	Director
	Elia System Operator	Keizerslaan 20 1000 Brussel	Director
	Gault Millau Benelux	Koningsstraat 100 1000 Brussel	Chairman of the Board of Directors
Chris Verhaegen	Belgian Technical Cooperation	Hoogstraat 147 1000 Brussel	Director

6.2. Effective leaders of Ethias SA

Name	Company	Registered office	Office exercised
Philippe Lallemand	Meusinvest (Financial holding)	rue Lambert Lombard 3 4000 Liège	Director
	Federal Shareholding and Investment company (Financial holding)	Louizalaan 54/1 1050 Brussel	Director
	Socofe (Financial holding)	avenue Maurice Destenay 13 4000 Liège	Director
	Sowalfin (Financial holding)	avenue Maurice Destenay 13 4000 Liège	Director
	Techspace Aero	route de Liers 121 4041 Herstal	Director
	Wespavia (Financial holding)	avenue Maurice Destenay 13 4000 Liège	Director

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

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

The Audit and Risk Committee is chaired by Mr Claude Desseille, independent director, and also includes Mrs Chris Verhaegen and Mr De Lembre and Mister Grafé.

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

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

Mrs. Verhaegen holds obtained a master's degree in law and was Secretary-General of Pensions Europe until 31 December 2011. In EIOPA (European Insurance and Occupational Pensions Authority, Frankfurt a/Main) she was chairman (until October 2013) and is currently member of the stakeholder group for complementary pensions. Until October 2013 she was also member of the stakeholder group for insurance and reinsurance. She was also director of the Belgian Association for Pension Institutions and member of the Insurance Commission.

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

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

MANAGEMENT REPORT

1. The year 2014 in a number of dates and key facts

1.1. European Commission

In May 2010, the European Commission considered that the recapitalization of Ethias by the public authorities was in accordance with the European rules on state aid, subject to the implementation of various commitments before the end of 2013 with the aim of restoring the financial situation of the company.

All commitments to the European Commission, both with regard to governance and reduction of risks on investments as those relating to the transfers of activities or to the technical profitability were observed until the end of December 2013, with the exception of the run-down of Life Private Individuals and the payment of a dividend to the public shareholders, partly achieved taking into account the unfavourable development of the market conditions for one and the need to give priority to the strengthening of the own funds in view of the impending entry into force of the Solvency II rules for the other.

On 12 June 2014, the European Commission published its decision to extend certain commitments of Ethias, in a modified form, to 31 December 2016. This term can under certain conditions be shortened or extended by the European Commission.

These commitments mainly concern:

- The further run-down as regards Life Individuals, i.e.:
  - ban on production in Life Private Individuals, with the exception of Branch 23 and death insurance products
  - reduction of the reserves in Life Private individuals, without provision of a maximum threshold that must be reached by the end of 2016, and the obligation to start up a sales process for the portfolio FIRST A (higher guaranteed interest on 8 years), FIRST Fiscal and Pensions Savings if certain conditions are united (these conditions are currently not met);
- Maintenance of a risk management in line with the best practices on the market
- Maintenance of a certain technical profitability rate
- Prohibition on the acquisition of more than 5 % of the capital of a company, with the exception of investments in real estate and in investment funds.
- Respect of reinvestment guidelines
- A change in the composition of the Board of Directors and of the effective management of Vitrufin;

The main measures taken with regard to this decision were already integrated in the day-to-day management. In addition, the decision is in particular focused on strengthening the profitability and ensuring the viability of the company, which is also the objective of Ethias via the plan "Visa for the Future".

1.2. Tax dispute

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

The administration contested the legal qualification of the insurance contract and argued that these contracts were investment contracts and that, consequently, the annual interest granted by Ethias SA to the reserves of these contracts were indeed movable income for the public entities - policyholders and therefore had to be subject to withholding tax.

Ethias SA fully contested the position of the tax administration and transferred the file to Court.

End of 2009 the First Instance Court of Liège confirmed the assessments on withholding tax. Ethias SA lodged in November 2010 an appeal against this judgment. On 28 November 2014 the Court of Appeal confirmed, in spite of the interpretative law, the judgment in first instance.

Pending the judgment of the Court of Appeal, Ethias deposited by way of provision the assessed amounts including the relevant default interests for an amount of EUR 367 million. The judgment of November 2014 therefore had no impact on the cash situation of the company. This judgment, however, had a negative impact of EUR 378 million on the accounting result 2014 of Ethias.

The company does not exclude at this stage the possibility of an appeal in cassation.

1.3. Fitch rating

The rating agency Fitch revised on 30 July 2014 the rating for financial strength of Ethias SA from BBB to BBB+, giving the rating a stable outlook. Fitch considers that the level of capitalization is solid and notes that the financial "foundations" continue to improve as a result of the strong efforts Ethias has realized since 2009. Fitch stresses the significant improvement of the technical profitability in Non-Life, which is the result of the implementation of the measures in the Plan Visa.

These upward revised ratings were confirmed on 17 December 2014 despite the judgment of 27 November 2014 of the Court of Appeal with regard to the dispute with the Belgian tax authorities.

1.4. Other facts in a number of dates

1 January: The activities of the G.I. and the G.I.E.I. were included in the accounts of NRB as a result of the management change.

21 January: The society Adehis changes name and becomes Civadis.

21 March: The second colloquium on the challenges of an aging population, co-organized by Ethias, is titled "Dependence: the challenge of the aging population"

24 March: Launch of the NPS Net Promoter Score. A tool to measure the satisfaction and recommendation rate for all insured persons who appealed to Ethias. On the basis of the scores Ethias is the insurer with the highest recommendation rate in Belgium.

28 March: Xperthis Group has ceded 4 shares, of which two to NRB and two to third parties. Xperthis Group was the unique owner of these shares since 28 March 2013.

23 April: Ethias gains two DECAVI insurance trophies rewarding the best insurance products Non-Life in Belgium. Ethias Public and Corporate Department gains for the 5th time in four years the innovation trophy, this time for HospiFlex. This is a very flexible tailored coverage, recognized as a first on the healthcare market for public bodies and enterprises. The Private Individuals Department gains in its category for the 6th time in 10 years a trophy for the Family Insurance.

12 June: The European Commission grants its approval to the extension of the reorganization plan of Ethias, in a modified form, to 31 December 2016.

17 July: Ethias Assistance gained in 2003 the first certification for quality management - ISO 9001-2008. Thanks to performant work processes and the involvement of all its co-workers the certification was renewed: an additional quality assurance for Ethias Assistance, which is - together with Inter Partner - the only company in Belgium to put this internationally recognized label into practice for its insureds.

29 July: The rating agency Fitch announces a rating improvement of Ethias SA and Ethias Common Law. The rating rises from BBB (stable outlook) to BBB+ (stable outlook)

31 July: Civadis takes over Stesud (with retroactive accounting effect on January 1st).

21 September: Ethias uses text messages to communicate with its insureds. Simple and efficient. Through these messages Ethias is able to further optimize its service. Ethias takes on board the communication tools used by its insureds and is hence able to reduce the number of postal items.

1 October: Launch of “Digital Omnium”: a new insurance product for fire, physical accidental damage, theft and fraudulent calls for all mobiles, smartphones, tablets and laptops within the family, anywhere in the world, for all devices less than 5 years old.

5 October: On the National Company Discovery Day Ethias welcomes more than 1800 visitors (more than 1000 in Hasselt, more than 850 in Liège). A hundred colleagues showed, as fully-fledged guides, the various aspects of our buildings.

14 October: Launch of the tariff "Ethias Young Drivers": a car insurance which builds on the trust towards young drivers. Their bonus/malus drops with 2 degrees instead of 1 degree per year when having zero accidents. With this action we launched the first Twitter-account: @ethiasYD.

14 October: Commitment by a partnership, involving Ethias, to buy the company AIR Properties SA at the provisional delivery of the office building situated in Luxemburg that is fully pre-let. The provisional delivery is scheduled for the beginning of 2016.

13 November: Ethias participates in the award ceremony of the Corporate HR Awards, an initiative that rewards companies for their innovative and original strategies in the field of human capital management. In doing so they strive to competitiveness, social responsibility and welfare for their staff.

20 November: Ethias buys the company RPI. RPI has as its main asset a site located in Wezembeek Oppem where a new nursing home (115 beds) will be built (completely pre-let).

24 November: Launch of the "Starter Pack", an advantageous insurance package (Fire & Family) for young people under the age of 30.

28 November: The Court of Appeal in Liège rules in the context of the dispute between Ethias and the tax authorities with regard to the pension insurance for the public sector. The Court confirmed the judgement in first instance, that was unfavourable for Ethias.

2 December The companies Xperthis Group and Xperthis (1 share) acquired 100 % of the shares of the company Ciges, a company which is active in the design, the development and the commercialization of IT solutions for professionals in the health sector.

10 December Ceremony of the Ethias Prevention Awards (2nd edition): 60 public institutions submitted an application. For the first time the competition is also accessible for the non-profit sector.

22 December Ethias starts Phase II with the acquisition of the Triamant site and a set of buildings in Velm including a nursing home and service flats.

2. Result of the financial year

2014 notes a loss of EUR 604 million in spite of the highly positive results recorded by the insurance Non-Life (+254 million).

This result takes into account the impact of the tax dispute as well as the additional allocation to the technical provisions Life resulting from the liability adequacy test.

The unfavourable judgement passed in November 2014 by the Court of Appeal with regard to the dispute with the tax authorities had a negative impact of approximately EUR 378 million.

We also note that the interest rates observed on the market during the financial year 2014 and at the beginning of 2015 remain very weak. In this context, and as during the previous years, we realized a liability adequacy test of the provisions in life insurance. This test resulted in a supplement of the provisions which had a negative net impact of 369 million on the accounts.

2.1. Analysis of the results of the financial year

2.1.1. Private individuals

<u>Non-Life</u>

The premium collection increases with 1.9 % compared to end December 2013 and reached EUR 554 million.

This favourable development is mainly explained by the constant growth of the commercial activity, which is reflected in the increase in both the number of new policies and the number of insured persons.

Ethias also wants to fully pull the card of innovation, both at the level of its product range and at the level of the digital evolution.

Hence “Digital Omnium” was launched in 2014. This new product covers all mobiles, smartphones, tablets and laptops within the family, anywhere in the world, against the risks of Fire, Accidental damage, Theft and fraudulent calls.

In addition, *Ethias Young Drivers* provides an answer to the difficulties that young drivers experience to take out an affordable insurance. The *Young Drivers Bonus* rewards prudent drivers, who did not cause any accident at fault, by lowering their bonus/malus more rapidly during two years. Young drivers are also encouraged to drive in a safe and responsible way via the Ethias Young Drivers app and will get a reimbursement 50 € repaid after following a defensive driving course.

In addition, young people who start living alone or start a new family can take out the *Ethias Starter Pack* at a preferential rate consisting of the innovative home insurance for tenants and the family insurance. This formula can also be easily taken out online.

After the launch of the first Concept Store in Bruges in 2013 a second pilot office was opened in Waver in 2014. This new office model makes use of numerous digital developments strengthening the commercial dynamism.

Ethias continued to show its social commitment. On the occasion of the various sponsoring actions, its local presence was emphasized thanks to the active involvement of the regional offices and their co-workers. A few examples: the "Ethias Trophy" in Bergen, "Tricot d'art Urbain" in Namur, the "Biennale d'Art Urbain" in Charleroi, "Hazegras" in Ostend, "Jazz in 't Park" in Ghent, the "Sinksenfeesten" in Kortrijk, the "Sint Michielsfeesten" in Bruges, etc.

Since 2013, 7 offices in the Federation Wallonia-Brussels are actively participating in the mentorship of 7 social grocery stores. This mentorship includes both the collection of money via boxes in waiting rooms, the participation in the "Fortnightly of the Red Cross" and the promotion of local activities by volunteers of the social grocery stores.

In cooperation with the Federation of Independent Seniors, an art competition was organized within the frame of the 100-year anniversary of the First World War. On this occasion more than 100 art works of seniors were exhibited in the regional office of Ypres.

Henceforth, Ethias appeals to an independent consulting agency that, on the basis of the reliable Net Promoter Score, constantly assesses the customer satisfaction following their daily contacts with our commercial and administrative teams. This assessment enables us to continuously improve the quality of our services.

With regard to the technical results, the individual insurance activities Non-Life showed a positive net technical-financial balance, despite the exceptional hail storm which hit the country during the Whit weekend involving more than 8,500 insured persons that suffered damage to their vehicle and more than 5,000 to their home.

<u>Life</u>

The premium collection decreases with 15% compared to end December 2013 and reaches EUR 58 million. This continuous decline is still the result of the European Commission's decision of 20 May 2010 to stop the Life insurance activity for Private Individuals (extended decision of the European Commission of 12 June 2014).

Nevertheless, Ethias wanted to be able to offer its customers a full range of financial products and concluded in 2011 distribution agreements with the insurance company "Integrale" in view of the commercialization, for the account of the latter, of the Branch 21-insurance products *Certiflex-8* and *Rent*. In 2013 a partnership was concluded with *Keytrade Bank*. In spite of the fact that the interest rates reached historically low levels on the financial markets, these products offer our policyholders an alternative for their savings, both in the short and long term.

2.1.2 Public and Corporate Department

During 2014, the Public and Corporate Departments continued their actions for sustainable efficiency and performance with respect for the values of ethics, humanity, commitment and proximity.

This strategic approach is primarily aimed at consolidating the relationships with the insureds of the Public and Corporate sector by offering them a full adapted and innovative range of solutions for their risk management and insurances.

The Public and Corporate sector is the reaffirmed core of the Ethias activities. In a constantly changing economic market, the concept of 'partnership' remains of great importance, both in terms of safety and protection and in terms of prevention and support. A relation that Ethias wants to strengthen with its historical insureds:

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

Ethias offers since long guarantees for all risks that public services and their staff can run: civil liability, health care, work accidents, sporting accidents, vehicle, assistance, etc. Ethias also covers the damage to or destruction of material, buildings and installations.

In view of continuous improvement Ethias pursued in 2014 several important innovations that contribute to quality, effectiveness and social responsibility of its products and services. Ethias develops an innovation dynamic which is firmly anchored in its commercial strategy and which was in April 2014 again recognized by the sector in the field of innovative insurance solutions, receiving a 5th DECAVI Innovation trophy for its coverage "HospiFlex". This product is the first modular and full coverage in healthcare for the Public and Corporate sector allowing the insured to create an optimum customized coverage in hospitalization insurance.

Building on innovative services such as the prevention service for meteorological risks (developed together with the Belgian Meteorological Institute) Ethias wants to continuously cultivate a real prevention culture for its insureds through the exchange and sharing of "best practices". In order to reward the best practices of its insureds in the public and non-profit sector, Ethias organized, for the second year in a row, the "Ethias Prevention Awards"(prevention awards for the thousands of insured persons of the Public and Corporate sector). In cooperation with the FBS Employment, Labour and Social Dialogue and Wolters-Kluwer, Ethias offered to each public or non-profit institution the possibility to apply in 4 separate categories: safety of persons, protection of goods, training and integrated multiannual plans. On 10 December 2014, nearly 300 representatives of the insured municipalities, provinces, social welfare centres; police districts, inter-municipal companies, schools, hospitals, non-profit organizations, etc. were present at the awards ceremony in Brussels. The prices were awarded by a panel of independent experts chaired by the FBS Employment, Labour and Social Dialogue. In an endeavour to promote the best prevention reflexes for its insureds in the Public and Corporate sector, as well as for all beneficiaries of its guarantees (public employees, staff of administrations, citizens ...), Ethias launched in June 2014 an online platform for service and advice on security. This "Ethias Prevention Corner" brings it all together.

In Life insurance Ethias also offers solutions tailored to the needs of its insureds (pension and contribution insurances, group insurances, individual pension liabilities, insurances for executive managers, interest-rate contracts, etc.). Ethias also actively participates in the development of solutions for new needs expressed by the market: promotion of complementary pensions for contractual employees of the public sector, services to pension funds through the new entity "Ethias Services" (actuarial advice, financial and administrative management, etc.) or the development of an extranet application dedicated to pension management (Easenet Pensions). In order to strengthen its position as major player and its unique expertise both in the field of statutory and complementary pensions, the specialists of Ethias wrote two reference works published by Vanden Broele about the pension regulation in local authorities, statutory pensions of statutory staff and of mandataries. In addition Ethias continued to emphasize tits offer of training and conferences in this domain.

In that context, the "Ethias Member's Academy" offers the Public and Corporate Sector a broad range of general or specific training programs in insurance: liabilities, accidents at work, risks, portfolio audit, legislation, etc. Ethias supports and participates actively in training programs in cooperation with its partners of the associations of cities and municipalities, the chambers of commerce or the non-profit sector. The sharing of specialized insurance knowledge was strengthened in 2014 with the launch of an internet platform for e-learning. From its broad experience in the public sector, Ethias has developed performant guarantees for private companies, by means of a comprehensive range of insurance products to protect their employees, their assets and responsibilities. In that context Ethias works together with brokers specialized in companies.

At the end of the financial year 2014, the results of the Public and Corporate Departments are positive.

In quantitative terms, the total premium collection for the insurance activity Public Bodies and Companies amounts to EUR 1.8 billion.

The Non-Life activities show a premium collection of EUR 738 million, this is + 2% compared to 2013 and the result of the reaffirmed confidence by our insureds, of the dynamics within our teams and their commitment to strengthen a qualitative historic relationship.

As an insurer and privileged partner of the Public and Corporate Sector, Ethias continues to strengthen the development of new, innovative and efficient services for its insureds, in all of their activities: prevention, risk analysis, corporate social responsibility and also the launch of high-performance applications. In each of these domains, Ethias wants to materialize its pursuit of efficiency and innovation.

In Life, the premium collection is slightly above EUR 1 billion. The pension insurances (1st pillar) are, with a collection of EUR 816 million in 2014, the main portfolio in terms of premium. Ethias positions itself more than ever as a partner of the Public Sector in the domain of pensions (pension and contribution insurances, administrative management and payment of pensions, etc.).

In terms of profitability the Life and Non-Life activities for the Public and Corporate Sector show a positive result, indicating an improvement of our management methods as well as a new balance in the relationship with our insureds.

2.1.3 Finance

Investment policy

Various investment policies cover all investments carried out by Ethias SA and describe the general framework in which the investments must fit as well as the roles and responsibilities of all interveners. The so-called general investment policy covers the majority of investments made. In addition to this general policy there are guidelines for some specific asset classes such as real estate, alternative investments, strategic and financial investments and loans to individuals. These policies are annually updated and were approved by the Management Committee of 1 September 2014 and validated by the Audit and Risk Committee of 10 September 2014 and by the Board of Directors of 10 September 2014.

The investment policies determine the eligible investments, the objectives in terms of risk and return, and this in accordance with the policy of asset & liability management and the strategic allocation of assets. They also determine the investment guidelines to ensure that the investments are made in line with the company risk appetite and financial objectives in the medium and long term. They aim inter alia to ensure the quality and liquidity of the portfolio, to reduce its complexity and to optimize the diversification and risk profile, with respect for the legal internal pre-set limits as well as the directives and obligations imposed by the European Commission. The diversification of the portfolio is continued per asset class but also for all asset classes together and on different levels: type of assets, sector, country, maturity, issuer/counterparty, etc.

As in the past few years, the exposure to opaque products such as structured, securitized and complex products was further reduced in favour of traditional financial assets. The most preferred instrument classes with the largest preference are still government bonds and credit bonds, with a preference for the non-financial sector, and this in line with the directives of the European Commission. The exposure in shares was reduced by the end of the year in line with the favourable situation on the markets and in order to reduce the portfolio's risk profile in preparation of Solvency II.

Regarding bond investments, the year was marked by a significant fall in rates. The Belgian government bonds were also confronted with a strong decline in their yield. The weak visibility on the expected interest-rate movements and the fear that the interest rates will remain low for a longer period, reminded us in the course of the year to invest gradually and particularly in Belgian and French sovereign bonds. In the same perspective, we extended the duration of our investments in government bonds. We benefited from the positive yield differential and from the economic recovery of the countries to increase our exposure in Spanish and Irish sovereign bonds.

The investments in credit bonds and covered bonds were proportionally less important this year . The favourable trend on the credit markets and the yield pick-up in relation to sovereign securities offered investment opportunities that respect our internal limits and ensure a satisfactory risk-return linking. The credit spreads continued to shrink and therefore the opportunities become more scarce after taking into account the capital charges under Solvency II. Only bonds with an "investment grade" listing were eligible for purchase. The exposure to financial debts was reduced taking into account the broader requirement of Europe in terms of "burden sharing" for the private sector in the event of insufficient capital.

The real estate investments are also continued in line with Ethias intention to increase its exposure to this type of asset class through investment in nursing and care homes as well as in office buildings. The majority of this year's investments were made in the sector of nursing homes. Opportunities in Belgium's neighbouring countries are also taken into consideration.

The various actions taken to reduce the size of the Ethias' Life branch require the maintaining of a substantial liquidity cushion throughout the year. However, investment solutions in the longer term (deposits etc.) were used to obtain an acceptable return and at the same time ensure a good liquidity.

As a responsible financial partner, Ethias also ensures to promote the compliance of its fundamental values through an investment code. A black list of prohibited investments is annually updated. The last version of this investment code was approved by the Management Committee on 17 December 2014. In its investment property, Ethias also prefers investments which strengthen its social role, such as investments in nursing and care homes.

The market conditions in 2014

The year 2014 was not as moved as the previous years, but that has not stopped forecasters to be very surprised about the interest rate movements. While most of the forecasts expected an increase in interest rates on the basis of a growth recovery, the interest rates have fallen sharply on both sides of the Atlantic. In Europe, the German government 10 year rate fell from nearly 2.00 % to 0.54 % in an almost continuous downward movement. Interest rates of other European countries followed the trend and many also reached a historically low level. In the United States, the decrease was slightly weaker: the comparable rate closed the year at 2.17 %, i.e. 86 basis points below the level of end 2013.

There are various reasons behind these movements. In Europe, the economic recovery expectations were adjusted downwards during the whole year, undermined by the conflict in Ukraine and the grimmer outlooks worldwide, particularly in the United States and the emerging countries. In addition, the inflation rate in the euro area, which was only 0.8 % by the end of 2013, dropped further to -0.2 % (flash estimate of December 2014) due to external factors, including the strong decline in oil prices, but also internal aspects, such as a moderation of labour costs.

In this context, the different economic actors began to anticipate a weak inflation against the ECB's objective to keep the inflation rate in the vicinity of, but under 2% in the short term. Consequently, the ECB implemented new measures to re-ignite growth and inflation. The ECB lowered on the one hand its refinancing rate twice, going from 0.25 % to 0.05 %, and decided on the other hand to reallocate long-term loans to banks (LTRO) and to intervene directly on the interest rate markets by purchasing certain asset types (covered bonds and Asset Backed Securities). The ECB even brought up the possibility to extend its purchases to government bonds. These different measures aim to increase the demand for bonds in order to reduce interest rates and consequently facilitate the economy's financing.

Interest rate movements in the United States have also pushed down the European interest rates. Although the economic recovery in the US is stronger and the Fed consequently stopped its derogating measures, the weak inflation does not encourage the monetary institution to increase its interest rates rapidly.

The fall in interest rates did of course not only affect Germany, many other European countries also saw their interest rates fall to a low. In Belgium, the ten year interest rate, which was still above 2.50 % at the end of 2013, ended the year at 0.83 %. Furthermore, the Belgian 10 year interest rate fell during the year below its French counterpart. There was an identical movement in the remote countries of the euro area. In Portugal, the 10 year interest rate of more than 6 % at the beginning of the year fell down to less than 3 % today while in Ireland, Spain and Italy the interest rates decreased by respectively 225, 290 and 223 basis points and ended respectively at 1.25 %, 1.61 % and 1.89 %. Taking into account these extremely low finance interest rates the debt crisis now seems to lie far behind us, while one could ask whether the risk is sufficiently compensated at these interest levels.

On the corporate bonds markets, the iTraxx 5 year started the year at 70 bps and ended around 63 basis points. The iTraxx represents the risk premium with respect to the financing of businesses for all sectors combined. This slight decrease of the risk premium was influenced by several factors: (i) a context of low rates that encouraged investors to search for yield, (ii) correct corporate fundamentals and low default rates, (iii) reassuring results for the banks stress tests. This year, however, was quite volatile and subject to geopolitical tensions between Ukraine and Russia, the fear about the growth figures in the emerging countries, but also the interventions of central banks. The primary market (issues of new bond securities, in contrast to the secondary market) was particularly active and open. Next to the disintermediation of credit lending (where banks do not longer play their role as a lender because of strict regulatory measures), businesses turned to the bond market in order to secure their liquidity and to finance themselves at extremely low interest rates. In this way, many new issuers have emerged.

The stock markets continued their 2013 increase during the first semester (with the exception of end January when the crisis in Ukraine exploded), driven by the positive economic growth assumptions worldwide. This trend was broken in Europe and, in a lesser degree, in the United States during the summer months with the publication of economic figures which were weaker than expected: loss of speed in Germany, recession in Italy and stagnation in France, with in the background the escalating conflict in Ukraine. Even though this correction was well received at the end of August, the markets were nevertheless worried about the increasingly lower inflation rates and the risk of a return to recession in Europe. The Eurostoxx50 lost about 10 % in the first 15 days of October. The revival was started after Mario Draghi's speech who would do anything in his power to increase the inflation outlook. The American annual performance is in fine (S&P: +11.39 %, Dow Jones: +7.52 %) better this year than the performances in Europe (Eurostoxx50: +1.20 %, Ibex: +3.66 %, Dax: +2.65 %, CAC: -0.54 %, MIB: +0.23 % and the outstanding performance of the Bel20: +12.35 %). The values with high dividend performed particularly well, like the values participating in the intra-industry consolidation movements. We point out to the outperformance of the following sectors: Leisure (+19.54 %), Telecommunications (+14.05 %), Real Estate (+13.79 %), Food & Beverages (+12.31 %) and Utilities (+12.27 %).

This year was also marked by the constant depreciation of the euro against the US dollar: -12 % in 2014. The euro went from 1.38 to 1.21 at the end of December.

Other important event was the strong decrease in crude oil price, which closed the year at 55.76 US dollars, i.e. a loss of -49% over 2014.

3. Profit sharing and refunds

The following profit sharings and refunds are proposed:

Life activities

- **Group insurances**

  Increase of death benefit with 35 % (or possible decrease of death benefit with 35 %). For 1st pillar life insurance contracts, with the exception of those of which the assets are managed in a limited fund, the granted net yield amounts to the guaranteed interest. For 1st pillar life insurance contracts, with the exception of those of which the assets are managed in a limited fund, the granted net yield amounts to the guaranteed interest.

For contracts of which the assets are managed in a limited fund, the profit sharing is paid in accordance with the stipulations of the fund.

- **Individual insurances**

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

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

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

- **Interest rate contracts**

  No profit sharings are provided, with the exception of the contracts of which the assets are managed in a limited fund and for which the profit sharing is in accordance with the stipulations of the fund.

- **Capitalization contracts (branch 26)**

  No profit sharings are provided for these contracts.

Life activities

No refunds are granted.

4. Assessment of internal control

The preparation of the report on the assessment of the internal control system is in conformity with the CBFA circular 2009_26 of 24 June 2009 as well as the COSO standards (Committee of Sponsoring Organization of the Treadway Commission).

In terms of control environment:

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

In terms of risk assessment:

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

In terms of controlling activities:

- Ethias implements and/or revises its controlling activities by means of guidelines which specify the objectives, and procedures activating these guidelines.
- Ethias selects and develops the controlling activities contributing to the maintenance or decrease of risks linked to the realization of its objectives at acceptable levels.

In terms of information and communication:

- Ethias communicates internally the information which is required for a proper functioning of the other internal control components, more specifically by obtaining relevant and qualitative information.

In terms of steering:

- Ethias achieves permanent and/or punctual assessments to check if the internal control components have indeed been implemented and are operable.

- Ethias communicates, in due time, an assessment of the internal control's deficiencies to the persons responsible for corrective measures, in particular to the Executive Committee and the Audit and Risk Committee.

As with any internal control system, the system implemented by Ethias can only provide an absolute guarantee when the risks are completely excluded. Therefore, the system only provides a reasonable assurance with respect to the realization of its objectives. The system evolves constantly and was strengthened in 2014 through:

- Regular review of the investment policy tailored to the risk appetite;
- Monitoring of the Solvency II project;
- Continuous improvement of applications relating to operational excellence;
- Implementation of policies related to continuity and security;

However, the internal control system of Ethias can still be improved on certain points since:

- The formalization in the implementation of the control plans for the critical Solvency II processes should be finalised;
- The roll-out of the policies relating to continuity and security must be accelerated;
- The procedures should also be formalized and the checks that are carried out should be better documented.
- The IT architecture should be improved in order to meet more effectively the challenges Ethias faces.

The conclusions of our assessment of the internal control system have led us to continue improving our efforts in this domain through the implementation of various plans to complement the plan "Visa for the Future".

5. Risk governance

We refer to note 9 of the financial statements.

6. Reinsurance

The reinsurance fits in the control process of the insurance risks. It also contributes to the improvement of the solvency ratio.

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

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

The reinsurance programs are divided into four major parts: non-life insurance, liability insurance, motor insurance, the personal insurances (occupational accidents and death/disability insurances). Each year, they are reassessed to meet the needs of production taking into account the reinsurance market and the evolution of equity and the hedging purposes of the solvency margin.

In general, the interest rates of the reinsurance premium decrease on the market in view of the absence of major disasters worldwide and the substantial capacities available.

There has been little change in the reinsurance program between 2013 and 2014. We benefited from the favourable reinsurance context to continue purchasing additional capacities in Catastrophe Fire. Overall, our reinsurance cost is stable.

Ethias SA reinsures 95 % of the activities of Ethias Common Law (mutual insurance association).

7. Information regarding environmental and employee matters

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

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

8.1 Macroeconomic environment

Ethias suffers, just as all insurers with a Life activity, from the effects of a difficult macroeconomic environment. The low interest rates heavily penalize the profitability of the Life products with a guaranteed interest rate that is higher than the interest rates on government bonds. If the interest rates would remain at this level or even continue to fall, this would have a negative impact on the profitability of the company. Consequently, the company implements actions allowing it to restrict its sensitivity to changes in interest rates.

8.2 Solvency II and ORSA 2014

Solvency II, the European regulation for insurance companies, will enter into force on 1 January 2016. Solvency II is based on a three-pillar approach (capital requirements of insurance companies, management mode and governance, communication and transparency).

Solvency II implies:

- capital requirements depending on the risks taken by the company, which entail growing equity requirements for the majority of the sector.
- a more volatile solvency, depending on the macroeconomic conditions at that moment.

Ethias realized a test with regard to the prospective assessment of its own risks (known as "ORSA" report), in accordance with the technical features of the Solvency II regulation entering into force on 1 January 2016. As a result of this exercise, Ethias defined at the beginning of 2015 an action plan in order to comply with the solvency requirements.

9. Other activities of the Group

The net profit (loss) of the other activities of the Group is mainly generated by the company NRB and its subsidiaries.

The strategy defined in 2012 should be continued and this, through the further evolution of the revenues.

The financial year 2014 was indeed characterized by further growth thanks to new contracts both in Wallonia and in Flanders.

In parallel to this, and to deal with the increasingly tough competition on the market, the planned operations in terms of productivity improvement, investments in the cloud and training continued throughout 2014.

Risk management programs, quality, security and continuity improvements were emphasized in 2014.

The NRB group also reinforced its position in the healthcare sector via the purchase of CIGES SA in December 2014 and MIMS SA in January 2015. The latter does not integrate the consolidated accounts on 31 December 2014.

These purchases fit into the group's growth strategy aiming to become the n° 1 provider of IT services for hospitals in Belgium.

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

The consolidated revenues amount to EUR 222 million and the consolidated operating result represents 7,63% of this figure.

The financial result is -3,1 million as a result of booking depreciation on positive consolidation differences on financial expenses.

In the balance, we note the following headings:

- Fixed assets reach an amount of EUR 88.7 million including fixed assets for EUR 41.5 million and positive consolidation differences for EUR 33.4 million euro.
- Receivables within one year up to EUR 52.6 million.
- Cash investments and available values amount to EUR 65.8 million.
- After allocation of the result of NRB, the consolidated equity reaches EUR 94 million.
- Interests of third parties amount to EUR 25.5 million.
- Debts within maximum one year reach EUR 85.4 million.

Owing to the activities of the financial year 2014, a consolidated profit of EUR 7.5 million could be achieved, of which EUR 6.7 million as Group share and EUR 0.8 million as third party share.

10. Events occurring after the financial year was closed

10.1. Run-down of the activity Life Private Individuals

The decision by the European Commission of 12 June 2012 compels Ethias to continue its policy to accelerate the run-down of the portfolio Life individual, and this to strengthen its solvency. This is the reason why Ethias offered at the end of February 2015 to its clients, holders of a FIRST A, an exit premium equal to 4 years' interest upon full surrender and an exit premium equal to 4 years' interest upon partial surrender of minimum EUR 100,000, in so far as the surrenders take place before the end of March 2015.

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

In thousands of EUR	Notes	31 December 2014	31 December 2013
Assets			
Goodwill	**11.1**	**29,667**	**28,969**
Other intangible assets	**11.2**	**13,927**	**13,212**
Properties and other fixed assets	11.6	**132,443**	**133,390**
Investment in associates	11.3	**20,910**	**24,794**
Investment properties	11.6	**391,346**	**357,431**
Financial assets available for sale	11.4	14,510,277	13,489,786
Financial assets at fair value through profit or loss	11.4	1,422,756	1,698,333
Loans, deposits and other financial investments recognized at amortized cost	11.4	945,343	1,103,481
Derivative financial instruments	11.5	15,094	4,754
Investments belonging to unit-linked insurance contracts	11.4	416,352	476,546
Financial investments		**17,309,822**	**16,772,899**
Reinsurers' share of insurance liabilities	11.13	**113,890**	**141,191**
Deferred tax assets	11.10	**279,261**	**126,017**
Receivables arising from insurance operations or accepted reinsurance	11.7	**1,269,015**	**1,225,715**
Receivables arising from ceded reinsurance operations	11.7	**61,703**	**65,006**
Other receivables	11.7	**210,148**	**634,357**
Other assets	11.8	**281,024**	**285,931**
Cash and cash equivalents	11.9	**1,892,698**	**1,567,064**
Available-for-sale assets including assets from discontinued operations	11.11	**778**	**3,597**
Total assets		**22,006,632**	**21,379,572**
Liabilities			
Share capital		1,000,000	1,000,000
Reserves and retained earnings		573,712	248,561
Net profit (loss) of the period		(604,437)	325,151
Other items of comprehensive income		176,791	170,443
Equity of the Group		**1,146,066**	**1,744,154**
Non-controlling interests		**51,869**	**42,150**
Total equity	11.12	**1,197,934**	**1,786,304**
Insurance contract liabilities		8,529,903	8,135,735
Investment contract liabilities with discretionary participation features		10,279,399	9,469,739
Investment contract liabilities without discretionary participation features		4,036	46
Liabilities belonging to unit-linked insurance contracts		416,353	476,547
Profit sharing liabilities		20,708	13,400
Insurance and investment contract liabilities	11.13	**19,250,398**	**18,095,467**
Subordinated debts	11.14	**321,500**	**321,500**
Other financial debts	11.14	**46,474**	**41,929**
Employee benefits	11.16	**603,348**	**537,258**
Provisions	11.15	**119,404**	**148,922**
Derivative financial instruments	11.5	**-**	**-**
Tax payables	11.17	**39,399**	**35,385**
Deferred tax liabilities	11.10	**4,032**	**4,206**
Liabilities from operating activities	11.17	**208,034**	**185,758**
Other liabilities	11.17	**214,236**	**218,093**
Liabilities related to assets available for sale and discontinued operations	11.11	**1,871**	**4,749**
Total other liabilities		**20,808,697**	**19,593,268**
Total liabilities		**22,006,632**	**21,379,572**

The statements and notes 1 to 14 form an integral part of the consolidated financial IFRS statements as at 31 December 2014.
We decided to recognize the mutual insurance association CL in accepted reinsurance in 2014. Therefore, we accordingly adjusted the 2013 balance sheet.

2. Consolidated income statement

In thousands of EUR	Notes	31 December 2014	31 December 2013
Gross premiums	12.1	2,375,639	2,691,760
Premiums ceded to reinsurers	12.3	(40,570)	(71,881)
Change in the provision for unearned premiums and outstanding risks [(a)]		(15,250)	(11,782)
Other income from insurance activities		4,496	3,252
Revenues from insurance activities [(a)]	12.1	**2,324,315**	**2,611,348**
Revenues from other activities	12.4	172,876	163,309
Revenues		**2,497,192**	**2,774,657**
Net income of investments		621,349	658,328
Net realized gains or losses on investments		119,987	33,368
Change in fair value of investment through profit or loss [(b)]		22,254	81,604
Net financial income	12.5	**763,589**	**773,300**
NET REVENUES		**3,260,781**	**3,547,957**
Benefits and claims		3,185,067	2,632,888
Net expenses or revenues ceded to reinsurers	12.3	(15,045)	(26,431)
Management costs [(c)]		284,685	280,856
Technical expenses for insurance activities	12.2	**3,454,707**	**2,887,313**
Expenses for other activities	12.4	542,038	174,691
Operating expenses		**3,996,746**	**3,062,004**
Change in depreciation and amortization on investments (net)	12.5	22,910	24,791
Other investment financial expenses	12.5	(10,974)	83,389
Finance costs	12.6	17,944	18,146
Financial expenses		**29,880**	**126,326**
NET EXPENSES		**4,026,626**	**3,188,331**
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		**(765,845)**	**359,627**
Income taxes	12.9	166,918	(29,678)
NET PROFIT (LOSS) AFTER TAX		**(598,927)**	**329,949**
Investment in associates through profit or loss		741	222
Net profit (loss) before tax of available-for sale companies and of discontinued operations		60	-
Tax on available-for-sale companies and on discontinued operations		-	-
Net consolidated profit (loss) attributable to:		**(598,126)**	**330,171**
Owners of the parent		(604,437)	325,151
Non-controlling interests		6,311	5,020

a) *Net of reinsurance.*

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

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

3. Statement of consolidated comprehensive income

In thousands of EUR	31 December 2014	31 December 2013
NET CONSOLIDATED PROFIT (LOSS)	**(598,126)**	**330,171**
Actuarial gains and losses on defined benefit pension liabilities	(50,333)	20,749
Tax on other items that will not be subsequently reclassified to the net profit (loss).	17,108	(7,053)
Items that will not be subsequently reclassified to the net profit (loss).	**(33,225)**	**13,696**
Change in fair value of financial assets available for sale	63,000	99,161
Change in fair value of derivative instruments designated as cash flow hedges	13,667	-
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	(37,094)	(3,140)
Items that could be subsequently reclassified to the net profit (loss).	**39,574**	**96,021**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**6,349**	**109,717**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**(591,778)**	**439,888**
Owners of the parent	(598,089)	434,868
Non-controlling interests	6,311	5,020

4. Consolidated cash flows statement

In thousands of EUR	Notes	31 December 2014	31 December 2013
Net profit (loss) and discontinued operations before tax (Total 1)		**(765,845)**	**359,627**
Depreciations and impairments on intangible and tangible assets	11.2, 11.6	18,515	19,279
Change in depreciations on financial instruments and investment properties	11.4, 11.6, 12.5	22,910	24,791
Change in fair value on investments through profit or loss	11.4	(22,254)	(81,604)
Provisions for risks and expenses, and other liabilities	11.15	13,172	81,981
Change in provisions of insurance and investments contracts	11.13	491,259	519,303
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(290,943)	(604,324)
Corrections of the amounts that do not impact cash flows (Total 2)		**(232,659)**	**(40,574)**
Dividends and instalments on earned dividends		28,478	29,347
Earned financial income	12.5	544,761	596,094
Use of provision for employee benefits		(27,430)	-
Change in current receivables and debts	11.7, 11.17	(43,914)	(1,651,484)
Change in liabilities from insurance and investments contracts		(68,625)	108,731
Tax paid		18,220	(92,906)
Other changes (Total 3)		**451,490**	**(1,010,217)**
Net cash flows from operating activities (Total 1+2+3)		**(81,696)**	**(691,165)**
Shares in subsidiaries, net of acquired cash in hand	6.4.1	21,135	(12,153)
Acquisition of financial assets and investment properties	11.4, 11.6	(3,155,717)	(2,865,659)
Acquisition of intangible and tangible fixed assets	11.2, 11.6	(18,595)	(14,836)
Disposals of shares in subsidiaries, net of transferred cash	6.4.2	5,039	(1,969)
Disposals of financial assets and investment properties	11.4, 11.6	3,563,077	3,255,196
Disposals of intangible and tangible fixed assets	11.2, 11.6	2,240	5,212
Net cash flows from investing activities		**417,178**	**365,790**
Subscription to capital increase		10,000	-
Capital refund		-	-
Dividends paid by the parent company		-	(25,000)
Dividends paid to third parties		(4,729)	(6,127)
Issues of financial liabilities	11.14	6,045	-
Refund of financial liabilities	11.14	(10,799)	(31,317)
Interests paid on financial liabilities	12.6	(17,944)	(18,179)
Net cash flows from financing activities		**(17,427)**	**(80,622)**
Total cash flows		**318,055**	**(405,997)**
Cash or cash equivalents at the beginning of the period	11.9	**1,549,449**	**1,967,876**
Cash or cash equivalents at the end of the period	11.9	**1,868,800**	**1,549,449**
Change in the cash accounts		318,055	(405,997)
Impacts of exchange rate differences of foreign currency and of other transactions		1,296	(727)
Change in cash		**319,351**	**(418,427)**

Cash flows related to the subsidiary available for sale were not separately presented in this cash flow statement. The total of the cash and cash equivalents of this company amount to EUR 776 thousand on 31 December 2014.

5. Consolidated statement of changes in equity

	2014						
In thousands of euros	Issued capital	Result carried forward	Financial assets available for sale	Others	Equity of the Group	Non-controlling interests	Total equity
Equity as of 1 January	**1,000,000**	**573,712**	**216,129**	**(45,686)**	**1,744,154**	**42,150**	**1,786,304**
Net consolidated profit (loss)	-	(604,437)	-	-	(604,437)	6,311	(598,126)
Total of other items of comprehensive income of the financial year	-	-	30,552	(24,203)	6,349	-	6,349
Net consolidated comprehensive income	-	(604,437)	30,552	(24,203)	(598,089)	6,311	(591,778)
Capital movements	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(4,729)	(4,729)
Change in the consolidation scope	-	-	-	-	-	8,137	8,137
Other movements	-	-	-	-	-	-	-
Equity as of 31 December	**1,000,000**	**(30,726)**	**246,681**	**(69,890)**	**1,146,066**	**51,869**	**1,197,934**

	2013						
In thousands of euros	Issued capital	Result carried forward	Financial assets available for sale	Others	Equity of the Group	Non-controlling interests	Total equity
Equity as of 1 January	**1,000,000**	**273,561**	**120,108**	**(59,383)**	**1,334,286**	**46,446**	**1,380,732**
Net consolidated profit (loss)		325,151			325,151	5,020	330,171
Total of other items of comprehensive income of the financial year			96,021	13,696	109,717	-	109,717
Net consolidated comprehensive income	-	325,151	96,021	13,696	434,868	5,020	439,888
Capital movements	-				-	-	-
Dividends		(25,000)			(25,000)	(6,127)	(31,127)
Change in the consolidation scope	-	-	-	-	-	(3,189)	(3,189)
Other movements	-	-	-	-	-	-	-
Equity as of 31 December	**1,000,000**	**573,712**	**216,129**	**(45,686)**	**1,744,154**	**42,150**	**1,786,304**

Amounts are disclosed net of taxes.

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

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

6. General information

6.1 The Group

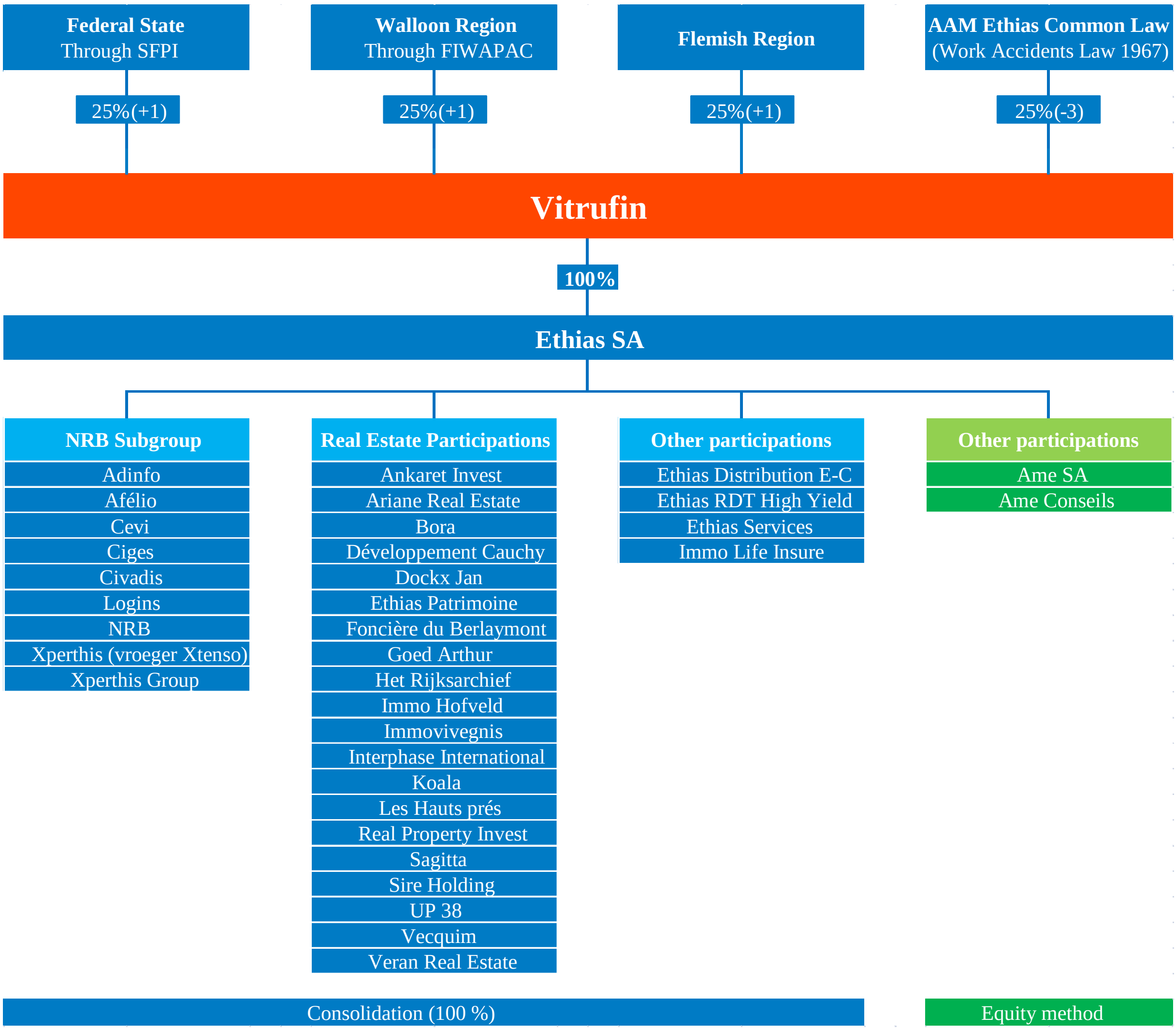
Ethias SA is the consolidating company of the Ethias Group.

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

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

The Group employs 2,928 people on 31 December 2014 compared to 2,776 on 31 December 2013.

Its legal structure is as follows:



6.2 Scope of consolidation

6.2.1 List of consolidated subsidiaries

	2014					2013		
	Country	Sector	Currency	Integration percentage on 31 December	Control percentage on 31 December	Integration percentage on 31 December	Control percentage on 31 December	Variation in scope
Consolidating company:								
Ethias SA	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	
Consolidated companies with 100 % consolidation:								
Immo Life Insure	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	In liquidation
Ethias Distribution Epargne-Crédit	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias RDT High Yield	Belgium	Other	EUR	95.71%	95.71%	100.00%	100.00%	
Ethias Services	Belgium	Other	EUR	99.90%	99.90%	99.90%	100.00%	
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%	
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%	
Goed Arthur	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Het Rijksarchief (State Archives)	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%	
Interphase International	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2014
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%	
Real Property Invest	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2014
Sagitta	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sire Holding	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Integrated in 2014
UP38	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%	
Civadis	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Adinfo	Belgium	IT	EUR	34.88%	51.00%	34.88%	51.00%	
Afelio	Belgium	IT	EUR	51.36%	75.10%	51.36%	75.10%	
Cevi	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Ciges	Belgium	IT	EUR	37.61%	100.00%	0.00%	0.00%	Acquired in 2014
G.I.	Belgium	IT	EUR	0.00%	0.00%	100.00%	100.00%	Taken over by NRB
G.I.E.I.(*)	Belgium	IT	EUR	0.00%	0.00%	100.00%	100.00%	Taken over by NRB
Logins	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
NRB	Belgium	IT	EUR	68.39%	68.39%	68.39%	68.39%	
Stesud	Belgium	IT	EUR	0.00%	0.00%	34.88%	100.00%	Taken over by Civadis
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:								

AME sa	Belgium	Holding	EUR	50.00%	50.00%	50.00%	50.00%
AME Conseils	Luxembourg	Other	EUR	50.00%	50.00%	50.00%	50.00%

(*) Economic Interest Grouping without capital of which the Group holds the main control.
The control percentage corresponds to the direct percentage of ownership in the subsidiaries.

6.2.2 List of the non-consolidated subsidiaries

	2014				2013	
	Country	**Sector**	**Currency**	**Percentage of ownership on 31 December**	**Percentage of ownership on 31 December**	**Variation in scope**
Assurcard	Belgium	Insurance	EUR	20.00%	25.00%	Sold
Aviabel	Belgium	Insurance	EUR	24.70%	24.70%	
Whestia	Belgium	Insurance	EUR	25.10%	25.10%	
BC Meetjesland-Maldegem	Belgium	Other	EUR	27.58%	27.58%	
BC Regio Geraardsbergen	Belgium	Other	EUR	27.12%	27.12%	
Ecetia Finances	Belgium	Other	EUR	40.00%	40.00%	
Ethias Life Fund Management SA	Belgium	Other	EUR	0.00%	99.92%	Liquidated in 2014
G.I.E. Legibel	Belgium	Other	EUR	0.00%	46.21%	Liquidated in 2014
Hotel Wellness	Belgium	Other	EUR	100.00%	100.00%	
Lexar Technics	Belgium	Other	EUR	15.10%	45.32%	Repayment
L'Ouvrier Chez Lui	Belgium	Other	EUR	63.58%	63.58%	
Palais des Expositions de Charleroi s.c.	Belgium	Other	EUR	23.04%	23.04%	
TEB Participations (former Ecetia Participations)	Belgium	Other	EUR	29.43%	29.43%	
Ariane Building	Belgium	Real Estate	EUR	25.00%	25.00%	
Cerep Loi 1	Belgium	Real Estate	EUR	35.00%	35.00%	
TEB Foncière (former Ecetia Immobilier)	Belgium	Real Estate	EUR	29.41%	29.41%	
Thier sur la Fontaine	Belgium	Real Estate	EUR	45.00%	100.00%	Sold
Vital Building	Belgium	Real Estate	EUR	50.00%	50.00%	
Skarabee	Belgium	IT	EUR	31.25%	31.25%	

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

6.3 Presentation of the NRB subgroup

In accordance with IFRS 12 we present the sub conso NRB below. The part of the NRB subgroup held outside the Vitrufin Group represents the major part of the non-controlling interests.

6.3.1 Consolidated balance sheet

In thousands of EUR	31 December 2014
Assets	
Goodwill	**29,667**
Other intangible assets	**13,921**
Operational buildings and other tangible fixed assets	**39,113**
Investment in associates	**-**
Investment properties	**1,842**
Financial assets available for sale	208
Financial assets at fair value through profit and loss	37,263
Loans, deposits and other financial investments recognized at amortized cost	4,882
Financial investments	**42,353**
Reinsurers' share of insurance liabilities	**-**
Deferred tax assets	**2,833**
Receivables arising from insurance operations or accepted reinsurance	**-**
Receivables arising from ceded reinsurance operations	**-**
Other receivables	**54,841**
Other assets	**12,464**
Cash and cash equivalents	**28,018**
Assets available-for-sale including assets from discontinued operations	**-**
Total assets	**225,051**
Liabilities	
Share capital	16,837
Reserves and retained earnings	76,368
Net profit (loss) of the period	10,509
Other items of comprehensive income	2
Equity of the Group	**103,715**
Non-controlling interests	**17,077**
Total equity	**120,792**
Insurance and investment contract liabilities	**-**
Subordinated debts	**-**
Other financial debts	**21,679**
Employee benefits	**9,007**
Provisions	**2,799**
Derivative financial instruments	**-**
Tax payables	**8,879**
Deferred tax liabilities	**2,020**
Liabilities from operating activities	**-**
Other liabilities	**59,875**
Liabilities related to assets available for sale and discontinued operations	**-**
Total other liabilities	**104,259**
Total liabilities	**225,051**

6.3.2 Consolidated income statement

In thousands of EUR	31 December 2014
Revenues from insurance activities [(a)]	-
Revenues from other activities	176,959
Revenues	**176,959**
Net revenues from investments	1,533
Net realized gains or losses on investments	294
Change in fair value of investments through profit and loss [(b)]	2,157
Net financial income	**3,985**
NET REVENUES	**180,944**
Insurance services expenses	177
Management costs [(c)]	303
Technical expense of insurance activity	**480**
Expenses of other activities	159,849
Operating expenses	**160,329**
Change in depreciation and amortization on investments (net)	307
Other investment financial expenses	584
Finance costs	396
Financial expenses	**1,287**
NET EXPENSES	**161,616**
Goodwill impairment	-
NET PROFIT (LOSS) BEFORE TAX	**19,327**
Income taxes	(6,529)
NET PROFIT (LOSS) AFTER TAX	**12,799**
Net consolidated profit (loss) attributable to:	**12,799**
Owners of the parent	10,509
Non-controlling interests	2,290

a) Net of reinsurance

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

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

6.3.3 Statement of consolidated comprehensive income

In thousands of euro	31 December 2014
NET CONSOLIDATED PROFIT (LOSS)	**12,799**
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 the fair value of assets/liabilities available for sale	-
Tax on other items that will not be subsequently reclassified to the net profit (loss)	-
Items that will not be subsequently reclassified to the net profit (loss)	**-**
Change in fair value of financial assets available for sale	-
Change in fair value of derivative instruments designated as cash flow hedges	-
Currency translation adjustments related to foreign activities	-
Gains and losses related to associates	-
Other gains and losses recognized in other items of comprehensive income	-
Other items that will not be subsequently reclassified to the net profit (loss)	-
Other items of comprehensive income from companies accounted for using the equity method that will be subsequently reclassified to the net profit (loss)	-
Change in fair value of assets/liabilities available for sale	-
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	-
Items that could be subsequently reclassified to the net profit (loss)	**-**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	**-**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**12,799**
Owners of the parent	10,509
Non-controlling interests	2,290

2013 is not available in IFRS, but the variation between 2013-2014 is immaterial when reading the financial statements.

6.4 Acquisitions and disposals of subsidiaries

6.4.1. Acquisitions

In thousands of EUR	2014	2013
Intangible assets	118	376
Investment properties	5,380	44,370
Financial investments	40	8
Reinsurers' share of insurance liabilities	-	-
Other assets and tangible fixed assets	1,936	3,471
Cash and cash equivalents	7,457	3,454
Insurance and investment contract liabilities	-	-
Financial debts	(26,557)	(35,906)
Provisions for risks and expenses	(520)	(291)
Other liabilities	(1,881)	(4,189)
Identifiable net assets and liabilities acquired	**(14,027)**	**11,294**
Goodwill on acquisitions	698	1,762
Change in cash related to acquisitions from previous financial years	127	775
Non-controlling interests	(481)	1,777
Consideration paid in cash	**(13,683)**	**15,607**
Acquired cash in hand	7,452	3,454
Net cash flows	**(21,135)**	**12,153**

Given its confirmed willingness to invest more in real estate assets the Group has acquired a series of real estate subsidiaries. The Group pursued its real estate policy in 2014 by acquiring the following new real estate subsidiaries: Interphase International and Real Property Invest.

The subsidiaries Xperthis Group and Xperthis have, in turn, acquired 100 % of the shares in the company Ciges.

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

6.4.2. Disposals

In thousands of EUR	2014	2013
Intangible assets	-	-
Financial investments	-	-
Reinsurers' share of insurance liabilities	-	-
Other assets	-	42
Cash and cash equivalents	-	3,661
Insurance and investment contract liabilities	-	(1,851)
Financial debts	-	-
Provisions for risks and expenses	-	-
Other liabilities	-	(197)
Identifiable net assets and liabilities	**-**	**1,655**
Gain/(loss) on disposals, net of tax	627	37
Net cash received related to disposals without loss of control	4,412	-
Transferred cash	-	(3,661)
Net cash flows	**5,039**	**(1,969)**

The company Korfina was liquidated by Ethias SA in June 2013.

7. Summary of significant accounting principles

7.1 Basis of preparation of the consolidated financial statements

7.1.1 General principles

The consolidated financial statements of the Group are established on the basis of the IFRS reference document (International Financial Reporting Standards), as definitive, having entered into force on 31 December 2014, and adopted by the European Union with effect as of that date.

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

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

7.1.2 New standards, amendments and interpretations published and adopted since 1 January 2014

IFRS 10 gives a new unique definition of control replacing those promulgated by IAS 27 for traditional companies and by the SIC 12 interpretation for structured entities (entities ad hoc). This guidance was followed to appreciate the control with regard to the entities of the Group.

The amendments in IAS 27 "Individual financial statements", and more particularly in IFRS 12 "Disclosure of interests in other entities" extend the requirements for information disclosure to the consolidated entities as well as to the non-consolidated "structured" entities. In that respect, details on the sub-consolidation of NRB, grouping for which the minority interests are material, are available in chapter 6.3.

The amendment to IAS 36 "Impairment of non-financial assets" limits the information disclosure, on the recoverable value of a cash generating unit (CGU), including goodwill or indefinite life intangible fixed assets, only to the cash generating units in which an impairment or reversal of impairment was recognized. The criteria used by the Group to determine durable losses in value are mentioned in the chapters regarding the various non-financial assets (fixed assets, receivables ...).

The following new standards and interpretations, applicable as from 1 January 2014, had no incidence on the consolidated accounts of the Group:

- The amendment to IAS 32 "Presentation - Consideration for financial assets and financial liabilities" clarifies the meaning of "must have a currently enforceable legal right to set off the recognized amounts" and of "to realize and to settle simultaneously". This has no consequences for the Group from the moment that the use of derivative instruments is very limited and that there is still no netting agreement with one or several counterparties to these contracts.
- The amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting" provides an exception in the obligation to end hedge accounting when a hedging instrument has to be novated via a clearing house as a result of a regulation. The Group is not concerned.
- The IFRIC 21 interpretation applies to taxes owed by an entity to a public authority in application of the legislation and accounted for using IAS 37 and, in particular, to the recognition date of a liability related to the payment of taxes other than the income tax. The impact is not material for the Group.
- IFRS 11 focusses on the rights and obligations of the partnership. The standard introduces one single accounting method for investments in entities under joint control. The proportionate consolidation method is eliminated. This standard has no significant impact for the Group.
- IAS 28 was revised to be in accordance with the modifications made as a result of the publication of IFRS 10, IFRS 11 and IFRS 12. It defines the recognition of investment in associates and mentions the requirements when applying the equity method for the recognition of investment in associates and joint ventures. This modification had no significant impact.

7.1.3 Future standards and interpretations

The Group has chosen to apply none of the new, revised or amended standards for which the IFRS leave the choice to anticipate or not their coming into force.

Furthermore, the Group has made an analysis of the standards and interpretations that will come into effect from 1 January 2015 onwards.

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

7.2 Consolidation principles and methods

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

The subsidiaries are the entities controlled by the Group.

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

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

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

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

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

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

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

7.3 Business combinations

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

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

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

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

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

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

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

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

7.4 Foreign currency translation and transactions

7.4.1 Functional and presentation currency

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

7.4.2 Transactions and balances

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

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

7.5 Intangible assets

7.5.1 Goodwill

7.5.1.1 Measurement

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

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

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

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

7.5.1.2 Impairment

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

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

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

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

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

7.5.2 Other intangible assets

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

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

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

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

7.6 Property and investment property

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

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

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

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

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

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

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

7.7 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 recorded at their acquisition cost or remanufacturing value, including incidental expenses. Depreciation is calculated on a straight line basis over their estimated useful lives, i.e. between 2 and 10 years. Furniture and office equipment whose acquisition value is negligible are supported.

7.8 Financial investments

7.8.1 Classification

Financial instruments are classified into the following categories:

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

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

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

7.8.2 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. In addition, in the case of sale or reclassification of a portion of these investments, the entire category of financial instruments held to maturity must be a reclassified.

7.8.3 Initial recognition

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

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

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

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

7.8.4 Measurement

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

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

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

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

7.8.5 Impairment

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

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

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

Financial assets available for sale

Securities

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

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

Bonds

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

The application of the above rules and the decision to record an impairment or not is the subject of an analysis at each balance sheet closing date. In this 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, on the other hand:

Criteria for determining durable losses in value

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

Criteria taken into account in determining whether an impairment should be recognized

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

Revaluation reserve

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

Financial liabilities valued at amortized cost

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

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

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

7.8.6 De-recognition

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

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

7.9 Derivative financial instruments

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

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

Hedge accounting

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

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

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

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

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

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

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

7.10 Reinsurance

Disposals

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

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

Acceptances

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

7.11 Receivables

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

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

7.12 Cash and cash equivalents

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

7.13 Equity

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

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

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

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

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

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

7.14 Liabilities for insurance and investment contracts

7.14.1 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 insurance contracts.

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

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

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

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

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

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

7.14.2 Measurement and recognition

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

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

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

Non-Life insurance contracts

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

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

Claims management costs are provisioned.

Mathematical provisions are also established to cover constituted annuities.

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

Life insurance contracts

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

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

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

Investment contracts with discretionary participation features

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

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

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

Investment contracts without discretionary participation features

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

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

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

Unit-linked insurance contracts

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

Shadow accounting and provision for deferred profit sharing

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

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

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

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

Liability Adequacy Test (LAT)

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

Embedded derivatives

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

Revenue recognition

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

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

7.15 Subordinated debts and financial debt

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

7.16 Provisions

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

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

Provisions are recognized when:

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

7.17 Lease contracts

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

The Group as lessee

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

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

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

The Group as lessor

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

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

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

7.18 Employee benefits

Post-employment benefits

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

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

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

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

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

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

Short-term benefits

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

Other long-term benefits

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

Early retirement

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

Other contract termination compensation

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

7.19 Discontinued operations and available-for-sale assets

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

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

7.20 Revenue recognition

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

Income from insurance activities

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

Financial earnings

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

Other goods and services

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

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

7.21 Income taxes

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

7.22 Contingent liabilities

A contingent liability is:

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

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

7.23 Events after the balance sheet date

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

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

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

8. Critical accounting estimates and judgments

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

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

8.1 Fair value of financial instruments

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

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

8.2 Insurance and investment liabilities

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

- The discount rate, which in general, shall be equivalent to the technical interest rate and which remains constant during the duration of the contract. In some cases, it is corrected on the basis of legal provisions and internal policy decisions;
- The mortality and sickness rates which are based on the standard mortality tables and may be adjusted depending on past experience;
- The assumptions with regard to the costs based on the actual cost levels and management costs;
- The liability adequacy test is mainly based on the one which is prepared in accordance with the local accounting standards. Only the used discount rate differs (cf. point 7.14.2).

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

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

8.3 Employee benefits

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

8.4 Deferred taxes

The deferred tax assets are only recognized in order to reduce the temporary differences and the losses carried forward when it is probable that future taxable profits shall allow to compensate these differences and losses and when fiscal losses shall remain available taking into account their origin, the period of their occurrence and their compliance with the legislation on their recovery. The Group's capacity to earn the deferred tax assets is measured through an analysis based on the estimate of future Group results. Given the various uncertainties with regard to the evolution of the financial markets among others, the Group based in its analysis on a time horizon of five years. This horizon was 3 years until the end of 2013. The horizon was extended as a result of the decision by the European Commission of 12 June 2014. This decision alleviates the commitments of Ethias SA towards the European Commission following the support allocated in 2008 by the Belgian State and the federal entities. In this regard, we refer to point 1.1 of the management report. Thanks to the alleviation of the above commitments, Ethias can now consider to prepare result projections based on a longer term horizon with regard to the run-down of the Private Individuals Life portfolio. The underlying assumptions of these analyses shall be reviewed on a yearly basis. The notes with regard to the deferred taxes can be found in section 11.10.

The impact of the horizon extension for projections from 3 years to 5 years leads to an increase of EUR 127 million for the net deferred tax assets at the end of 2014.

9. Management of financial and insurance risks

9.1 Introduction

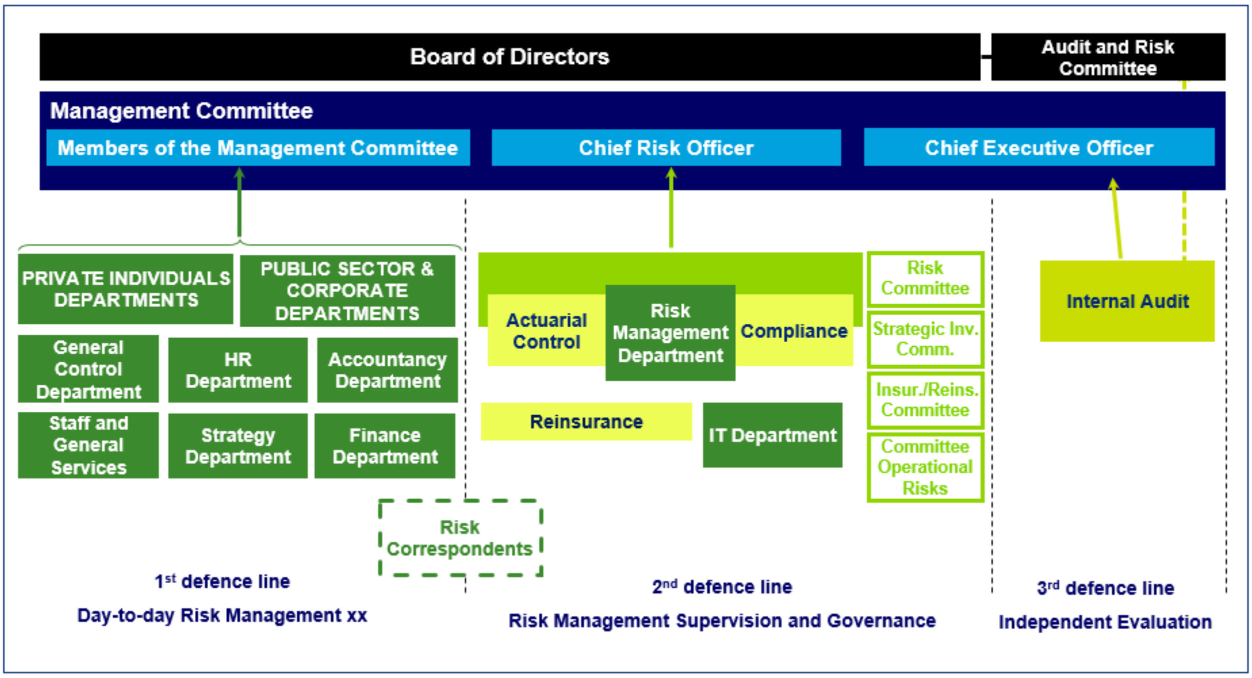
Besides its business activity consisting in the management of the risks subscribed by its customers, an insurance company, as well as any other company, is confronted with different categories of risks. In such circumstances, it is a matter of managing the uncertainty as satisfactorily as possible, by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

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

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

9.2 Governance with regard to risk management

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



First defence line - the daily follow-up of risks

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

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

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

Furthermore, a network of risk correspondents within the operational lines and the supporting functions, composed of the Risk Management correspondents and the Legal & Compliance cells, permit to benefit from the technical skills of the experts in the field. These correspondents are points of contact who have the responsibility to relay to the CRO all the information that is essential for the accurate organization of risk management. Functionally, they are answerable to the CRO.

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

Second defence line - the supervision of risks

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

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

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

The network of risk correspondents permits a decentralized structure, close to operational matters while keeping up a central expertise, in particular, with regard to risk quantification.

This also facilitates the intervention of the second defence line control functions as an assistance of the first defence line, when setting up corrective actions allowing to remedy the identified deficiencies.

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

- the Risk Committee;
- the Strategic Investment Committee;
- the Insurance and Reinsurance Committee;
- the Follow-up Committee on Operational Risks; and
- the ALCO.

In fact, these committees are monitoring, decisional and reporting instruments as far as risks are concerned. Each committee is chaired by a member of the Management Committee. It was the will of the Management Committee and of the Board of Directors to create "strong committees", so as to set up an effective risk governance within the company. It is also with this aim in view that the responsibilities of each committee have been clearly established.

Third defence line - the independent evaluation

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

9.3 Solvency II

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

Six major releases have been supplied which provide the basis of the operationalization of Solvency II, which also benefit to the entire company. The dry-run of an annual solvency calculation was carried out.

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

- the need for data will be covered in particular by a company's Data Warehouse,
- the requirements relating to the production deadlines of the Solvency II reports integrate a general "Fast Close" programme,
- the data requirements have led to the organization of a comprehensive project for data governance,
- the acquisition of a Non-Life simulation tool to better consider risks in the decisions of the company.

In 2015, the aim is to finalize the operationalization of the Solvency II chain.

A Maturity assessment has been led in order to estimate the work load and to define the required action plans required to reach an acceptable conformity level by 01 January 2016 in the 3 Solvency II pillars.

9.4 Typology of risks

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

The chart was aligned with the Solvency II directive, the EIOPA guidelines and the CBFA circular 2009 - 26-2 from 24 June 2009 as well as with the good market practices.

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

Insurance risks				Financial risks		
Life underwriting risk	Non-Life underwriting risk	SLT Health	Non-SLT Health	Market risk	Counterparty risk	Liquidity risk
Mortality risk	Premium and reserve risk	Catastrophe risk		Interest rate risk	Downgrade risk	Market liquidity risk
Longevity risk	Catastrophe risk	Mortality risk	Premium and reserve risk	Stock price risk	Default risk	Funding liquidity risk
Disability/morbidity risk	Expense risk	Longevity risk	Termination risk (redemption)	Risk on real estate assets		
Expense risk		Disability/ morbidity risk		Spread risk		
Revision risk		Expense risk		Foreign currency exchange risk		
Termination risk		Revision risk		Concentration risk		
Catastrophe risk		Termination risk (redemption)				

Non-financial risks		External and operating environment risks			
Operational risks	Other non-financial risks	Reputational risk	Strategical risk	Group risk	Business risk
Internal fraud	Risk due to correlation and dependence				
External fraud	Model risk				
Practices regarding employment and safety at work	Concentration risk on the insurance risks				
Customers, products and business practises	Risks linked to intangible assets				
Execution, delivery and process management					
Damage to physical assets					
Interruptions in business activity and system failures					

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

9.5 Risk Management policy

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

9.5.1 Risk Cartography

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

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

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

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

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

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

9.5.2 Risk appetite

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

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

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

9.5.3 Stress testing and capital planning process

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

9.6 Insurance risks

All insurance companies are subject to risks arising from insurance contracts taken out. Those risks, gathered under the name "Insurance risks" come from, either in the guarantees offered by the different insurance products, or in 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 exercise no insurance activity. Consequently, the sensitivity analyses in Life and Non-Life hereafter, are only carried out on the level of Ethias NV.

9.6.1 Non-Life

9.6.1.1 Nature and extent of the risks

Non-Life underwriting risk:

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

- Premium and reserve risk

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

- Catastrophe risk

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

Special Health underwriting risk

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

SLT Health (Similar to Life Techniques) underwriting risk

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

- Mortality risk

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

- Longevity risk

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

- Disability/morbidity risk

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

- Expense risk

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

- Revision risk

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

- Termination risk

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

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

- Premium and reserve risk

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

- Termination risk

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

- Catastrophe risk

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

9.6.1.2 Sensitivity analysis

The table hereafter shows the gross impact, excluding reinsurance, of the sensitivity analyses on the income statement. These estimates represent the effect resulting from an increase in the management costs or in the 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*	2014	2013
Reserve risk		
Increase by 10% in general costs	(12,061)	(12,274)
Increase by 5% in claims	(46,986)	(45,011)

9.6.2 Life

9.6.2.1 Nature and extent of the risks

Life underwriting risk:

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

- Mortality risk

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

- Longevity risk

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

- Disability/morbidity risk

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

- Expense risk

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

- Revision risk

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

- Termination risk

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

- Catastrophe risk

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

9.6.2.2 Sensitivity analysis

The table hereafter shows the gross impact, exclusive of reinsurance, of the sensitivity analyses on the income statement. These estimates represent the effect induced by the modification of various assumptions for the best estimates' valuation, on the evaluation of Life insurance and investment contracts within the framework of IFRS 4 (phase 1). The shocks considered are those used by the company's management as part of the assessment of life insurance risks. The orders of magnitude used are similar to those identified within the framework of the Solvency II standard.

In thousands of euros, *solely Ethias SA*	2014	2013
Mortality risk		
Increase by 15 % in the mortality	44,221	28,492
Longevity risk		
Increase by 20 % in the longevity	(63,418)	(46,727)
Expense risk		
Increase by 10% in the general costs	(12,499)	(12,300)
Increase from 2% to 4% in the inflation rate	(35,475)	(28,881)

9.6.3 Concentration risk

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

- Public Bodies and Companies

  Thanks to its exceptional know-how, Ethias has been the natural insurer of the public bodies and companies for more than 90 years. Ranked among these are: the Federal State, the Regions and the Communities, the constituted bodies (Chamber, Senate, parliaments of Regions and Communities), the 10 Provinces, more than 580 cities and municipalities, hundreds of public centres for social assistance and social housing companies, police districts, thousands of inter-municipal companies, semi-public institutions, public interest institutions and various associations.

  For several years, 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 2014		31 December 2013	
In thousands of euros	Encashment	Part of the encashment	Encashment	Part of the encashment
Non-Life insurance				
Public Bodies and Companies	738,068	32%	722,924	28%
Private Individuals	553,522	24%	543,085	20%
Gross premiums	**1,291,590**	**56%**	**1,266,008**	**48%**
Public Bodies and Companies	(29,996)	-2%	(37,707)	-1%
Private Individuals	(7,535)	0%	(7,966)	0%
Premiums ceded to reinsurers	**(37,531)**	**-2%**	**(45,673)**	**-1%**
Public Bodies and Companies	708,072	30%	685,217	27%
Private Individuals	545,987	24%	535,119	20%
Net premiums	**1,254,059**	**54%**	**1,220,336**	**47%**
Life insurance				
Public Bodies and Companies	1,026,229	44%	1,357,889	51%
Private Individuals	57,820	2%	67,862	3%
Gross premiums	**1,084,049**	**46%**	**1,425,751**	**54%**
Public Bodies and Companies	(3,039)	0%	(26,208)	-1%
Private Individuals	-	0%	-	0%
Premiums ceded to reinsurers	**(3,039)**	**0%**	**(26,208)**	**-1%**
Public Bodies and Companies	1,023,190	44%	1,331,681	50%
Private Individuals	57,820	2%	67,862	3%
Net premiums	**1,081,010**	**46%**	**1,399,543**	**53%**
Total amount Life and Non-Life insurance	**2,335,069**	**100%**	**2,619,879**	**100%**

9.6.4 Reinsurance

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

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

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

Non-Life management

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

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

Life management

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

Non-Life and Life management

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

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

9.7 Financial risks

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

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

9.7.1 Credit Risk

9.7.1.1 Nature and extent of the risks

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

This risk can be subdivided into:

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

9.7.1.2 Maximum exposure and mitigation of credit risk

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

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

In thousands of EUR, *in the market value at the Group's level*	2014 Maximum exposure to credit risk	Cash	Securities	Real estate properties	Total amount of received guarantees	Unsecured exposure
Available for sale	697,054	-	-	-	-	697,054
Designated at fair value through profit or loss	241,040	-	-	-	-	241,040
Held for trading	13,494	-	-	-	-	13,494
Share interests, shares and investment funds	**951,588**	**-**	**-**	**-**	**-**	**951,588**
Available for sale	13,813,223	-	1,531,722	-	1,531,722	12,281,501
Designated at fair value through profit or loss	1,168,222	-	194,487	-	194,487	973,735
Unlisted on an active market	7,352	-	-	-	-	7,352
Bonds	**14,988,796**	**-**	**1,726,209**	**-**	**1,726,209**	**13,262,587**
Loans and deposits recognized at amortized cost	1,012,120	-	-	634,041	634,041	378,080
Other investments	**1,012,120**	**-**	**-**	**634,041**	**634,041**	**378,080**
Held for trading	1,427	-	-	-	-	1,427
Held for cash flow hedging	13,667	13,400	-	-	13,400	267
Derivative financial assets	**15,094**	**13,400**	**-**	**-**	**13,400**	**1,694**
Receivables arising from insurance operations or accepted reinsurance	**1,269,015**	**-**	**-**	**-**	**-**	**1,269,015**
Receivables arising from ceded reinsurance operations	**61,703**	**-**	**51,146**	**-**	**51,146**	**10,557**
Other receivables	**210,148**	**-**	**4,311**	**-**	**4,311**	**205,838**
Cash and cash equivalents	**1,893,014**	**-**	**-**	**-**	**-**	**1,893,014**
Total amount of exposure to credit risk	**20,401,478**	**13,400**	**1,781,666**	**634,041**	**2,429,107**	**17,972,371**

In thousands of EUR, *in the market value at the Group's level*	2013 Maximum exposure to credit risk	Cash	Securities	Real estate properties	Total amount of received guarantees	Unsecured exposure
Available for sale	769,232	-	-	-	-	769,232
Designated at fair value through profit or loss	284,840	-	-	-	-	284,840
Held for trading	6,929	-	-	-	-	6,929
Share interests, shares and investment funds	**1,061,001**	**-**	**-**	**-**	**-**	**1,061,001**
Available for sale	12,720,554	-	1,851,517	-	1,851,517	10,869,037
Designated at fair value through profit or loss	1,406,564	-	-	-	-	1,406,564
Unlisted on an active market	7,000	-	-	-	-	7,000
Bonds	**14,134,117**	**-**	**1,851,517**	**-**	**1,851,517**	**12,282,601**
Loans and deposits recognized at amortized cost	1,150,491	-	-	722,368	722,368	428,122
Other investments	**1,150,491**	**-**	**-**	**722,368**	**722,368**	**428,122**
Held for trading	4,754	-	-	-	-	4,754
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial assets	**4,754**	**-**	**-**	**-**	**-**	**4,754**
Receivables arising from insurance operations or accepted reinsurance	**176,269**	**-**	**1,403**	**-**	**1,403**	**174,866**
Receivables arising from ceded reinsurance operations	**1,114,453**	**-**	**45,476**	**-**	**45,476**	**1,068,977**
Other receivables	**634,357**	**-**	**4,608**	**-**	**4,608**	**629,749**
Cash and cash equivalents	**1,567,064**	**-**	**-**	**-**	**-**	**1,567,064**
Total amount of exposure to credit risk	**19,842,505**	**-**	**1,903,003**	**722,368**	**2,625,371**	**17,217,134**

Share interests, shares and investment funds

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

Bonds

The bond portfolio of the Group contains a certain number of securities backed by various types of assets. It consists, among others, of covered bonds (about 12% of the bond portfolio).

Covered bonds are debt securities issued by a credit institution and whereof the payment is guaranteed by specifically dedicated (or "*hedging assets*") assets. The holders of covered bonds have, in the event of insolvency of the issuer, a "*dual recourse*" on the issuer's general assets on the one hand, and on the specifically dedicated assets, on the other hand. They represent EUR 1,851,517 thousand on 31/12/2013 and EUR 1,726,209 thousand on 31/12/2014.

Loans and deposits

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

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

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

Derivative financial assets

In 2014, a total amount of EUR 13,400 thousand was recognized as collateral in order to cover operations related to derivative financial instruments.

Receivables

The breakdown of guarantees relating to the account receivables can be found in appendix 13.51. “Received commitments”.

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

9.7.2 Concentration risk

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

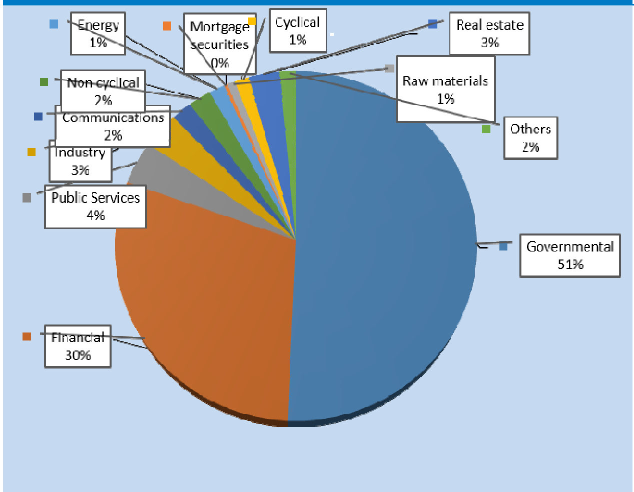
Sectoral distribution

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.

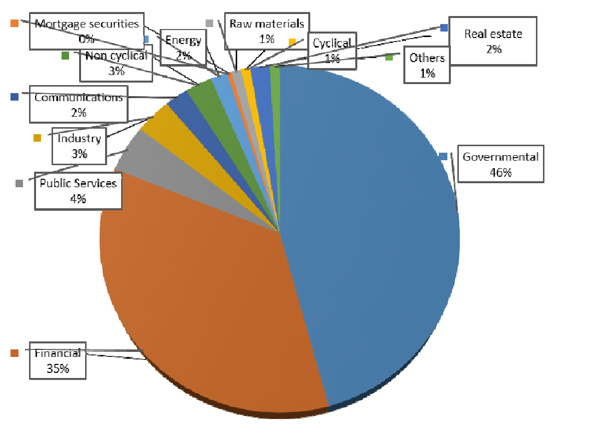
In 2014, the sectoral distribution of the shares and investment funds as of the bonds and equivalent stocks invested by Ethias SA, appears as follows:

Bonds and equivalent stocks

2014
Market value allocation at group level

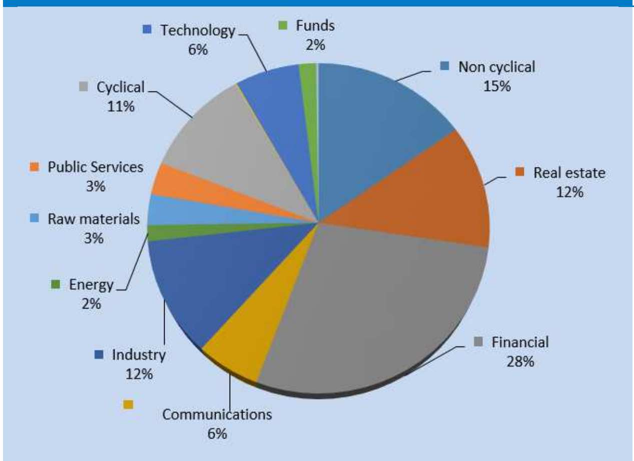


2013
Market value allocation at group level

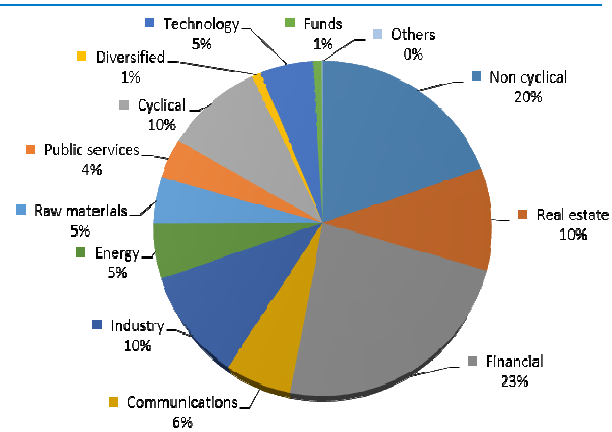


Shares, participations and investment funds

2014
Market value allocation at group levell



2013
Market value allocation at group level



Exposure to sovereign risk

In 2014, the part invested by Ethias NV in sovereign or supranational risk amounts to 55% of the total amount of the fair value of all the bonds (i.e. EUR 8,218,510 thousand on a total of EUR 14,988,796 thousand). In 2013, this ratio amounted to 51%.

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

In thousands of EUR, *in the market value at the Group's level*	2014	2013
Germany	271,286	347,955
Austria	226,896	230,157
Belgium	4,764,794	4,132,240
Spain	566,442	246,883
Central and Eastern Europe	446,730	426,288
France	791,446	617,243
Ireland	205,203	158,099
Italy	573,959	564,562
The Netherlands	122,692	148,341
Scandinavia	6,518	16,808
Portugal	141,531	161,902
Supranational securities	92,427	90,851
Other countries	8,587	11,973
Total	**8,218,510**	**7,153,302**

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 debts. This explains why the total amount of exposure to the sovereign risk, i.e. EUR 8,218,510 thousand per 31 December 2014 is higher than the amount mentioned under the sector "Governmental", i.e. EUR 7,599,322 thousand. The same remark is applicable for the year 2013.

9.7.3 Liquidity risk

9.7.3.1 Nature and extent of the risks

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

- Risk of market (il)liquidity: the risk of loss resulting from the fact that the company cannot easily compensate or eliminate a position at market price because of inadequate market depth or market disruptions.

- Risk of funding (il)liquidity: the risk of loss resulting from the fact that the company is not able to satisfy the need for present and future, expected and unexpected cash flows, without affecting its day-to-day operations or its financial position.

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

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

9.7.3.2 Analysis of contractual maturities

The liquidity risk is analysed within each subsidiary of the Ethias Group. However, the company Ethias SA concentrates the majority of cash flows on the basis of which the liquidity risk is analysed and monitored by the management. The table below shows the cash flows expected by Ethias SA per category of financial assets and insurance liabilities, and grouped per relevant maturity dates.

In thousands of EUR *Only Ethias SA*	2014							
		Expected cash flows (undiscounted)						
	Book value	**Total amount of undiscounted flows**	**Up to 1 year**	**Between 1 and 5 years**	**Between 6 and 10 years**	**Between 11 and 20 years**	**More than 20 years**	**Undetermined maturity**
Assets								
Investment properties	186,946	720,761	12,519	51,017	66,668	143,712	446,844	
Share interests, shares and investment funds	1,115,591	1,566,400	127,647	194,300	210,378	436,305	597,770	
Bonds and equivalent stocks	14,963,621	20,219,612	1,363,517	4,763,925	4,251,636	4,226,181	5,614,353	
Loans and deposits	1,079,667	1,297,135	124,745	454,586	270,604	407,475	39,726	
Derivative financial instruments	15,094	15,094	15,094	-	-	-	-	
Investments belonging to unit-linked insurance contracts	416,352	588,711	114,780	158,101	70,989	45,755	199,086	
Cash and cash equivalents	1,843,791	2,526,525	1,929,079	15,471	61,219	210,868	309,888	
Total assets	**19,621,061**	**26,934,239**	**3,687,382**	**5,637,400**	**4,931,494**	**5,470,297**	**7,207,666**	
Liabilities								
Insurance and investment contract liabilities	18,917,649	21,423,427	2,764,085	4,385,366	3,364,425	4,796,647	6,052,240	60,663
Liabilities belonging to unit-linked insurance contracts	416,353	435,437	132,369	183,331	40,330	43,495	23,338	12,574
Subordinated debts	325,000	626,524	17,475	46,579	124,182	87,529	100,759	250,000
Other financial debts	24,675	11,528	-	158	11,370	-	-	
Derivative financial instruments	-	-	-	-	-	-	-	
Total liabilities	**19,683,676**	**22,496,916**	**2,913,929**	**4,615,433**	**3,540,308**	**4,927,672**	**6,176,338**	**323,237**

In thousands of EUR *Only Ethias SA*	2013							
		Expected cash flows (undiscounted)						
	Book value	**Total amount of undiscounted flows**	**Up to 1 year**	**Between 1 and 5 years**	**Between 6 and 10 years**	**Between 11 and 20 years**	**More than 20 years**	**Undetermined maturity**
Assets								
Investment properties	179,559	792,754	19,196	125,916	142,962	278,065	226,616	
Share interests, shares and investment funds	1,226,814	2,742,148	77,384	421,107	437,550	770,073	1,036,034	
Bonds and equivalent stocks	14,110,610	18,431,345	1,879,501	4,848,837	5,755,670	4,079,758	1,867,579	
Loans and deposits	1,217,756	2,031,989	117,872	555,803	394,681	421,359	542,274	
Derivative financial instruments	4,754	4,783	4,783	-	-	-	-	
Investments belonging to unit-linked insurance contracts	476,546	675,600	99,856	269,509	72,099	46,338	187,798	
Cash and cash equivalents	1,539,642	1,677,772	1,234,261	36,375	64,073	160,798	182,266	
Total assets	**18,755,682**	**26,356,391**	**3,432,851**	**6,257,547**	**6,867,035**	**5,756,391**	**4,042,567**	
Liabilities								
Insurance and investment contract liabilities	17,697,812	23,282,597	1,861,512	6,149,759	4,842,426	5,328,944	5,099,956	
Liabilities belonging to unit-linked insurance contracts	476,547	514,693	108,080	236,556	63,801	63,781	42,476	
Subordinated debts	325,000	627,419	5,625	69,640	133,736	84,209	84,209	250,000
Other financial debts	19,392	20,449	31	4,319	16,099	-	-	
Derivative financial instruments	-	0						
Total liabilities	**18,518,751**	**24,445,159**	**1,975,248**	**6,460,274**	**5,056,062**	**5,476,934**	**5,226,642**	**250,000**

Actual maturities may differ from contractual maturities because certain assets are accompanied by early redemption clauses, with or without penalties, or maturity extension clauses. The expected cash flows from the investment contract liabilities are divided by maturity on the basis of repurchase assumptions used internally to manage the liquidity risk. Finally, expected non-contractual future premiums on liabilities are not taken into account.

The cash flows related to cash and cash equivalents were considered in the interval "up to one year" as they are immediately available or readily convertible for the company.

The liquidity analysis shows, for each time interval, a cumulative cash flow surplus of assets towards the expected net outflows on liabilities. The projection methodology of liabilities is an approach in run-off, in which only contractual future premiums are taken into account. Similarly, the asset portfolios are projected in run-off, except for very long liability revenues where asset cash flows would accumulate in cash. As this vision is not realistic, we choose to reflect management decisions and reinvest according to the asset allocation defined for these products. 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.

9.7.4 Market Risk

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

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

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

9.7.4.1 Interest rate risk

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

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

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

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

9.7.4.2 Credit spread risk

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

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

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

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

In thousands of EUR *In market value,* *At Group's level*	AAA	AA	A	BBB	BB and below	No rating	Total
	2014						
Bonds and equivalent securities	1,377,931	5,811,282	3,148,878	3,880,604	610,496	159,605	14,988,796
Loans and deposits	-	-	4,832	-	-	1,007,288	1,012,120
Receivables	-	-	202	-	-	1,540,664	1,540,866
Cash and cash equivalents	3,998	67,937	1,404,745	373,831	24,942	17,561	1,893,014
Total	**1,381,929**	**5,879,219**	**4,558,656**	**4,254,435**	**635,438**	**2,725,119**	**19,434,796**

In thousands of EUR *In market value,* *At Group's level*	AAA	AA	A	BBB	BB and below	No rating	Total
	2013						
Bonds and equivalent securities	1,389,706	5,385,269	2,782,378	3,751,112	668,797	156,856	14,134,117
Loans and deposits	-	-	5,825	-	-	1,144,666	1,150,491
Receivables	-	-	-	-	-	1,925,079	1,925,079
Cash and cash equivalents	29,971	-	1,184,340	278,469	-	74,284	1,567,064
Total	**1,419,677**	**5,385,269**	**3,972,543**	**4,029,581**	**668,797**	**3,300,885**	**18,776,752**

9.7.4.3 Stock price risk

The stock price risk is the risk associated with the sensitivity of the value of assets, liabilities and financial instruments to changes which affect the level, the volatility, but also higher-order statistical moments (skewness, kurtosis, etc.) 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 EUR *Distribution in market value at the Group's level*	2014		2013	
	Fair value	**% of the value in the balance**	**Fair value**	**% of the value in the balance sheet**
Share interests	239,267	1.09%	215,699	1.01%
Shares	678,102	3.08%	822,639	3.85%
Investment funds	34,219	0.16%	22,663	0.11%
Total	**951,588**	**4.32%**	**1,061,001**	**4.96%**

9.7.4.4 Price risk on investment properties

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

In 2014, the market value of the Group's investment properties amounted to EUR 417,027 thousand (i.e. 1.90% of total assets) against EUR 371,850 thousand (i.e. 1.74% of total assets) in 2013.

9.7.4.5 Foreign currency exchange risk

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

9.7.5 Analysis of sensitivity to financial risks

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

The table hereafter shows the shocks taken into account when assessing the different types of risk as well as their impact on the income statement and on other items of comprehensive income. The shocks considered are those used by the company's management as part of market risk assessment. The orders of magnitude used are similar to those identified within the framework of the Solvency II standard. The sensitivity analysis proposed is based on the financial investment portfolio held by Ethias SA. In the case of shares, the impact on the RTD SICAV is also taken into account. The amounts do not include the effects of the application of shadow accounting.

In thousands of euros, *only Ethias SA (and Ethias RTD High Yield in the case of shares)*	**2014** Estimated impact on the income statement	**2014** Estimated impact on other comprehensive income items
Interest rate risk		
Increase in the yield curve by 100 basis points	(20,011)	(790,872)
Decrease in the yield curve by 100 basis points	17,232	792,432
Credit spread risk		
Increase in the credit spread by 100 basis points	(50,082)	(821,376)
Decrease in the credit spread by 100 basis points	46,975	822,044
Stock price risk		
Stock price decrease by 39 %	(94,337)	(161,289)
Stock price increase by 39 %	88,356	167,275

In thousands of euros, *only Ethias SA (and Ethias RTD High Yield in the case of shares)*	**2013** Estimated impact on the income statement	**2013** Estimated impact on other comprehensive income items
Interest rate risk		
Increase in the yield curve by 100 basis points	(23,163)	(620,390)
Decrease in the yield curve by 100 basis points	21,500	620,923
Credit spread risk		
Increase in the credit spread by 100 basis points	(66,048)	(640,639)
Decrease in the credit spread by 100 basis points	63,572	641,958
Stock price risk		
Stock price decrease by 39 %	(119,251)	(201,593)
Stock price increase by 39 %	105,065	215,887

The stock segment decreased, the exposure in market value is therefore less compared to last year. The segment of bonds and similar securities in AFS increased in market value, but meanwhile the segment of bonds related to the profit or loss has decreased, which is reflected in the tests carried out.

9.8 Non-financial Risks

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

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

- Internal fraud

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

- External fraud

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

- Practices regarding employment and safety at work

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

- Customers, products and business practices

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

- Execution, delivery and process management

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

- Damage to physical assets

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

- Interruptions in business activity and system failures

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

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

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

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

- a feedback process for operational incidents of any kind. This should eventually allow to identify incidents of structural origin;
- a procedure for managing and centralizing customer complaints;
- a review of the operational risks (including security and continuity) on projects and especially on projects related to the Ethias' strategic plan;
- a structured approach that will drive the implementation of the multiannual security and continuity programmes;
- an information monitoring process allowing to follow-up the threats that the company might face;
- a calibration process of external fraud detection.

10. Capital management

10.1 Capital management purposes

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

At the level of Vitrufin, holding company that is full owner of Ethias SA, a dividend can only be distributed after the necessary amounts have been reserved at the level of Ethias SA in accordance with the requirements regarding the 150 % cover of the statutory solvency margin.

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

10.2 Legal coefficients

The Group is subject to the prudential supervision of the Solvency I directives established by the National Bank of Belgium (NBB). The regulation regarding the coverage of the solvency margin is both applicable at corporate level of each of the insurance companies separately and at the consolidated level of the Group. Hence, the statutory solvency margin is determined at the level of the insurance company Ethias SA. An adjusted solvency margin shall be calculated at the consolidated level. A quarterly report on the regulatory capital available and the required solvency ratio shall be transmitted to the NBB.

The solvency ratio is the ratio between the available margin and the margin to be constituted and its legal minimum is fixed at 100 %. The available margin represents the company's capital, exempt of all foreseeable liabilities. It is constituted of a list of acceptable elements, determined on a regulatory basis. The margin to be constituted shall be assessed based on the amounts of which the company must dispose with regard to its insurance activities. These amounts are calculated on the basis of premiums and damages in the Non-Life insurance, premiums, damages and definitive interest provisions in work accidents and technical provisions and risk capital in Life insurance.

Explicit solvency margin of Ethias SA

In thousands of EUR	2014	2013
Margin to be constituted	798,244	815,286
Components	1,429,722	1,551,187
Coverage ratio	**179.11%**	**190.26%**

Adjusted solvency margin of the Group

In thousands of EUR	2014	2013
Margin to be constituted	798,244	815,286
Components	1,164,531	1,508,231
Coverage ratio	**145.89%**	**184.99%**

10.3 Financial rating

Rating agency Fitch revised on 30 July 2014 Ethias SA's rating for financial strength from BBB to BBB+ and its default rating from BBB- to BBB as an issuer, giving both ratings a stable outlook. Fitch comes to the conclusion that the capitalization level is solid and that the financial "foundations" have improved as a result of Ethias' strong efforts realized since 2009. The significant improvement of the technical profitability in non-life and of the solvency margin are running ahead, which is the result of the implementation of the Plan Visa measures. This ratings were confirmed on 17 December 2014 despite the judgment of 28 November 2014 of the Court of Appeal regarding the dispute with the Belgian tax authorities.

Moreover, Fitch increased the rating of the subordinated loan from BB to BB+, as it considers the prospection of default on coupons are limited.

11. Explanatory notes to the consolidated balance sheet

11.1 Goodwill

11.1.1 Evolution of goodwill

In thousands of EUR	2014	2013
Gross value on 1 January	**28,969**	**27,208**
Accumulated impairments on 1 January	-	-
Net book value on 1 January	**28,969**	**27,208**
Acquisitions	698	1,762
Other changes	-	-
Net book value on 31 December	**29,667**	**28,969**

The goodwill recognized in 2014 finds its origin in the recent acquisition of various subsidiaries within the Group. It relates to the extension of the activities of the subsidiary NRB through the acquisition of various IT subsidiaries (in 2010 Adinfo, in 2011 and 2012 Xtenso, Polymedis and Partézis that merged into Xperthis in 2013, Stesud in 2013 that has been acquired by Civadis in 2014 and Ciges in 2014).

11.1.2 Impairment test on goodwill

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

The Group carried out an impairment test on the goodwill and concluded that no impairment had to be recognized in 2014. This decision was, in particular, based on the fact that the goodwill was recently recognized (2010-2014). The valuation conditions of the relevant activities did not significantly evolve between the acquisition date of the various subsidiaries involved and the closing date. The expected future profitability allows to justify the book value of the goodwill.

11.2 Other intangible assets

	2014		
In thousands of EUR	Software and IT developments	Other intangible assets	Total
Gross value on 1 January	**40,964**	**12,198**	**53,162**
Accumulated amortization on 1 January	(29,548)	(2,985)	(32,533)
Accumulated impairment losses 1 January	-	(7,417)	(7,417)
Net book value on 1 January	**11,416**	**1,796**	**13,212**
Acquisitions	5,751	1,084	6,835
Disposals	(496)	-	(496)
Reclassifications	295	(335)	(40)
Change in the consolidation scope	112	5	118
Net amortization	(4,934)	(727)	(5,661)
Impairments losses	-	(40)	(40)
Other changes	-	-	-
Net book value on 31 December	**12,144**	**1,783**	**13,927**

In thousands of EUR	2013		
	Software and IT developments	Other intangible assets	Total
Gross value on 1 January	**39,715**	**13,089**	**52,804**
Accumulated amortization on 1 January	(28,662)	(4,189)	(32,852)
Accumulated impairment losses on 1 January	-	(7,120)	(7,120)
Net book value on 1 January	**11,053**	**1,780**	**12,832**
Acquisitions	3,035	556	3,591
Disposals	-	-	-
Reclassifications	2,223	(307)	1,916
Change in the consolidation scope	-	376	376
Net amortization	(4,808)	(399)	(5,207)
Impairment losses	-	(297)	(297)
Other changes	(88)	88	-
Net book value on 31 December	**11,416**	**1,796**	**13,212**

11.3 Investment in associates

11.3.1 Information about associates

Prior to applying the equity method, associates figures are:

In thousands of EUR	Ownership percentage	Assets	Liabilities	Equity	Revenues	Net profit (loss)
AME SA	50.00%	51,802	34,502	17,300	1,081	1,426
AME Conseils	50.00%	39	13	26	504	56
Total on 31 December 2014		**51,841**	**34,515**	**17,326**	**1,585**	**1,481**
AME SA	50.00%	49,620	29,497	20,123	528	480
AME Conseils	50.00%	61	91	(29)	224	(36)
Total on 31 December 2013		**49,682**	**29,588**	**20,094**	**752**	**444**

AME SA and its subsidiary AME Conseils SARL are jointly controlled by Vitrufin Group and the French Group Covéa.

11.3.2 Evolution of investment in associates

In thousands of EUR	2014	2013
Net book value on 1 January	**24,794**	**24,716**
Interests sold during the financial year	(555)	-
Reclassifications	-	-
Share in the result of the financial year	741	222
Dividends paid	-	(850)
Other changes	(4,070)	705
Net book value on 31 December	**20,910**	**24,794**

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

11.4 Financial investments

11.4.1 Overview of financial investments by category

In thousands of EUR	31 December 2014					
	Cost price	**Impairments**	**Reassessment through other items of comprehensive income**	**Reassessment through profit or loss**	**Net book value**	**Fair value**
Available for sale	190,818	(15,915)	64,364	-	239,267	239,267
Share interests	**190,818**	**(15,915)**	**64,364**	**-**	**239,267**	**239,267**
Available for sale	342,256	(6,739)	89,144	-	424,661	424,661
Designated at fair value through profit or loss	236,892	-	-	3,055	239,947	239,947
Held for trading	17,168	-	-	(3,674)	13,494	13,494
Shares	**596,316**	**(6,739)**	**89,144**	**(619)**	**678,102**	**678,102**
Available for sale	29,662	(1,216)	4,681	-	33,127	33,127
Designated at fair value through profit or loss	943	-	-	150	1,093	1,093
Investment funds	**30,604**	**(1,216)**	**4,681**	**150**	**34,219**	**34,219**
Available for sale	12,172,695	(6,701)	1,647,229	-	13,813,223	13,813,223
Designated at fair value through profit or loss	1,186,691	-	-	(18,469)	1,168,222	1,168,222
Unlisted on an active market	16,500	(10,000)	-	-	6,500	7,352
Bonds	**13,375,886**	**(16,701)**	**1,647,229**	**(18,469)**	**14,987,945**	**14,988,796**
Loans and deposits	948,845	(10,002)	-	-	938,843	1,012,120
Other investments	**948,845**	**(10,002)**	**-**	**-**	**938,843**	**1,012,120**
Held for trading	9,345	-	-	(7,918)	1,427	1,427
Held for cash flow hedging	-	-	13,667	-	13,667	13,667
Derivative financial assets	**9,345**	**-**	**13,667**	**(7,918)**	**15,094**	**15,094**
Investments belonging to unit-linked insurance contracts	**378,817**	**-**	**-**	**37,535**	**416,352**	**416,352**
Total	**15,530,632**	**(50,574)**	**1,819,085**	**10,679**	**17,309,822**	**17,383,951**

In thousands of EUR	31 December 2013 Cost price	Impairments	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
Available for sale	159,227	(12,041)	68,514	-	215,699	215,699
Share interests	**159,227**	**(12,041)**	**68,514**	**-**	**215,699**	**215,699**
Available for sale	442,944	(12,594)	101,463	-	531,813	531,813
Designated at fair value through profit or loss	260,162	-	-	23,735	283,897	283,897
Held for trading	8,185	-	-	(1,256)	6,929	6,929
Shares	**711,291**	**(12,594)**	**101,463**	**22,479**	**822,639**	**822,639**
Available for sale	19,881	(1,572)	3,411	-	21,720	21,720
Held for trading	943	-	-	-	943	943
Investment funds	**20,824**	**(1,572)**	**3,411**	**-**	**22,663**	**22,663**
Available for sale	11,916,010	(5,138)	809,682	-	12,720,554	12,720,554
Designated at fair value through profit or loss	1,466,309	-	-	(59,745)	1,406,564	1,406,564
Unlisted on an active market	17,000	(10,000)	-	-	7,000	7,000
Bonds and equivalent securities	**13,399,319**	**(15,138)**	**809,682**	**(59,745)**	**14,134,117**	**14,134,117**
Loans and deposits	1,121,284	(24,803)	-	-	1,096,481	1,150,491
Other investments	**1,121,284**	**(24,803)**	**-**	**-**	**1,096,481**	**1,150,491**
Held for trading	9,345	-	-	(4,591)	4,754	4,754
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial assets	**9,345**	**-**	**-**	**(4,591)**	**4,754**	**4,754**
Investments belonging to unit-linked insurance contracts	**476,546**	**-**	**-**	**-**	**476,546**	**476,546**
Total	**15,897,836**	**(66,148)**	**983,069**	**(41,858)**	**16,772,899**	**16,826,909**

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

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

11.4.2 Evolution of financial investments

In thousands of EUR	2014						
	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	**13,489,786**	**1,691,404**	**6,929**	**1,103,481**	**4,754**	**476,546**	**16,772,899**
Acquisitions	2,631,557	207,237	175,382	17,196	770	80,473	**3,112,614**
Reclassifications between categories	(34,869)	34,869	-	-	-	-	**-**
Disposals and reimbursements	(2,418,355)	(544,207)	(164,507)	(161,992)	(1,195)	(175,142)	**(3,465,399)**
Foreign currency translation differences on monetary assets	121	-	-	-	-	-	**121**
Adjustment at fair value	864,259	13,824	(4,349)	-	10,765	31,341	**915,840**
Amortizations	(17,439)	6,135	-	-	-	3,134	**(8,170)**
Impairments	(4,782)	-	-	(13,342)	-	-	**(18,124)**
Change in scope	-	-	40	-	-	-	**40**
Other changes	-	-	-	-	-	-	**-**
Net book value on 31 December	**14,510,277**	**1,409,262**	**13,494**	**945,343**	**15,094**	**416,352**	**17,309,822**

In thousands of EUR	2013						
	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	**13,882,092**	**1,506,933**	**7,777**	**1,165,672**	**3,787**	**515,004**	**17,081,264**
Acquisitions	1,982,564	612,512	120,865	70,004	-	44,857	**2,830,801**
Reclassifications between categories	(49,464)	49,645	(182)	(369)	-	-	**(369)**
Disposals and reimbursements	(2,259,332)	(562,570)	(120,800)	(124,747)	(18)	(103,063)	**(3,170,530)**
Foreign currency translation differences on monetary assets	369	-	-	-	-	-	**369**
Adjustment at fair value	(41,286)	81,391	(731)	-	985	17,927	**58,286**
Amortization	(19,910)	3,492	-	-	-	1,821	**(14,597)**
Impairments	(5,246)	-	-	(7,087)	-	-	**(12,333)**
Change in scope	-	-	-	8	-	-	**8**
Other changes	-	-	-	-	-	-	**-**
Net book value on 31 December	**13,489,786**	**1,691,404**	**6,929**	**1,103,481**	**4,754**	**476,546**	**16,772,899**

Bonds not listed on an active market are recognized within loans, deposits and other financial investments.

11.4.3 Evolution of impairments on investments

11.4.3.1 Impairments on available-for-sale investments

In thousands of EUR	2014	2013
Balance on 1 January	**(31,345)**	**(37,251)**
Provision for impairments	(6,951)	(6,902)
Reversals of impairments	2,169	1,656
Reversals due to disposals	6,813	8,552
Change in scope	-	-
Reclassifications	(1,258)	2,600
Other changes	-	-
Balance on 31 December	**(30,572)**	**(31,345)**

11.4.3.2 Impairments on loans, deposits and other financial investments

In thousands of EUR	2014	2013
Balance on 1 January	**(34,803)**	**(28,132)**
Provision for impairments	(13,342)	(10,365)
Reversals of impairments	-	3,278
Reversals due to disposals	33,616	292
Change in scope	-	-
Reclassifications	(5,473)	124
Other changes	-	-
Balance on 31 December	**(20,002)**	**(34,803)**

11.4.3.3 Past due financial investments

A financial asset is past due when the counterparty has failed to make a payment by the contractual due date. For example, if a counterparty fails to pay the contractual interest due on a scheduled date, the entire contract shall be considered as past due. The table below gives information about the overrunning of the maturity of the past due, 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 2014							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Available-for-sale investments	13,819,924	(6,701)	13,813,223	85,950	13,727,273	-	-	-
Financial assets unlisted on an active market	16,500	(10,000)	6,500	-	6,500	-	-	-
Loans, deposits and other financial investments	948,845	(10,002)	938,843	2,429	925,268	10,233	593	320
Total	**14,785,269**	**(26,703)**	**14,758,566**	**88,378**	**14,659,041**	**10,233**	**593**	**320**

	31 December 2013							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Available-for-sale investments	12,725,692	(5,138)	12,720,554	43,758	12,676,796	-	-	-
Financial assets unlisted on an active market	17,000	(10,000)	7,000	-	7,000	-	-	-
Loans, deposits and other financial investments	1,121,284	(24,803)	1,096,481	38,418	1,044,484	12,022	558	998
Total	**13,863,976**	**(39,941)**	**13,824,034**	**82,176**	**13,728,280**	**12,022**	**558**	**998**

11.4.4 Definition of fair value of financial instruments

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

In thousands of EUR	31 December 2014 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	-	100	239,167	239,267
Share interests	**-**	**100**	**239,167**	**239,267**
Available for sale	424,240	-	421	424,661
Designated at fair value through profit or loss	231,641	-	8,306	239,947
Held for trading	13,494	-	-	13,494
Shares	**669,374**	**-**	**8,728**	**678,102**
Available for sale	18,378	14,749	-	33,127
Designated at fair value through profit or loss	1,093	-	-	1,093
Held for trading	-	-	-	-
Investment funds	**19,471**	**14,749**	**-**	**34,219**
Available for sale	12,405,475	1,407,748	-	13,813,223
Designated at fair value through profit or loss	24,324	819,931	323,966	1,168,222
Held for trading	-	-	-	-
Bonds	**12,429,799**	**2,227,679**	**323,966**	**14,981,445**
Held for trading	-	1,427	-	1,427
Held for cash flow hedging	-	13,667	-	13,667
Derivative assets	**-**	**15,094**	**-**	**15,094**
Investments belonging to unit-linked insurance contracts	**176,554**	**239,798**	**-**	**416,352**
Total financial assets	**13,295,198**	**2,497,420**	**571,861**	**16,364,479**
Financial liabilities				
Investment contracts hedged by assets at fair value	183,352	237,037	-	420,388
Derivative liabilities	-	-	-	-
Total financial liabilities	**183,352**	**237,037**	**-**	**420,388**

In thousands of EUR	31 December 2013 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	-	421	215,278	215,699
Share interests	**-**	**421**	**215,278**	**215,699**
Available for sale	530,968	-	845	531,813
Designated at fair value through profit or loss	275,197	-	8,699	283,897
Held for trading	6,929	-	-	6,929
Shares	**813,095**	**-**	**9,544**	**822,639**
Available for sale	15,004	6,716	-	21,720
Designated at fair value through profit or loss	943	-	-	943
Held for trading	-	-	-	-
Investment funds	**15,947**	**6,716**	**-**	**22,663**
Available for sale	11,464,594	1,255,960	-	12,720,554
Designated at fair value through profit or loss	23,507	996,314	386,743	1,406,564
Held for trading	-	-	-	-
Bonds	**11,488,101**	**2,252,273**	**386,743**	**14,127,117**
Held for trading	-	4,754	-	4,754
Held for cash flow hedging	-	-	-	-
Derivative assets	**-**	**4,754**	**-**	**4,754**
Investments belonging to unit-linked insurance contracts	168,043	308,503	-	476,546
Total financial assets	**12,485,185**	**2,572,668**	**611,565**	**15,669,419**
Financial liabilities				
Investment contracts hedged by assets at fair value	173,346	303,247	-	476,593
Derivative liabilities	-	-	-	-
Total financial liabilities	**173,346**	**303,247**	**-**	**476,593**

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

11.4.5 Distribution between the various hierarchical levels

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

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

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

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

This category includes, inter alia, all sovereign debt securities directly valuated on the basis of values obtained on the market. We note that, in application of IFRS 13, the bid listing of Bloomberg is accepted.

Since the valorization is based on the bid price supplied by a single counterparty, the security will be recognized in level 2 or 3. The same applies to bonds that would not be listed on a market and would not have a counterparty price. For the latter the assessment is based on a theoretical price calculated by applying a spread and an interest rate curve. On 31 December 2014, this concerns a portfolio that is limited to two private issues for a total of EUR 9,990 thousand.

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

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

For funds listed on financial markets, the close value supplied by Bloomberg should serve to valorize the shares recognized in level 1.

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

With regard to "Private Equity" funds, the applied fair value is based on quarterly reports sent by the different managers of these funds. These are recognized in level 2 in so far as the components of the funds are mainly components valorized on active markets.

At the level of branch 23 "unit-linked insurance contract", the bid and close values supplied by Bloomberg are recognized in level 1 in the same way as what is realized for the rest of the portfolio. Are recognized in level 2, funds managed by external mandataries provided that the assets included within these funds are predominantly traded on active markets.

Level 2: Valuation methods based on observable market data

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

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

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

Level 3: Valuation methods not based on observable market data

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

The perpetual subordinated bonds are inter alia listed in this category. The fair value is based on the application of a model price that is obtained by discounting the cash flows projected on the basis of the forward-rate curve. The risk-free discount curve is adjusted to take account of the following elements: (i) credit risks of each issue, (ii) deep subordination, (iii) liquidity and (iv) impact of the non-exercise of the call. Two parameters are not directly observable on the market: an estimate of the market activity, on the one hand, and an assessment of the likelihood of a call, on the other hand. These are estimated upon expert advice. Prices resulting from the model are mainly sensitive to the spread risk and to the evolution of the listing (rating) of the relevant issues. The quantitative approach used for these instruments is in accordance with the IASB recommendations in its report "*IASB Expert Advisory Panel – Measuring and disclosing the fair value of financial instruments in markets that are no longer active*" and are subject to a quarterly report to the NBB.

The use of pricing models implies that the fair value applied exceeds the prices observed on the limited market of subordinated bonds by EUR 11,050 thousand on 31 December 2014 and 31 December 2013.

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

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

Because of their small structures and their immateriality, we do not have at this time future projections on the share interests. The valorizations are based on data published in year N-1, hence there are no risks incurred.

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

In thousands of EUR	2014		2013	
	From level 1 to level 2	From level 2 to level 1	From level 1 to level 2	From level 2 to level 1
Financial assets				
Available for sale	-	-	-	-
Share interests	**-**	**-**	**-**	**-**
Available for sale	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Shares	**-**	**-**	**-**	**-**
Available for sale	-	-	-	-
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Investment funds	**-**	**-**	**-**	**-**
Available for sale	(114,260)	(39,661)	31,788	47,969
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Bonds	**(114,260)**	**(39,661)**	**31,788**	**47,969**
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial assets	-	-	**-**	**-**
Investments belonging to unit-linked insurance contracts	**-**	**(1,424)**	**-**	**-**
Total of the financial assets	**(114,260)**	**(41,086)**	**31,788**	**47,969**
Financial liabilities	-	-	-	-
Investment contracts hedged by assets at fair value	-	-	-	-
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total of the financial liabilities	**-**	**-**	**-**	**-**

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

Transfers between investments from level 1 to level 2 (thus for EUR 114,260 thousand in 2014 against EUR 31,788 thousand in 2013) involve securities of which BGN (Bloomberg generic) was the source of the market price and which, in the absence of the latter, were ultimately valued by the price given by a counterparty. The contrary is true for transfers from level 2 to level 1. For the latter, these are securities for which the price of a counterparty was the source of the market price and which ultimately benefited from the BGN market price as pricing source (thus for EUR 39,661 thousand in 2014 against EUR 47,969 thousand in 2013).

11.4.7 Evolution of investments estimated at fair value in level 3

In thousands of EUR	2014		
	Available-for-sale investments	**Financial assets designated at fair value through profit or loss**	**Total**
Opening balance on 1 January	**216,122**	**395,442**	**611,565**
Acquisitions	67,573	20,000	87,573
Reclassifications between categories	(35,000)	35,000	-
Reclassification to level 3	-	-	-
Exit from level 3	-	-	-
Disposals and reimbursements	3,986	(133,493)	(129,507)
Adjustment at fair value through equity	(10,475)	-	(10,475)
Adjustment at fair value through profit or loss	-	15,323	15,323
Impairments through profit or loss	(2,619)	-	(2,619)
Other changes	-	-	-
Closing balance on 31 December	**239,588**	**332,273**	**571,861**

In thousands of EUR	2013		
	Available-for-sale investments	**Financial assets designated at fair value through profit or loss**	**Total**
Opening balance on 1 January	**209,225**	**357,221**	**566,446**
Acquisitions	15,903	7,843	23,745
Reclassifications between categories	(5,170)	5,314	145
Reclassification to level 3	-	-	-
Exit from level 3	-	(5,496)	(5,496)
Disposals and reimbursements	(33,092)	(14,757)	(47,848)
Adjustment at fair value through equity	30,495	-	30,495
Adjustment at fair value through profit or loss	-	45,317	45,317
Impairments through profit or loss	(1,239)	-	(1,239)
Other changes	-	-	-
Closing balance on 31 December	**216,122**	**395,442**	**611,565**

11.5 Derivative financial instruments

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

	31 December 2014					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
In thousands of EUR	< 1 year	Between 1 and 5 years	> 5 year			
Interest rate swaps	-	10,000	-	10,000	762	-
Options on interest rates	10,500	142,000	108,750	261,250	665	-
Bond	-	-	-	-	-	-
Options on shares or indices	-	-	-	-	-	-
Credit swaps	-	-	-	-	-	-
Subtotal held for trading	**10,500**	**152,000**	**108,750**	**271,250**	**1,427**	**-**
Interest rate swaps	-	-	-	-	-	-
Bond (*)	-	72,123	-	72,123	13,667	-
Subtotal held for hedging	**-**	**72,123**	**-**	**72,123**	**13,667**	**-**
Total	**10,500**	**224,123**	**108,750**	**343,373**	**15,094**	**-**

It should be noted that the amount of EUR 72,132 thousand corresponds to the notional amount multiplied by the exercise price.

No inefficiency must be recorded with respect to the shadow accounting.

	31 December 2013					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
In thousands of EUR	< 1 year	Between 1 and 5 years	> 5 years			
Interest rate swaps	-	-	20,000	20,000	1,190	-
Options on interest rates	10,500	82,000	179,250	271,750	3,565	-
Foreign exchange futures	-	-	-	-	-	-
Credit swaps	-	-	-	-	-	-
Subtotal (held for trading)	**10,500**	**82,000**	**199,250**	**291,750**	**4,754**	**-**

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

11.6 Tangible fixed assets and investment properties

	2014			
In thousands of EUR	Investment properties	Operational buildings	Other tangible fixed assets	Total
Gross value to be depreciated on 1 January	**395,413**	**202,189**	**119,060**	**716,662**
Acquisitions	43,103	1,235	10,526	54,863
Disposals and withdrawals	(710)	(645)	(4,167)	(5,521)
Properties available for sale	-	-	-	-
Change in the consolidation scope	5,449	590	582	6,621
Reclassifications from one heading to another	(5,497)	(24,712)	30,233	25
Other changes	-	-	-	-
Gross value on 31 December	**437,758**	**178,657**	**156,235**	**772,650**
Depreciations and accumulated impairments on 1 January	**(37,983)**	**(89,329)**	**(98,530)**	**(225,842)**
Depreciations of the financial year	(10,171)	(4,523)	(8,290)	(22,984)
Impairments of the financial year	(1,260)	-	-	(1,260)
Reversals of the financial year	7	-	-	7
Disposals and withdrawals	-	6	288	294
Reversals following disposals	223	198	1,282	1,703
Impairment and reversal on investment properties available for sale	-	-	-	-
Change in the consolidation scope	(69)	(242)	(484)	(795)
Reclassification from one heading to another	2,841	18,948	(21,774)	15

Other changes	-	-	-	-
Depreciations and accumulated impairments on 31 December	**(46,413)**	**(74,942)**	**(127,506)**	**(248,862)**
Net book value on 31 December	**391,346**	**103,714**	**28,728**	**523,788**
Fair value on 31 December	**417,027**	**121,370**	**28,728**	**567,125**

	2013			
In thousands of EUR	**Investment properties**	**Operational buildings**	**Other tangible fixed assets**	**Total**
Gross value to be depreciated on 1 January	**328,560**	**187,675**	**114,605**	**630,840**
Acquisitions	32,679	3,201	8,044	43,924
Disposals and withdrawals	(12,091)	(18,680)	(1,004)	(31,775)
Included loan costs	(21)	(1,556)	(746)	(2,323)
Change in the consolidation scope	46,211	441	1,925	48,577
Reclassifications from one heading to another	75	31,108	(3,641)	27,542
Other changes	-	-	(123)	(123)
Gross value on 31 December	**395,413**	**202,189**	**119,060**	**716,662**
Depreciations and accumulated impairments on 1 January	**(32,644)**	**(67,237)**	**(93,658)**	**(193,539)**
Depreciations of the financial year	(9,529)	(6,123)	(7,311)	(22,963)
Impairments of the financial year	(835)	-	-	(835)
Disposals and withdrawals	-	32	492	524
Reversals following disposals	6,942	14,189	217	21,348
Impairment and reversal on investment properties available for sale	-	956	746	1,702
Change in the consolidation scope	(1,841)	(55)	(717)	(2,614)
Reclassifications from one heading to another	(75)	(31,091)	1,708	(29,458)
Other changes	-	-	(7)	(7)
Depreciations and accumulated impairments on 31 December	**(37,982)**	**(89,329)**	**(98,530)**	**(225,841)**
Net book value on 31 December	**357,431**	**112,860**	**20,530**	**490,821**
Fair value on 31 December	**371,850**	**122,256**	**20,565**	**514,671**

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

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

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

11.7 Receivables

11.7.1 Breakdown of receivables by nature

	31 December 2014		
In thousands of EUR	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,283,102	(14,087)	1,269,015
Receivables arising from ceded reinsurance operations	65,726	(4,023)	61,703
Receivables arising from other operations	40,330	(382)	39,949
Tax receivables	3,948	-	3,948
Other receivables	166,321	(69)	166,252
Total	**1,559,426**	**(18,561)**	**1,540,866**

	31 December 2013		
In thousands of EUR	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,238,466	(12,751)	1,225,715
Receivables arising from ceded reinsurance operations	69,029	(4,023)	65,006
Receivables arising from other operations	52,023	(492)	51,531
Tax receivables	405,342	-	405,342
Other receivables	177,484	-	177,484
Total	**1,942,344**	**(17,267)**	**1,925,078**

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 important evolution of the receivables is explained by the judgment from the Court of Appeal with regard to the tax dispute.

For further information we refer to point 1.2 of the management report.

11.7.2 Evolution of impairments on receivables

In thousands of EUR	2014	2013
Impairments on receivables on 1 January	**(17,267)**	**(14,811)**
Provisions of the financial year	(10,076)	(11,257)
Expenditures of the financial year	595	829
Reversals of the financial year	8,444	7,944
Change in the consolidation scope	(257)	-
Other changes	-	29
Impairments on receivables on 31 December	**(18,561)**	**(17,267)**

We think the impairment principle on receivables is prudent as only 9 % of the impairments are actually recorded as a write-off of receivables.

11.7.3 Outstanding receivables

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

	31 December 2014							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,283,102	(14,087)	1,269,015	-	1,159,617	90,887	9,422	9,088
Receivables arising from ceded reinsurance operations	65,726	(4,023)	61,703	-	61,703	-	-	-
Other receivables	210,599	(450)	210,148	-	183,358	25,429	1,242	120
Total	**1,559,426**	**(18,561)**	**1,540,866**	**-**	**1,404,677**	**116,316**	**10,664**	**9,208**

	31 December 2013							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,238,466	(12,751)	1,225,715	-	1,115,116	90,098	10,348	10,153
Receivables arising from ceded reinsurance operations	69,029	(4,023)	65,006	-	65,006	-	-	-
Other receivables	634,849	(492)	634,357	-	605,349	10,911	884	17,213
Total	**1,942,344**	**(17,267)**	**1,925,078**	**-**	**1,785,471**	**101,009**	**11,232**	**27,366**

Impaired receivables are reduced up to their book value amount.

11.8 Other assets

In thousands of EUR	31 December 2014	31 December 2013
Interest and rent accrued but not yet due	267,384	275,766
Other accruals	10,580	7,584
Other assets	3,060	2,580
Total	**281,024**	**285,931**

11.9 Cash and cash equivalents

In thousands of EUR	31 December 2014	31 December 2013
Cash at bank and in hand	950,210	897,245
Cash equivalents	942,488	669,820
Total of the cash and cash equivalents	**1,892,698**	**1,567,064**
Debts arising from repurchase operations (repo)	(11,250)	(19,347)
Bank overdraft and other debts included in the cash flow statement	(13,425)	(45)
Cash and cash equivalents regarding the groups intended to be transferred	776	1,776
Total of the repurchase operations, cash and cash equivalents in the cash flow table	**1,868,800**	**1,549,449**

Cash equivalents consist essentially of short-term deposits and treasury bonds.

Since 2014, a shadow accounting was implemented, i.e. for an amount of EUR 13.400 thousand at the end of the year.

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

11.10 Deferred tax assets and liabilities

11.10.1 Breakdown of deferred tax assets and liabilities

	31 December 2014		
In thousands of EUR	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	8,689	-	8,689
Available-for-sale investments in other items of comprehensive income	-	566,546	(566,546)
Financial assets designated at fair value through profit or loss	-	18,105	(18,105)
Insurance and investment liabilities in other items of comprehensive income	511,675	-	511,675
Insurance and investment liabilities through profit or loss	263,092	-	263,092
Employee benefits in other items of comprehensive income	45,151	2,008	43,143
Employee benefits through profit or loss	45,999	358	45,641
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	-	12,651	(12,651)
Carried forward tax losses	292	-	292
Deferred tax assets and liabilities	**874,897**	**599,668**	**275,230**
Compensation through taxable entity	(595,636)	(595,636)	-
Deferred tax assets and liabilities	**279,261**	**4,032**	**275,230**

	31 December 2013		
In thousands of EUR	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	140	-	140
Available-for-sale investments in other items of comprehensive income	-	275,911	(275,911)
Financial assets designated at fair value through profit or loss	(11,839)	631	(12,470)
Insurance and investment liabilities in other items of comprehensive income	253,486	-	253,486
Insurance and investment liabilities through profit or loss	-	9,527	(9,527)
Employee benefits in other items of comprehensive income	27,608	2,442	25,166
Employee benefits through profit or loss	3,906	358	3,548
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	16,861	28,491	(11,630)
Carried forward tax losses	149,009	-	149,009
Deferred tax assets and liabilities	**439,171**	**317,360**	**121,811**
Compensation through taxable entity	(313,154)	(313,154)	-
Deferred tax assets and liabilities	**126,017**	**4,206**	**121,811**

11.10.2 Evolution of deferred tax assets and liabilities

In thousands of EUR	2014			2013		
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Net book value on 1 January	**126,017**	**4,206**	**121,811**	**172,844**	**2,503**	**170,341**
Changes through profit or loss	172,813	254	172,560	(36,238)	2,549	(38,788)
Change in other items of comprehensive income	(19,569)	(428)	(19,141)	(10,590)	(1,038)	(9,552)
Change in scope	-	-	-	1	191	(190)
Other changes	-	-	-	-	-	-
Net book value on 31 December	**279,261**	**4,032**	**275,230**	**126,017**	**4,206**	**121,811**

11.10.3 Deferred taxes

In thousands of EUR	31 December 2014	31 December 2013
Deferred taxes for which a deferred tax asset was allocated		
Intended use within the year	42,950	56,083
Intended use between 1 and 2 years	52,920	42,931
Intended use between 2 and 3 years	65,619	49,427
Intended use after 3 years	113,741	-
Debt with maturity after 3 years	-	(26,626)
Subtotal	**275,230**	**121,815**
Deferred taxes for which no deferred tax asset was allocated		
Limited recoverability	-	-
Unlimited recoverability	300,392	182,001
Subtotal	**300,392**	**182,001**
Total of the allocated and non-allocated deferred taxes	**575,622**	**303,816**

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

In thousands of EUR	31 December 2014	31 December 2013
Intangible assets	-	-
Investment in associates	-	-
Financial investments	-	390
Reinsurers' share of insurance liabilities	-	-
Other assets	2	1,431
Cash and cash equivalents	776	1,776
Insurance and investment contract liabilities	-	3,952
Financial debts	-	-
Provisions for risks and charges	-	-
Other liabilities	1,871	798
Net assets	**(1,093)**	**(1,152)**

Since 2013, the assets and liabilities of Immo Life Insure are recognized as available for sale.

On 1 January 2014, the insurance portfolio of Immo Life Insure was ceded within Ethias SA and the dissolution should take place before 30 June 2015.

11.12 Equity

11.12.1 Issued capital

The capital issued and paid on 31 December 2014 amounts to EUR 1,000,000,000. The capital is represented by 20,000,000 shares without indication of the nominal value.

	2014	
	In thousands of EUR	**Number of shares**
Capital shares without nominal value	1,000,000	20,000,000
Total	**1,000,000**	**20,000,000**

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

Under the shareholders' pact of Vitrufin signed on 9 February 2009, to which the company is a stakeholder, the parties undertake to do the necessary to return to Vitrufin the profits available within the Group, provided that a dividend can only be paid out to Vitrufin once the necessary amounts were reserved on the level of Ethias with respect of the coverage requirements of the regulatory solvency margin of 150 % and the cover assets of 100 %. Every dividend pay-out should be done in accordance with the applicable statutory and regulatory stipulations.

11.12.2 Other items of comprehensive income

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

In thousands of EUR	2014	2013
Net book value on 1 January	**216,129**	**120,108**
Revaluation	865,193	(40,531)
Related taxes	(305,114)	44,341
Shadow accounting	(759,604)	110,370
Related taxes	258,189	(37,515)
Transfer resulting from disposals or impairments	(42,588)	29,321
Related taxes	14,476	(9,966)
Other changes	-	-
Net book value on 31 December	**246,681**	**216,129**

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

In thousands of EUR	2014	2013
Net book value on 1 January	**(45,688)**	**(59,384)**
Recognized actuarial profits and losses	(50,333)	20,749
Related taxes	17,108	(7,053)
Other changes	-	-
Net book value on 31 December	**(78,912)**	**(45,688)**

11.12.2.3 Evolution of the reserve for hedge accounting

In thousands of EUR	2014
Net book value on 1 January	**-**
Revaluation	-
Related taxes	-
Profits and losses realized on hedging instruments not yet recognized through profit or loss	13,667
Related taxes	(4,645)
Change in scope	-
Change in accounting method	-
Other changes	-
Net book value on 31 December	**9,022**

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

11.13 Insurance and investment contract liabilities

11.13.1 Summary table of insurance and investments contract liabilities

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

11.13.1.1 Liabilities related to Non-Life insurance contracts

In thousands of EUR	31 December 2014	31 December 2013
Mathematical provisions	731,620	694,465
Provisions for unearned premiums	266,484	251,367
Provisions for claims	2,311,145	2,332,725
Shadow accounting	-	31,014
Other provisions	211,269	203,664
Total insurance contract liabilities (gross)	**3,520,518**	**3,513,234**
Reinsurers' share in liabilities related to Non-Life insurance contracts	112,390	141,191
Total insurance contract liabilities (after deduction of the reinsurers' share)	**3,408,128**	**3,372,043**

11.13.1.2 Liabilities related to Life insurance contracts

In thousands of EUR	31 December 2014	31 December 2013
Mathematical provisions	4,399,697	4,347,824
Provisions for claims	2,251	2,158
Shadow accounting	607,437	272,519
Insurance contract liabilities	**5,009,385**	**4,622,501**
Liabilities related to unit-linked insurance contracts	**29,524**	**30,330**
Total insurance contract liabilities (gross)	**5,038,909**	**4,652,831**
Reinsurers' share in liabilities related to Life insurance contracts	1,500	-
Total insurance contract liabilities (after deduction of the reinsurers' share)	**5,037,409**	**4,652,831**

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

11.13.1.3 Investment contract liabilities

In thousands of EUR	31 December 2014	31 December 2013
Mathematical provisions	9,351,879	9,003,909
Provisions for claims	-	-
Shadow accounting	927,519	465,830
Investment contract liabilities with discretionary participation features	**10,279,399**	**9,469,739**
Liabilities related to unit-linked investment contracts with discretionary participation features	**172,450**	**159,223**
Mathematical provisions	4,036	46
Investment contract liabilities without discretionary participation features	**4,036**	**46**
Liabilities related to unit-linked investment contracts without discretionary participation features	**214,379**	**286,994**
Total investment contract liabilities (gross)	**10,670,263**	**9,916,002**
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total insurance contract liabilities (after deduction of the reinsurers' share)	**10,670,263**	**9,916,002**

11.13.1.4 Profit sharing liabilities

In thousands of EUR	31 December 2014	31 December 2013
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	9,110	8,437
Profit sharing related to investment contracts	11,598	4,963
Liabilities for profit sharing of policyholders	**20,708**	**13,400**

11.13.2 Evolution of liabilities related to Non-Life insurance contracts

11.13.2.1 Evolution of gross values before reinsurance

In thousands of EUR	2014	2013
Insurance contract liabilities on 1 January	**3,513,234**	**3,471,423**
Claims paid in the previous years	(392,400)	(397,164)
Change in claim costs compared to the previous financial years	(169,088)	(124,345)
Addition to liabilities on claims of the current year	539,909	526,880
Transfer of received/ceded reserves	-	-
Change in gross reserves for unearned premiums	15,162	11,818
Change in the consolidation scope	-	(1,851)
Shadow accounting	(31,014)	(6,736)
Other changes	44,715	33,209
Insurance contract liabilities on 31 December	**3,520,518**	**3,513,234**

11.13.2.2 Evolution of the reinsurers' share

In thousands of EUR	2014	2013
Reinsurers' share in insurance contract liabilities on 1 January	**141,191**	**174,931**
Reinsurers' share in claims costs	(29,316)	(26,652)
Change in claim costs compared to the previous financial years	(19,958)	(12,162)
Addition to liabilities on claims of the current year	20,605	5,249
Other changes in reserves	(132)	(175)
Reinsurers' share in insurance contract liabilities on 31 December	**112,390**	**141,191**

11.13.2.3 Development triangles

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

In thousands of EUR	2008	2009	2010	2011	2012	2013	2014
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**
Accumulated payments:							
2010	381,185	408,841					
2011	588,080	604,239	395,553				
2012	719,725	775,651	630,961	424,653			
2013	843,480	898,096	804,683	652,680	397,164		
2014	937,696	1,006,067	942,122	829,149	621,242	392,400	
Revaluated reserves:							
2010	1,761,488	1,876,808					
2011	1,677,647	1,768,993	1,938,533				
2012	1,620,102	1,791,849	1,902,081	1,982,916			
2013	1,654,207	1,775,371	1,879,047	1,933,713	1,981,278		
2014	1,641,447	1,740,019	1,832,744	1,874,301	1,880,709	1,944,985	
Current claim liabilities	703,751	733,953	890,622	1,045,153	1,259,467	1,552,585	2,092,494
Surplus (insufficiency) of the initial provision compared to the estimated cost price on 31 December 2014:							
In nominal value	**134,159**	**231,424**	**298,022**	**225,220**	**212,268**	**166,009**	
In percent	**7.56%**	**11.74%**	**13.99%**	**10.73%**	**10.14%**	**7.86%**	
Other liabilities for claims related to Non-Life insurance contracts						**218,651**	
Total of the provisions for claims related to Non-Life insurance contracts						**2,311,145**	

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

11.13.3.1 Evolution of gross values before reinsurance

In thousands of EUR	2014	2013
Insurance contract liabilities on 1 January	**4,622,501**	**4,450,984**
Premiums	218,957	335,825
Benefits	(245,293)	(261,569)
Time value	138,127	139,221
Internal transfers	(217,356)	(13,376)
Transfer of received/ceded reserves	1,538	119,044
Shadow accounting	334,918	(41,179)
Other changes in reserves	155,993	(106,449)
Insurance contract liabilities on 31 December	**5,009,385**	**4,622,501**

11.13.3.2 Evolution of the reinsurers' share

In thousands of EUR	2014	2013
Reinsurers' share in insurance contract liabilities on 1 January	**-**	**976,813**
Ceded premiums	253	25,078
Reinsurers' share in claims costs	-	(16,790)
Reinsurers' share in time value	-	17,269
Transfers	-	(1,002,346)
Other changes in reserves	1,247	(25)
Reinsurers' share in insurance contract liabilities on 31 December	**1,500**	**-**

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

11.13.4.1 Evolution of gross values before reinsurance

In thousands of EUR	2014	2013
Investment contract liabilities on 1 January	**9,469,739**	**10,594,681**
Premiums	859,212	1,083,790
Benefits	(1,540,014)	(2,403,469)
Time value	241,699	264,913
Internal transfers	221,812	10,738
Transfer of received/ceded reserves	(60,517)	(10,313)
Shadow accounting	461,690	(61,624)
Other changes in reserves	625,777	(8,977)
Investment contract liabilities on 31 December	**10,279,399**	**9,469,739**

11.13.4.2 Evolution of the reinsurers' share

In thousands of EUR	2014	2013
Reinsurers' share in investment contract liabilities on 1 January	**-**	**273,269**
Ceded premiums	-	-
Reinsurers' share in claims costs	-	-
Reinsurers' share in time value	-	2,848
Transfers	-	(277,970)
Other changes in reserves	-	1,853
Reinsurers' share in investment contract liabilities on 31 December	**-**	**-**

11.13.5 Evolution of liabilities related to unit-linked insurance contracts

In thousands of EUR	2014	2013
Liabilities related to unit-linked insurance contracts on 1 January	**476,547**	**515,005**
Premiums	209	142
Benefits	(92,663)	(63,366)
Revaluation of the provisions	37,725	23,165
Technical result and other transfers	-	-
Internal transfers	(4,198)	2,900
Transfer of received/ceded reserves	-	-
Other changes in reserves	(1,267)	(1,299)
Liabilities related to unit-linked insurance contracts on 31 December	**416,353**	**476,547**

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

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

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

- Liabilities are updated through an appropriate risk-free interest rate curve in order to take into account the asset and liability management implemented in the company's long-term commitments.
- The surrender law was estimated on the basis of the historical data. An estimate of the operation impact presented to the holders of a FIRST A account in order to benefit an exit premium upon surrender of their contract before 31 March 2015 is taken into account. At the moment of the preparation of the accounts the estimate was based on a study made by a specialized company. The estimate led to consider that 20 % of the clients would proceed to a surrender. On the date of the preparation of the consolidated financial statements, this estimation is still considered to be prudent given that more than 20 % of the aimed customers proceeded to a surrender.
- In 2014, taking into account the market conditions, the deferred gains of value observed and recognized in the representative assets of the insurance liabilities in Life and investment contracts were allocated to the liabilities related to insurance contracts Life and investment contracts.

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

11.14 Financial debts

11.14.1 Breakdown by nature

In thousands of EUR	31 December 2014 Balance value	31 December 2014 Fair value	31 December 2013 Balance value	31 December 2013 Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	321,500	310,203	321,500	302,362
Subordinated debts	**321,500**	**310,203**	**321,500**	**302,362**
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Cash credits	25	25	45	45
Debts arising from repurchase operations (repo)	11,250	11,250	19,347	19,347
Collateral received as guarantee	13,400	13,400	-	-
Others	21,800	21,800	22,537	22,537
Other financial debts	**46,474**	**46,474**	**41,929**	**41,929**
Total of the financial debts	**367,974**	**356,677**	**363,429**	**344,291**

In 2005 and in 2007 Ethias SA issued two subordinated bond loans of respectively EUR 250 and 75 million. The first issue, of the perpetual type, offers an interest rate of 4.747 % until the first exercise date of the redemption in December 2015 and subsequently a variable interest rate if the redemption is exercised later. The second issue has an interest rate of 7.5 % until July 2018, first exercise date of the redemption, and a variable interest rate until the expiry date in July 2023.

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

The evolution of the fair value of non-convertible subordinated bond loans over the year 2014 is due to the decrease in interest rates, the stress decrease on the credit markets and the positive situation of the Ethias Group confirmed by an upgrade to BBB+ by Fitch in 2014. These three elements have a positive impact on the valuation of these elements.

The assessments at real value of the issued loans are based on observable elements such as levels of the interest rate markets and of credit markets. They are recognized in level 2.

Are not recognized in level 2, for an amount of EUR 235,203 thousand, the loan without fixed term provided that the theoretical term required for the valorization is fixed on advice of an expert based on non-observable information.

The collateral received as guarantee amounts to EUR 13,400 thousand resulting from the implementation of hedging operations of the OLO forward type in 2014.

11.14.2 Breakdown by maturity

In thousands of EUR	2014 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	-	-	75,000	246,500	321,500
Subordinated debts	**-**	**-**	**75,000**	**246,500**	**321,500**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Cash credits	25	-	-	-	25
Debts arising from repurchase operations (repo)	11,250	-	-	-	11,250
Collateral received as guarantee	13,400	-	-	-	13,400
Others	17,129	4,188	483	-	21,800
Other financial debts	**41,804**	**4,188**	**483**	**-**	**46,474**
Total of the financial debts	**41,804**	**4,188**	**75,483**	**246,500**	**367,974**

In thousands of EUR	2013				
	More 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	-	-	75,000	246,500	321,500
Subordinated debts	**-**	**-**	**75,000**	**246,500**	**321,500**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Cash credits	45	-	-	-	45
Debts arising from repurchase operations (repo)	19,347	-	-	-	19,347
Collateral received as guarantee	-	-	-	-	-
Others	17,775	4,276	485	-	22,537
Other financial debts	**37,167**	**4,276**	**485**	**-**	**41,929**
Total of the financial debts	**37,167**	**4,276**	**75,485**	**246,500**	**363,429**

11.15 Provisions

Provisions recognized in the balance sheet are analysed as follows:

In thousands of EUR	2014			
	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	Total
Provisions on 1 January	**7,228**	**123,694**	**18,000**	**148,922**
Provisions (+)	-	60,649	2,200	62,849
Expenditures (-)	(7)	(83,382)	(7,873)	(91,261)
Reversals (-)	(1,311)	-	(287)	(1,599)
Transfers (+/-)	-	-	(27)	(27)
Change in scope	-	-	520	520
Other changes	-	-	-	-
Provisions on 31 December	**5,910**	**100,961**	**12,532**	**119,404**

Provisions for financial risks were used after deduction of provisions for an amount of EUR 23 million. They mainly concern the default risks and the risks related to the financial markets.

In thousands of EUR	2013			
	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	Total
Provisions on 1 January	**6,379**	**51,231**	**7,954**	**65,565**
Provisions (+)	869	72,463	25,294	98,626
Expenditures (-)	(2)	-	(176)	(178)
Reversals (-)	(18)	-	(15,076)	(15,094)
Transfers (+/-)	-	(300)	300	-
Change in scope	-	-	4	4
Other changes	-	300	(300)	-
Provisions on 31 December	**7,228**	**123,694**	**18,000**	**148,922**

11.16 Employee benefits

11.16.1 Overview of employee benefits by nature

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

In thousands of EUR	31 December 2014	31 December 2013
Post-employment benefits	573,216	504,454
Long-term employee benefits	1,583	1,473
Termination benefits	28,549	31,332
Total	**603,348**	**537,259**

Amounts of the projected benefits

In thousands of EUR	2015	2014
Group insurance	23,981	27,095
Retirement	4,485	4,758
Jubilee	73	109
End of career	100	162
Total	**28,639**	**32,124**

11.16.2 Description of the employee benefits

11.16.2.1 Post-employment benefits

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

Pension benefit obligations

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

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

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

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

Other post-employment benefits

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

11.16.2.2 Long-term benefits

Long-term benefits refer to advantages granted to active employees and which are not fully payable within the twelve months following the end of the financial year in which the employees provided the services. These benefits include, inter alia, long-term absences and jubilee premiums paid.

11.16.2.3 Termination benefits

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

11.16.3 Actuarial assumptions and sensitivity analysis

11.16.3.1 Actuarial assumptions

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

	31 December 2014	31 December 2013
Discount rate	1.15% / 1.90%	2.80% / 3.40%
Expected wage increase	1.50%	1.50%
Life table	32% of MR/FR	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 11 years

11.16.3.2 Sensitivity analysis

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

This analysis showed that an increase in discount rate with 50 basis points should lower the debt with regard to employee benefits with EUR 30,027 thousand. A decrease of the same level would however result in a debt increase of EUR 32,712 thousand.

The impact of an increase with 25 basis points of the expected wage increase rate amounts to EUR 18,134 thousand. An equivalent decrease would however lower the debt with EUR 16,878 thousand.

	31 December 2014	31 December 2013
Discount rate		
Increase in rates with 50 basis points	(30,027)	(23,581)
Decrease in rates with 50 basis points	32,712	25,677
Expected wage increase		
Increase in rates with 25 basis points	18,134	14,601
Decrease in rates with 25 basis points	(16,878)	(13,951)

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

In thousands of EUR	2014			2013		
	Post-employment benefits	Long-term benefits	Total	Post-employment benefits	Long-term benefits	Total
Actual debt value on 1 January	**504,454**	**1,473**	**505,927**	**514,663**	**1,438**	**516,101**
Cost price of provided services	30,026	114	30,140	31,617	114	31,732
Financial cost price	14,006	43	14,049	14,138	44	14,182
Contributions constituted by participants	-	-	-	-	-	-
Actuarial derogations	50,333	41	50,374	(20,749)	(59)	(20,808)
Benefits	(26,249)	(92)	(26,341)	(33,885)	(67)	(33,952)
Cost price of past services	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Regulations	-	-	-	-	-	-
Other	647	3	650	(1,331)	3	(1,328)
Actual debt value on 31 December	**573,216**	**1,583**	**574,799**	**504,454**	**1,473**	**505,927**

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

11.17 Trade and other payables

11.17.1 Breakdown by nature

In thousands of EUR	31 December 2014	31 December 2013
Liabilities arising from direct insurance operations and accepted reinsurance	133,275	114,359
Liabilities arising from ceded reinsurance operations	74,759	71,400
Liabilities from operating activities	**208,034**	**185,758**
Tax on current result	5,984	4,711
Other contributions and taxes	33,415	30,675
Tax payable	**39,399**	**35,385**
Social security payables	60,994	61,639
Payables to associates	-	-
Payables from finance leases	2,143	801
Trade payables	38,760	35,301
Other payables	99,704	109,968
Other payables	**201,602**	**207,709**
Accruals for liabilities	**12,634**	**10,384**
Total other payables	**461,669**	**439,237**

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

11.17.2 Breakdown by maturity

	2014				
In thousands of EUR	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	133,275	-	-	-	133,275
Liabilities arising from ceded reinsurance operations	74,759	-	-	-	74,759
Liabilities from operating activities	**208,034**	**-**	**-**	**-**	**208,034**
Tax on current result	5,640	344	-	-	5,984
Other contributions and taxes	33,415	-	-	-	33,415
Tax payable	**39,055**	**344**	**-**	**-**	**39,399**
Social security payables	60,994	-	-	-	60,994
Payables to associates	-	-	-	-	-
Payables from finance leases	2,143	-	-	-	2,143
Trade payables	38,593	167	-	-	38,760
Other payables	97,105	720	-	1,879	99,704
Other payables	**198,835**	**887**	**-**	**1,879**	**201,602**
Accruals for liabilities	**12,165**	**96**	**295**	**78**	**12,634**
Total other payables	**458,089**	**1,327**	**295**	**1,957**	**461,669**

	2013				
In thousands of EUR	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	114,359	-	-	-	114,359
Liabilities arising from ceded reinsurance operations	71,400	-	-	-	71,400
Liabilities from operating activities	**185,758**	**-**	**-**	**-**	**185,758**
Tax on current result	4,696	-	-	15	4,711
Other contributions and taxes	30,675	-	-	-	30,675
Tax payable	**35,370**	**-**	**-**	**15**	**35,385**
Social security payables	61,639	-	-	-	61,639
Payables to associates	-	-	-	-	-
Payables from finance leases	-	801	-	-	801
Trade payables	35,301	-	-	-	35,301
Other payables	106,325	1,705	709	1,229	109,968
Other payables	**203,265**	**2,507**	**709**	**1,229**	**207,709**
Accruals for liabilities	**10,340**	**12**	**-**	**31**	**10,384**
Total other payables	**434,734**	**2,519**	**709**	**1,275**	**439,237**

12. Explanatory notes to the consolidated income statement

12.1 Revenues from insurance activities

In thousands of EUR	2014			
	Insurance contracts Life	Non-Life	Investments contracts with discretionary participation features Life	Total
Gross premiums	222,570	1,291,590	861,479	2,375,639
Premiums ceded to reinsurers	(3,039)	(37,531)	-	(40,570)
Change in provision for unearned premiums and current risks (net of reinsurance)	-	(15,250)	-	(15,250)
Other incomes from insurance activities	30	2,403	2,064	4,496
Revenues of insurance activities (net of reinsurance)	**219,561**	**1,241,212**	**863,543**	**2,324,315**

In thousands of EUR	2013			
	Insurance contracts Non-Life	Life	Investments contracts with discretionary participation features Life	Total
Gross premiums	342,205	1,266,008	1,083,546	2,691,760
Premiums ceded to reinsurers	(26,208)	(45,673)	-	(71,881)
Change in provision for unearned premiums and outstanding risks (net of reinsurance)	-	(11,782)	-	(11,782)
Other incomes from insurance activities	68	1,753	1,431	3,252
Revenues from insurance activities (net of reinsurance)	**316,064**	**1,210,307**	**1,084,977**	**2,611,348**

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

12.2 Technical expenses of insurance activities

In thousands of EUR	2014			
	Insurance contracts Life	Non-Life	Investments contracts with discretionary participation features Life	Total
Expenses for insurance payments	517,287	898,510	1,769,270	3,185,067
Net expenses or revenues ceded to reinsurers	(3,724)	(11,321)	-	(15,045)
Management costs	22,065	233,699	28,921	284,685
Technical expenses for insurance activities	**535,627**	**1,120,889**	**1,798,191**	**3,454,707**

In thousands of EUR	2013			
	Insurance contracts Life	Non-Life	Investments contracts with discretionary participation features Life	Total
Expenses for insurance payments	362,045	894,490	1,376,353	2,632,888
Net expenses or revenues ceded to reinsurers	(24,083)	(962)	(1,385)	(26,431)
Management costs	23,303	226,879	30,675	280,856
Technical expenses for insurance activities	**361,265**	**1,120,406**	**1,405,642**	**2,887,313**

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

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

12.3 Net profit (loss) of cessions in reinsurance

In thousands of EUR	2014	2013
Premiums ceded to reinsurers	(40,570)	(71,881)
Change in provision for unearned premiums - reinsurers' share	(132)	-
Net expenses or revenues ceded to reinsurers	15,045	26,431
Net profit (loss) of cessions in reinsurance	**(25,657)**	**(45,450)**

12.4 Net profit (loss) of other activities

In thousands of EUR	2014	2013
Revenues of institutions not being insurance companies	156,775	140,185
Other revenues of institutions not being insurance companies	13,565	21,095
Other revenues related to insurance activities	2,536	2,028
Revenues from other activities	**172,876**	**163,309**
Operating expenses of institutions not being insurance companies	(134,755)	(127,942)
Other revenues of institutions not being insurance companies	(20,639)	(20,198)
Other expenses of institutions not being insurance companies	(386,645)	(26,551)
Expenses for other activities	**(542,038)**	**(174,691)**
Net profit (loss) of other activities	**(369,162)**	**(11,382)**

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 most important evolution of the expenses is explained by the payment of the tax dispute, i.e. EUR 378 thousand. For more information we refer to point 1.2 of the management report.

12.5 Net financial result without finance costs

In thousands of EUR	2014					
	Revenues of investments	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**18,053**	**3,879**	**-**	**(11,424)**	**1,737**	**12,245**
Available for sale	4,671	24,316	-	(2,617)	4,035	30,405
Share interests	**4,671**	**24,316**	**-**	**(2,617)**	**4,035**	**30,405**
Available for sale	15,333	31,179	138	6,162	-	52,812
At fair value through profit or loss	7,931	8,446	2,126	-	-	18,504
Held for trading	543	5,500	(4,349)	-	-	1,694
Shares and investment funds	**23,807**	**45,125**	**(2,085)**	**6,162**	**-**	**73,009**
Available for sale	437,456	17,961	-	(1,563)	(22,361)	431,493
At fair value through profit or loss	53,168	28,316	26,480	-	-	107,963
Held for trading	-	-	-	-	-	-
Unlisted at amortized cost price	720	257	-	-	-	976
Bonds	**491,343**	**46,533**	**26,480**	**(1,563)**	**(22,361)**	**540,432**
Loans, deposits and other financial investments	**30,269**	**-**	**-**	**(13,468)**	**8,149**	**24,950**
Held for trading	91	133	(2,902)	-	-	(2,678)
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial instruments	**91**	**133**	**(2,902)**	**-**	**-**	**(2,678)**
Investments belonging to unit-linked insurance contracts	**55**	**-**	**-**	**-**	**-**	**55**
Cash and cash equivalents	**6,451**	**-**	**761**	-	-	**7,212**
Others	**46,609**	**-**	**-**	**-**	**19,414**	**66,022**
Net financial result without finance costs	**621,349**	**119,987**	**22,254**	**(22,910)**	**10,974**	**751,653**

In thousands of EUR	2013					
	Revenues of investments	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**16,687**	**459**	**-**	**(10,364)**	**(1,737)**	**5,046**
Available for sale	6,303	1,016	-	(2,503)	(4,035)	781
Share interests	**6,303**	**1,016**	**-**	**(2,503)**	**(4,035)**	**781**
Available for sale	14,894	7,002	-	(2,174)	-	19,722
At fair value through profit or loss	7,080	10,498	23,735	-	-	41,313
Held for trading	220	4,013	(730)	-	-	3,502
Shares and investment funds	**22,194**	**21,512**	**23,005**	**(2,174)**	**-**	**64,537**
Available for sale	469,137	(11,412)	-	(508)	(11,617)	445,600
At fair value through profit or loss	56,487	21,317	57,614	-	-	135,418
Held for trading	-	1	-	-	-	1
Unlisted at amortized cost price	882	475	-	-	-	1,357
Bonds	**526,507**	**10,381**	**57,614**	**(508)**	**(11,617)**	**582,377**
Loans, deposits and other financial investments	**34,347**	**-**	**-**	**(9,241)**	**(11,370)**	**13,736**
Derivative financial instruments	**501**	**-**	**985**	**-**	**-**	**1,486**
Investments belonging to unit-linked insurance contracts	**947**	**-**	**-**	**-**	**-**	**947**

Cash and cash equivalents	**4,610**	**-**	**-**	**-**	**-**	**4,610**
Others	**46,230**	**-**	**-**	**-**	**(54,631)**	**(8,400)**
Net financial result without finance costs	**658,328**	**33,368**	**81,604**	**(24,791)**	**(83,389)**	**665,120**

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

12.6 Finance costs

In thousands of EUR	2014	2013
Expenses related to bond loans	17,630	17,612
Expenses related to other financial debts	314	535
Total of the finance costs	**17,944**	**18,146**

12.7 Expenses by nature and allocation

In thousands of EUR	2014	2013
Internal claim handling costs	115,682	106,240
Acquisition costs of contracts	143,630	130,537
Management costs	59,803	70,998
Management costs of investments	8,643	8,321
General costs related to other activities	134,755	127,942
Total of the general costs by allocation	**462,513**	**444,039**
Employee benefit expenses	303,931	294,961
Rental and leasing expenses	8,519	7,958
Expenses related to operational buildings	6,114	5,702
IT costs	91,115	82,112
Other expenses	78,713	78,432
Recovered general costs (-)	(25,879)	(25,126)
Total of the general costs by nature	**462,513**	**444,039**

General costs increase with 4,16 % compared to 2013. This evolution is mainly due to the cost evolution of Ethias SA and the group NRB. At the level of Ethias SA, the IT costs largely explain this evolution and result from the launch of a vast multi-annual plan to upgrade the IT architecture in the course of 2014. The increase in employee benefit expenses is mainly related to a regularization of the group insurance.

At the level of NRB Group, the increase in general costs can be related to the increase of revenues. This evolution is focused on the IT costs and the subcontracting costs in order to strengthen the teams.

12.8 Employee benefit expenses

In thousands of EUR	2014	2013
Wages	187,347	185,140
Social security expenses	56,682	56,386
Post-employment benefits	503	616
Defined benefit schemes	45,398	42,187
Other long-term benefits	179	93
Other benefits	69	2,001
Others	13,753	8,537
Total of the employee benefit expenses	**303,931**	**294,961**

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 45,398 thousand in 2014 (against EUR 42,187 thousand in 2013). 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.

12.9 Income taxes

12.9.1 Overview of the tax expense

In thousands of EUR	2014	2013
Payable tax	(6,509)	8,459
Deferred tax	173,428	(38,137)
Income tax on permanent activities	**166,918**	**(29,678)**
Payable tax on available-for-sale activities	-	-
Deferred tax on available-for-sale activities	-	-
Tax on available-for-sale activities	**-**	**-**
Total tax expenses recognized through profit or loss	**166,918**	**(29,678)**
TAX EXPENSES RECOGNIZED IN OTHER CROMPEHENSIVE INCOME COMPONENTS	**(19,986)**	**(10,193)**

12.9.2 Analysis of the tax expenses

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

In thousands of EUR	2014	2013
Profit before tax (without contribution of divestitures and associates)	**(765,845)**	**359,627**
Theoretical tax rate	**33.99%**	**33.99%**
Tax expense / theoretical tax revenue	**260,311**	**(122,250)**
Impact of non-deductible expenses	(173,265)	(47,732)
Impact of non-taxable revenues	97,150	72,590
Impact of fiscal deficits	66,276	55,299
Impact of other temporary differences	(96,226)	18,989
Other impacts	12,672	(6,573)
Total of the tax expense adjustments	**(93,392)**	**92,572**
Real tax expense/proceed	**166,918**	**(29,678)**
Effective tax rate	**22%**	**8%**

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

13. Other notes to the consolidated financial statements

13.1 Lease contracts

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

13.1.1 Ethias as lessor

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

In thousands of EUR	2014	2013
Past due during the year	25,992	20,243
Within more than one and maximum 5 years	100,669	88,653
Within more than 5 years	369,868	281,287
Total	**496,529**	**390,183**

Rent amount recognized as proceed within the financial year:

In thousands of EUR	2014	2013
Minimum rent	21,890	17,375
Conditional rent	1,405	1,184
Total	**23,295**	**18,559**

Leased assets mainly relate to real estate.

13.1.2 Ethias as lessee

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

In thousands of EUR	2014	2013
Past due within the year	6,343	5,818
Within more than one and maximum 5 years	9,469	10,438
Within more than 5 years	-	24
Total	**15,812**	**16,279**

Rent amount recognized as expense within the financial year:

In thousands of EUR	2014	2013
Minimum rent	8,799	8,206
Conditional rent	-	-
Total	**8,799**	**8,206**

Leased assets mainly relate to real estate and company cars.

13.2 Related parties

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

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

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

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

13.2.1 Transactions related to the balance sheet

In thousands of EUR	31 December 2014	31 December 2013
Receivables	1,009,670	966,944
Other assets		-
Total assets with related parties	**1,009,670**	**966,944**
Liabilities related to insurance and investment contracts	965,087	939,746
Financial debts	-	-
Trade and other payables	-	1,756
Total liabilities with related parties	**965,087**	**941,503**

13.2.2 Transactions related to revenues and expenses

In thousands of EUR	31 December 2014	31 December 2013
Revenues	144,158	146,852
Operating expenses	(138,092)	(147,454)
Financial revenues	37,603	27,800
Total of the revenues and expenses with related parties	**43,669**	**27,198**

13.2.3 Other transactions with related parties

In 2014, the Group did not receive or give any commitment towards related parties.

13.3 Remunerations for key management personnel

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

The total amount of their remunerations include the following elements:

In thousands of EUR	2014	2013
Short-term benefits	2,651	2,702
Post-employment benefits	839	746
Termination benefits	538	-
Other long-term benefits	-	-
Remunerations and other benefits for managers and directors	**4,028**	**3,448**

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

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

13.4 Fees of the he Statutory Auditor

In thousands of EUR	2014	2013
Fees for audit services	859	980
Fees for audit services	193	165
Fees for fiscal advice	80	62
Other fees for non-audit services	335	453
Total	**1,467**	**1,660**

13.5 Commitments

13.5.1 Received commitments

In thousands of EUR	31 December 2014	31 December 2013
Guarantee commitments	914,357	976,683
Finance commitment	-	-
Other received commitments	-	1,403
Total	**914,357**	**978,086**

Guarantee commitments mainly include guarantees linked to mortgage loans granted by the Group. They are mainly composed of mortgage loans taken over by Ethias SA after the disposal of Ethias Bank in 2011. On 31 December 2014, this portfolio amounts to EUR 858,680 thousand, which corresponds to the initially guaranteed amounts (against EUR 926,600 thousand on 31 December 2013) One counts:

- mortgage loans (Stater management) for EUR 750,563 thousand on 31 December 2014 (against EUR 808,230 thousand on 31 December 2013).
- mortgage loans for EUR 104,650 thousand on 31 December 2014 (against EUR 115,801 thousand on 31 December 2013).
- public body loans for EUR 2,467 thousand on 31 December 2014 (against EUR 2,568 thousand on 31 December 2013).
- real estate loans for EUR 1,000 thousand on 31 December 2014.

other commitments of 2013 are composed of receivables of low importance to be recovered. They do not longer exist in 2014.

13.5.2 Given commitments

In thousands of EUR	31 December 2014	31 December 2013
Guarantee commitments with regard to financing	104,250	104,250
Other guarantee commitments	56,735	80,957
Commitments on securities	18,473	27,331
Other given commitments	116,732	78,781
Total	**296,190**	**291,319**

The guarantee commitments with regard to financing mainly concern the credit facility for an amount of EUR 104,250 thousand granted by Ethias SA to Vitrufin on 31 December 2014 (against the same amount on 31 December 2013).

The other guarantee commitments mainly include:

- Personal guarantees given for an amount of EUR 50,829 thousand on 31 December 2014 (against EUR 77,833 thousand on 31 December 2013). 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 mainly include repurchase operations (repo), with a maturity of 3 months. The collateral securities within the framework of these operations are exclusively Belgian government bonds.

The other guarantees given include:

- purchase commitments for properties, i.e. EUR 60,768 thousand on 31 December 2014 (against EUR 27,143 thousand on 31 December 2013). These commitments are related to the investment properties Air Properties (for EUR 36,595 thousand) and Real Property Invest (for EUR 13,227 thousand) as well as social properties (for EUR 10,946 thousand);

- lending commitments and/or participations for EUR 55,964 thousand on 31 December 2014 (against EUR 51,638 thousand on 31 December 2013). This total is composed of EUR 22,598 thousand for lending commitments for infrastructures, EUR 7,559 thousand for financial lending commitments and EUR 25,807 thousand for commitments towards non-consolidated financial participations.

13.6 Contingent liabilities

13.6.1 Run-down of the life insurance activity for private individuals

The EC decision of 12 June 2012 compels Ethias to continue its policy to accelerate the run-down of the portfolio “Life Individuals”, and this to strengthen its solvency.

13.7 Events after the reporting period

At the end of February 2015 Ethias offered its clients who are holders of a FIRST A an exit premium which is equal to 4 years interest upon full surrender and an exit premium which is also equal to 4 years interest upon partial surrender of minimum 100,000 euro, in so far as the surrenders take place before the end of March 2015.

14. Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2014

Free translation from the French original

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements for the year ended 31 December 2014, as defined below, and the additional declarations required. The consolidated financial statements include the consolidated balance sheet as of 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date as well as the notes comprising a summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Ethias SA ("the Company") and its subsidiaries (together the "Group") for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated balance sheet amounts to EUR 22,006,632,000 and the consolidated income statement shows a net consolidated income of EUR 598,126,000.

Responsibility of the Board of directors for the preparation of the consolidated financial statements

The Board of directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and is also responsible for the implementation of internal controls, which it considers necessary for the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with the ethical requirements. As statutory auditor, we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including our assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the Group's internal control relevant to the Company's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the Board of directors and the Company's officials the explanations and information necessary to perform our audit.

We believe that the resulting audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the Company give a true and fair view of the Group's consolidated balance sheet as of 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The Board of directors is responsible for the preparation and the content of the management report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) applicable in Belgium, it is our responsibility to verify, in all material respects, the compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the consolidated financial statements:

- The management report on the consolidated financial statements includes the information required by the Belgian Corporate Code, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

- As stated under item 8.2 of the management report on the consolidated financial statements, the Solvency II regulation will enter into force on 1 January 2016. It is therefore essential that the Company continues the actions it has already taken to comply with the capital requirements of this new regulation.

The statutory auditor

PwC Reviseurs d'Entreprises sccrl

represented by:

Kurt Cappoen

Company auditor

ANNUAL ACCOUNTS OF ETHIAS SA

Figures (in euro) established on 31 December 2014 by the Board of Directors of 3 April 2015 and controlled by the Statutory Auditor on 5 May 2015.

1. Balance

Assets	2014	2013
B. Intangible assets	**6,592**	**871,139**
I. Formation expenses	412	824,816
II. Intangible assets	6,180	46,323
2. Other intangible assets	6,180	46,323
C. Investments	**17,642,286,178**	**17,571,361,559**
I. Land and properties	264,643,183	264,697,060
1. Real estate for corporate purposes	77,013,495	85,137,669
2. Others	187,629,688	179,559,391
II. Investment in associates and share interests	568,010,652	609,801,860
- Associates	389,154,000	428,923,226
1. Share interests	384,104,971	428,923,226
2. Certificates, bonds and receivables	5,049,029	-
- Other companies linked by a participating interest	178,856,652	180,878,634
3. Share interests	178,856,652	150,241,384
4. Certificates, bonds and receivables	-	30,637,250
III. Other financial investments	15,726,405,628	15,647,416,185
1. Shares, share interests and other variable yield securities	380,232,209	461,408,030
2. Bonds and other fixed-income securities	14,102,213,499	13,890,101,532
4. Mortgage loans and mortgage credits	634,084,048	720,522,079
5. Other loans	456,943,584	483,062,333
6. Deposits with credit institutions	152,267,057	88,757,493
7. Others	665,231	3,564,718
IV. Deposits with ceding enterprises	1,083,226,715	1,049,446,454
D. Investments related to operations linked to a "Life" business investment fund whose investment risk is not borne by the company	**416,352,798**	**476,546,899**
Dbis. Reinsurers' share of insurance liabilities	**113,889,910**	**141,190,838**
I. Provision for unearned premiums and outstanding risks	1,473,206	1,605,469
III. Provision for claims to be paid	112,416,704	139,585,369
E. Receivables	**413,997,467**	**1,192,125,065**
I. Receivables arising from direct insurance operations	185,787,829	176,268,522
1. Policyholders	84,215,423	79,436,882
2. Intermediaries	22,497,431	23,005,228
3. Others	79,074,975	73,826,412
II. Receivables arising from reinsurance operations	65,725,866	65,006,071
III. Other receivables	162,483,772	950,850,472
F. Other asset items	**916,919,131**	**875,975,617**
I. Tangible assets	15,616,565	6,085,562
II. Available values	901,302,566	869,890,055
G. Accruals	**267,371,200**	**275,335,237**
I. Interest and rent earned but not yet due	267,371,200	275,335,237
Total assets	**19,770,823,276**	**20,533,406,354**

Liabilities	2014	2013
A. Equity	**1,130,290,047**	**1,262,767,502**
I. Subscribed capital or equivalent funds, net of uncalled capital	1,000,000,000	1,000,000,000
1. Subscribed capital	1,000,000,000	1,000,000,000
III. Revaluation surpluses	33,880,691	34,576,715
IV. Reserves	20,443,648	17,332,416
1. Statutory reserve	14,525,000	14,525,000
3. Untaxed reserves	4,016,996	1,539,067
4. Available reserves	1,901,652	1,268,349
V. Result carried forward	75,965,708	210,858,371
1. Profit carried forward	75,965,708	210,858,371
B. Subordinated debts	**325,000,000**	**325,000,000**
C. Technical provisions	**17,302,776,126**	**17,482,566,941**
I. Provisions for unearned premiums and outstanding risks	266,483,883	251,366,612
II. Provision for Life insurance	13,725,567,576	13,951,309,700
III. Provision for claims to be paid	3,046,331,846	3,030,411,283
IV. Provision for profit sharing and refunds	20,708,267	13,399,626
V. Provision for equalization and catastrophes	32,415,938	32,415,238
VI. C. Other technical provisions	211,268,616	203,664,482
D. Technical provisions related to operations linked to a "Life" business investment fund whose investment risk is not borne by the company	**416,352,798**	**476,546,899**
E. Provisions for risks and costs	**148,185,738**	**181,630,044**
I. Provisions for pensions and similar liabilities	18,981,676	22,081,947
II. Provisions for taxes	2,068,440	792,499
III. Other provisions	127,135,622	158,755,598
F. Deposits received from reinsurers	**64,944,735**	**67,775,750**
G. Debts	**380,007,498**	**733,842,020**
I. Liabilities arising from direct insurance operations	133,274,776	114,358,556
II. Liabilities arising from reinsurance operations	13,837,743	3,624,080
IV. Debts toward credit institutions	24,674,833	19,391,963
V. Other debts	208,220,146	596,467,421
1. Taxes, remuneration and social security costs	73,385,418	438,537,980
a) taxes	30,268,114	395,433,869
b) remunerations and social security costs	43,117,304	43,104,111
2. Others	134,834,728	157,929,441
G. Accruals	**3,266,334**	**3,277,198**
Total liabilities	**19,770,823,276**	**20,533,406,354**

2. Income statement

I. Technical account Non-Life	2014	2013
1. Earned premiums, net of reinsurance	**1,238,809,908**	**1,208,553,563**
a) Gross premiums	1,291,590,102	1,266,008,498
b) Outgoing reinsurance premiums (-)	(37,530,661)	(45,672,523)
c) Change in the provision for unearned premiums and outstanding risks, gross of reinsurance (increase -, decrease +)	(15,117,270)	(11,606,912)
d) Change in the provision for unearned premiums and outstanding risks, reinsurers' share (increase -, decrease +)	(132,263)	(175,500)
2bis. Investment income	**156,026,625**	**153,027,679**
a) Income from investment in associates or companies linked by a participating interest	10,581,597	11,824,207
aa) Associates	7,666,370	7,947,798
1° share interests	7,666,370	7,947,798
bb) Other companies linked by a participating interest	2,915,227	3,876,409
1° share interests	2,915,227	3,876,409
b) Income from other investments	131,935,737	125,845,589
aa) income from land and properties	189,377	886,770
bb) income from other investments	131,746,360	124,958,819
C) Write-back of value adjustments on investments	2,303,652	11,508,381
d) Gains on disposal	11,205,639	3,849,502
3. Other technical income, net of reinsurance	**2,402,148**	**1,753,246**
4. Claims costs, net of reinsurance (-)	**(868,767,529)**	**(877,637,327)**
a) Net amounts paid	824,265,991	808,473,268
aa) gross amounts	863,360,122	837,340,007
bb) reinsurers' share (-)	(39,094,131)	(28,866,739)
b) Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	44,501,538	69,164,059
aa) Change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	15,832,873	35,599,074
bb) Change in provision for claims to be paid, reinsurers' share (increase +, decrease -)	28,668,665	33,564,985
5. Change in the other technical provisions, net of reinsurance (increase +, decrease -)	**(7,604,135)**	**(7,047,128)**
6. Profit sharing and refunds, net of reinsurance (-)	**(10,566,269)**	**(7,345,905)**
7. Net operating costs (-)	**(200,273,606)**	**(190,239,893)**
a) Acquisition costs	158,796,946	141,906,522
c) Administrative costs	42,555,021	54,182,280
d) Commissions received from the reinsurers and share interests (-)	(1,078,361)	(5,848,909)
7bis. Investment-related costs (-)	**(23,101,930)**	**(54,325,456)**
a) Investment management costs	(5,993,569)	31,284,679
b) Value adjustments on investments	23,961,461	15,115,614
c) Losses on disposal	5,134,038	7,925,163
8. Other technical costs, net of reinsurance (-)	**(23,503,230)**	**(21,941,804)**
9. Change in provision for equalization and catastrophes, net of reinsurance (increase -, decrease +)	**(700)**	**(3,289,416)**
10. Result of the technical account Non-Life insurance		
Profit (+)	263,421,282	201,507,559

II. Technical account Life			2014	2013
1.	Premiums, net of reinsurance		1,106,448,986	1,423,917,196
	a)	Gross premiums	1,109,488,424	1,450,125,623
	b)	Outgoing reinsurance premiums (-)	(3,039,438)	(26,208,427)
2.	Investment income		666,548,726	695,733,066
	a)	income of investment in associates or companies linked by a participating interest	18,078,073	28,940,182
		- Associates	16,382,431	26,573,267
		1° share interests	16,382,431	26,573,267
		bb) other companies linked by a participating interest	1,695,642	2,366,915
		1° share interests	1,695,642	2,366,915
	b)	income from other investments	502,683,102	536,216,770
		aa) income from land and properties	13,776,030	10,429,082
		bb) income from other investments	488,907,072	525,787,688
	C)	Write-back of value adjustments on investments	53,444,835	65,912,493
	d)	Gains on disposal	92,342,716	64,663,621
3.	Value adjustments on investments of the assets side D. (income)		42,172,961	36,877,272
4.	Other technical income, net of reinsurance		2,093,459	1,498,701
5.	Claims costs, net of reinsurance (-)		(1,910,729,638)	(2,751,553,210)
	a)	Net amounts paid	1,912,389,209	2,752,002,767
		aa) gross amounts	1,913,267,785	2,769,872,943
		bb) reinsurers' share (-)	(878,576)	(17,870,176)
	b)	Change in provision for claims to be paid, net of reinsurance (increase +, decrease -)	(1,659,571)	(449,557)
		aa) Change in provision for claims to be paid, gross of reinsurance (increase +, decrease -)	(159,571)	(449,557)
		bb) Change in provision for claims to be paid, reinsurers' share (increase -, decrease +)	(1,500,000)	-
6.	Change in the other technical provisions, net of reinsurance (increase +, decrease -)		230,613,168	779,203,561
	a)	Change in provision for Life insurance, net of reinsurance (increase -, decrease +)	174,617,383	737,845,096
		aa) Change in provision for Life insurance, gross of reinsurance (increase -, decrease +)	174,617,383	730,246,614
		bb) Change in provision for Life insurance, reinsurers' share (increase +, decrease -)	-	7,598,482
	b)	Change in the other technical provisions, net of reinsurance (increase -, decrease +)	55,995,785	41,358,465
7.	Profit sharing and refunds, net of reinsurance (-)		(7,815,383)	(2,199,512)
8.	Net operating costs (-)		(34,087,467)	(34,916,541)
	a)	Acquisition costs	21,259,439	21,907,119
	c)	Administrative costs	14,173,934	13,009,422
	d)	Commissions received from the reinsurers and share interests (-)	-1,345,906	-
9.	Investment-related costs (-)		(98,642,783)	(196,017,064)
	a)	Investment management costs	39,362,213	100,375,232
	b)	Value adjustments on investments	24,619,771	36,447,338
	c)	Losses on disposal	34,660,799	59,194,494
10.	Value adjustments on investments of the assets side D. (costs) (-)		(10,028,523)	(18,073,245)
11.	Other technical costs, net of reinsurance (-)		(14,310,940)	(17,323,413)
13.	Result of the technical account life insurance			
	Loss (-)		(27,737,434)	(82,853,189)

III. Non-technical account		2014	2013
1.	**Result of the Non-Life technical account**		
	Profit (+)	263,421,282	201,507,559
2.	**Result of the Life technical account**		
	Profit (+)		
	Loss (-)	(27,737,434)	(82,853,189)
3.	**Investment income**	**42,566,349**	**21,647,923**
	b) income from other investments	13,622,094	14,277,598
	bb) income from other investments	13,622,094	14,277,598
	C) Write-back of value adjustments on investments	5,520,606	7,160,500
	d) Gains on disposal	23,423,649	209,825
5.	**Investment-related costs (-)**	**(31,996,472)**	**(21,587,712)**
	a) Investment management costs	27,795,279	17,532,622
	b) Value adjustments on investments	1,546,119	3,917,231
	c) Losses on disposal	2,655,074	137,859
7.	**Other income**	**16,752,077**	**12,598,786**
8.	**Other costs (-)**	**(26,704,213)**	**(36,194,868)**
8bis.	**Current result before taxes**		
	Profit (+)	236,301,589	95,118,499
12.	**Exceptional costs (-)**	**(367,479,283)**	-
13.	**Exceptional result**		
	Loss (-)	(367,479,283)	-
15.	**Income taxes (-/+)**	**38,901**	**15,180,681**
15bis.	**Deferred taxes (-/+)**	**(1,275,940)**	**(64,035)**
16.	**Result of the financial year**		
	Profit (+)	(132,414,733)	110,235,145
17.	**a) Withdrawal from the untaxed reserves**	**35,211**	**246,019**
	b) Transfer to the untaxed reserves (-)	**(2,513,141)**	**(370,378)**
18.	**Result for the period to be appropriated**		
	Profit (+)	(134,892,663)	110,110,786
	Loss (-)		

Appropriation and withdrawal		2014	2013
A.	**Profit to be appropriated**	**75,965,708**	**241,368,371**
	Loss to be appropriated (-)		**-**
	1. Profit for the period available for appropriation	-	110,110,786
	Loss for the year available for appropriation (-)	(134,892,663)	
	2. Profit carried forward from the previous period	210,858,371	131,257,585
	Loss carried forward from the previous period (-)	-	-
B.	**Charge to shareholders' equity**	**-**	**-**
	1. to capital and to issuance premium	-	-
C.	**Transfers to equity (-)**	**-**	**(5,510,000)**
	2. to the statutory reserve	-	5,510,000
D.	**Result to be carried forward**		
	1. Profit to be carried forward (-)	(75,965,708)	(210,858,371)
F.	**Profit to be distributed (-)**	**-**	**(25,000,000)**
	1. Remuneration of capital	-	25,000,000

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 associates
a) Acquisition value				
Previous year end	31,002,862	313,665,044	365,004,858	-
Changes during the year:				
- Acquisitions	-	16,913,352	36,866,255	-
- Disposals and withdrawals	-	(1,294,143)	(82,459,185)	-
- Reclassified between headings	-	-	-	-
- Other changes	-	(30,200,614)	-	5,049,029
Year end	31,002,862	299,083,639	319,411,928	5,049,029
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	30,131,723	80,026,912	7,652,109	-
Changes during the year:				
- Decided	864,547	7,666,999	-	-
- Written back as excessive	-	-	-	-
- Cancelled	-	(22,194,528)	-	-
Year end	30,996,270	65,499,383	7,652,109	-
c) Amounts not called up				
Previous year end			774,676	
Changes during the year:			(774,676)	
Year end			-	
Net book value year end	**6,592**	**264,643,183**	**384,104,971**	**5,049,029**

Name	Asset items concerned			
	C.II.3. Participations 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 yield securities	C.III.2. Bonds and other fixed-income securities
a) Acquisition value				
Previous year end	172,229,865	30,637,250	470,855,451	13,950,909,504
Changes during the year:				
- Acquisitions	30,476,928	-	478,090,376	6,353,681,604
- Disposals and withdrawals	(1,825,047)	-	(540,529,630)	(6,218,900,778)
- Reclassified between heading	-	-	-	-
Other changes	-	(30,637,250)	(19,873,333)	19,937,279
Year end	200,881,746	-	388,542,864	14,105,627,609
b) Increase in value				
Previous year end	5,560,612		-	
Changes during the year:				
- Decided	-		-	
- Cancelled	-		-	
Year end	5,560,612		-	
c) Reduction in value				
Previous year end	10,674,422	-	9,299,971	60,807,973
Changes during the year:				
- Decided	5,300,313	-	8,757,464	30,091,624
- Written back as excessive	(533,182)	-	(4,774,441)	(10,949,379)
- Cancelled	(126,575)	-	(5,022,291)	(76,536,108)
Year end	15,314,978	-	8,260,703	3,414,110
c) Amounts not called up				
Previous year end	16,874,670		147,450	
Changes during the year:	(4,603,942)		(97,498)	
Year end	12,270,728		49,952	
Net book value year end	**178,856,652**	**-**	**380,232,209**	**14,102,213,499**

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		Equity	Net profit or loss
	Number	%	%	Financial statements as of	Currency	(+) or (-) (in thousands of currency units)	
AME SA Rue des Croisiers, 24 B-4000 Liège BE 0806.904.466.883.467	100,000	50.00	0.00	31/12/2013	EUR	48,814	749
Ankaret SA Rue des Croisiers, 24 B-4000 Liège BE 438.840.866	248,879	10.51	0.00	31/12/2013	EUR	2,139	(391)
Ariane Building SA Place Saint-Jacques, 11/104 B-4000 Liège BE 0862.467.382	4,050	25.00	0.00	31/12/2013	EUR	(8,854)	(3,250)
Ariane Real Estate SA Rue des Croisiers, 24 B-4000 Liège BE 0898.866.435	200	100.00	0.00	31/12/2013	EUR	8,994	(98)
Assurcard nv Fonteinstraat, 1A/301 B-3001 Leuven NN 475.433.127	900	20.00	0.00	31/12/2013	EUR	2,609	286
Aviabel SA Avenue Louise 54 B-1050 Brussels NN 403.248.004	4,940	24.70	0.00	31/12/2013	EUR	38,341	3,401
Bedrijvencentrum Meetjesland-Maldegem Industrielaan, 9A B-9990 Maldegem NN 452.586.063	32	27.59	0.00	31/12/2013	EUR	439	(83)
Bedrijvencentrum Regio Geraardsbergen Markt Stadhuis, 2 B-9500 Geraardsbergen NN 456.832.584	32	27.12	0.00	31/12/2013	EUR	647	5
Bellefroid nv Kiewitstraat, 175 B-3500 Hasselt BE 0429.884.105	13	10.40	0.00	31/12/2013	EUR	637	56
Bora SA Rue des Croisiers, 24 B-4000 Liège BE 0444.533.281	484	100.00	0.00	31/12/2013	EUR	6,804	(16)
Brussels I Funds nv Rue des Pères Blancs, 4 B-1040 Brussels (Etterbeek) NN 477.925.433	1,090	18.17	0.00	31/12/2013	EUR	1,367	(638)
Carolidaire SCRL Boulevard Mayence, 1 B-6060 Gilly BE 0464.424.815	5,000	13.19	0.00	31/12/2013	EUR	837	(5)
Centrexperts SA Av Franklin Roosevelt, 104 B-1332 Genval BE 0463.891.315	80	10.00	0.00	31/12/2013	EUR	56	27
Cerep Loi 1 SPRL Avenue Ariane 5 B-1200 Brussels BE 0866.441.909	126,717	35.00	0.00	31/08/2013	EUR	9,585	(13,163)
Crédit populaire Seraing Place Comunale Hôtle de Ville, 1 B-4100 Seraing BE 0403.943.335	400	10.00	0.00	31/12/2013	EUR	244	0
De Oostendse Haard VZW Nieuwpoortsesteenweg, 205 B-8400 Ostend BE 405.277.282	1,400	16.16	0.00	31/12/2013	EUR	20,586	(164)
Developpement Cauchy SA Rue des Croisiers, 24 B-4000 Liège BE 0832.269.896	1,000	100.00	0.00	31/12/2013	EUR	71	24
DG Infra+ Bis nv Karel Oomsstraat, 37 B-2018 Antwerp BE 0553.654.917	14,815	14.82	0.00	-	EUR	-	-
DG InfraYield SA Avenue Pacheco 44 B-1000 Brussels NN 833.921.767	1,357,729	15.58	0.00	30/06/2014	EUR	9,156	753
E.D.A. SA Avenue de la Cokerie, 9 B-4030 Grivegnée NN 823.162.982	10	10.00	0.00	31/12/2013	EUR	57	(43)

NAME, full address of the registered office	Social rights held by	Data extracted from the last available annual report

and if it concerns a company under Belgian law, the VAT or NATIONAL NUMBER	directly		by the subsidiaries	Financial statements as of	Currency	Equity	Net profit or loss
	Number	%	%			(+) or (-) (in thousands of currency units)	
Ecetia Finances SA Rue Sainte Marie, 5 B - 4000 Liège NN 203.978.726	122,910	40.00	0.00	31/12/2013	EUR	144,238	5,796
Ethias Distribution Epargne Crédit SA Rue des Croisiers, 24 B-4000 Liège BE 0508.712.243	999	99.90	0.10	31/12/2013	EUR	272	22
Ethias Investment RDT-DBI SA (High yield) Rue des Croisiers, 24 B-4000 Liège NN 865 127 063	464,673	84.25	4.17	31/12/2013	EUR	275,751	37,356
Ethias Patrimoine SA Rue des Croisiers, 24 B-4000 Liège NN 894.377.612	40	100.00	0.00	31/12/2013	EUR	20,039	(1,183)
Ethias Service SA Rue des Croisiers, 24 B-4000 Liège NN 825.876.113	999	99.90	0.00	31/12/2013	EUR	270	123
Foncière du Berlaymont SPRL Rue des Croisiers, 24 B-4000 Liège BE 0833.012.640	1,000	100.00	0.00	31/12/2013	EUR	(10)	(7)
Gimv Health & Care Karel Oomsstraat, 37 B-2018 Antwerp BE 0548.956.850	4,277,175	29.82	0.00	0/01/1900	EUR	0	0
Goed Arthur nv Rue des Croisiers, 24 B-4000 Liège BE 0872.354.157	1,000	100.00	0.00	31/12/2013	EUR	2,363	(1)
Health Property Fund 1 Feeders SA Sicav-Sif Avenue J.F. Kennedy, 44 L-1855 Luxembourg	1,347	27.12	0.00	-	EUR	-	-
Het Rijksarchief nv Rue des Croisiers, 24 B-4000 Liège BE 0837.321.816	2,000	100.00	0.00	31/12/2013	EUR	2,006	72
Immo Hofveld nv Rue des Croisiers, 24 B-4000 Liège NN 889.535.233	1,000	100.00	0.00	31/12/2013	EUR	68	58
Immo Life Insure nv Minister Liebaertlaan, 10 B-8500 Kortrijk BE 0404.478.320	179,999	100.00	0.00	31/12/2013	EUR	(22,579)	66
Immovivegnis SA Rue des Croisiers, 24 B 4000 Liège BE 0463.660.394	10,500	100.00	0.00	31/12/2013	EUR	194	2
Impulse Microfinance Investment Fund Sneeuwbeslaan, 20 B-2610 Antwerp NN 870 792 160	1,200	10.54	0.00	31/12/2013	EUR	15,553	686
Interphase International Rue des Croisiers, 24 B-4000 Liège BE 0438.179.781	535	100.00	0.00	31/12/2013	EUR	54	(4)
Jan Dockx nv Rue des Croisiers, 24 B-4000 Liège BE 0458.920.757	2,500	100.00	0.00	31/12/2013	EUR	3,120	(6)
Koala nv Rue des Croisiers, 24 B-4000 Liège BE 0873.412.150	400	100.00	0.00	31/12/2013	EUR	3,978	179
Les Hauts Prés SA Rue des Croisiers, 24 B-4000 Liège BE 0812.149.029	1,000	100.00	0.00	31/12/2013	EUR	6,632	(138)
L'Ouvrier chez lui SA Rue d'Amérique, 26/1 B-4500 Huy NN 401.465.478	15,000	63.58	0.00	31/12/2013	EUR	3,294	127
Huis der Verzekeringen Brussel Square de Meeus 29, B-1000 Brussels BE.0403.306.501	2,776	10.66	0.00	31/12/2013	EUR	2,800	124
Network Research Belgium SA Parc Industriel des Hauts-Sarts 2ème avenue, 65 B-4040 Herstal BE 0430.502.430	42,530	68.39	0.00	31/12/2013	EUR	102,715	10,054

NAME, full address of the registered office and if it concerns a company under Belgian	Social rights held by		Data extracted from the last available annual report			
	directly	by the subsidiaries	Financial statements as of	Currency	Equity	Net profit or loss

law, the VAT or NATIONAL NUMBER	Number	%	%			(+) or (-) (in thousands of currency units)	
Palais des Expositions de Charleroi s.c. Avenue de l'Europe, 21 B-6000 Charleroi NN 401.553.571	9,856	23.03	0.00	31/12/2013	EUR	1,936	(221)
Pertinea Fund SCA Vilvoordsteenweg, 101a B-1860 Meise BE 0839.182.929	1,629,409	20.00	0.00	31/12/2013	EUR	6,846	(1,001)
PMF Infrastructure Fund SCA Rue du vieux Marché aux Grains 63 B-1000 Brussels BE 0841.334.448	1,495	14.96	0.00	31/12/2013	EUR	5,214	(15)
Real Property Invest nv (RPI) Rue des Croisiers, 24 B-4000 Liège BE 0845.928.387	250	100.00	0.00	31/12/2013	EUR	56	(3)
Sagitta nv Rue des Croisiers, 24 B-4000 Liège BE 0812.356.489	240	100.00	0.00	31/12/2013	EUR	3,273	122
Skarabee nv Nijverheidskaai,3/21 B-8500 Kortrijk BE 0468.210.684	25,000	31.25	0.00	31/12/2013	EUR	2,247	48
TEB Foncière SA Rue Louvrex, 95 B-4000 Liège BE 0480.029.838	145	29.41	0.00	31/12/2013	EUR	204	8
TEB Participations SA Rue Louvrex, 95 B-4000 Liège BE 0480.029.739	60,503	29.43	0.00	31/12/2013	EUR	63,703	3,343
Theodorus II SA Avenue Joseph Wybran, 40 B-1070 Brussels NN 879.436.147	600	11.11	0.00	31/12/2013	EUR	3,380	(186)
Tinc Karel Oomsstraat, 37 B-2018 Antwerp BE 0894.555.972	969,300	14.81	0.00	31/12/2013	EUR	59,865	(12,585)
Vecquim SA Rue des Croisiers, 24 - 4000 Liège NN 459.183.449	600	100.00	0.00	31/12/2013	EUR	2,111	128
Veran Real Estate SA Rue des Croisiers, 24 B-4000 Liège BE 0894.106.012	100	100.00	0.00	31/12/2013	EUR	5,972	(199)
Vital Building SA Place Saint-Jacques, 11/105 B-4000 Liège NN 875.171.810	5,000	50.00	0.00	31/12/2013	EUR	4,623	38
Westhia SA Rue de l'Ecluse, 17 B-6000 Charleroi NN 472.365.155	170,527	25.10	0.00	31/12/2013	EUR	11,539	1,904

N° 3. Actual value of investments

Asset items			Amounts
C.	Investments		**19,502,503,016**
I.	Land and buildings		299,596,585
II.	Investment in associates and participations		649,677,181
	-	Associates	413,918,332
	1.	Share interests	408,869,303
	2.	Certificates, bonds and receivables	5,049,029
	-	Other companies linked by a participating interest	235,758,849
	3.	Share interests	235,758,849
	4.	Certificates, bonds and receivables	-
III.	Other financial investments		17,470,002,535
	1.	Shares, share interests and other variable yield securities	471,033,869
	2.	Bonds and other fixed-income securities	15,759,554,369
	4.	Mortgage loans and mortgage credits	634,084,048
	5.	Other loans	456,943,584
	6.	Deposits with credit institutions	147,721,433
	7.	Others	14,332,170
IV.	Deposits with ceding enterprises		1,083,226,715

N° 3bis. Derivative financial instruments not measured at fair value

Estimate of the fair value of each class of derivative financial instruments not measured at fair value in the accounts, with indications on the nature and the volume of the instruments	Net book value	Fair value
FWD BUY: Forward buy on bonds, volume: 60,000,000	-	13,666,938
SWAP_5200017 (+), volume: 10,000,000	-	762,047

N° 5. Statement of capital

	Amounts	Number of shares
A. Share capital		
1. Subscribed capital (item A.I.1. of the liabilities)		
- Previous year end	1,000,000,000	xxxxxxxxxxxxxxx
- Changes during the year:		
- Year end	1,000,000,000	xxxxxxxxxxxxxxx
2. Structure of the capital		
2.1. Shares, share interests and other variable yield securities		
Shares without indication of the nominal value	1,000,000,000	20,000,000
2.2. Registered shares of bearer shares		
Registered	xxxxxxxxxxxxxxx	20,000,000
G. Ownership structure of the company at the closing date of the accounts		
Vitrufin SA	xxxxxxxxxxxxxxx	20,000,000

N° 6. Statement of provisions for other risks and charges - Other provisions

Breakdown of the liability item E.III	Amounts
Provisions for risks and expenses Material/Programming	800,000
Provisions for financial risks	112,011,466
Provision for pending disputes	5,843,487
Provisions for losses on receivables	680,669
Provisions for risks and charges	7,800,000

N° 7. Statement of technical provisions and debts

Liability items concerned	Amounts
a) Breakdown of the debts (or a part of the debts) with a residual maturity of more than 5 years.	
B. Subordinated debts	325,000,000
II. Non-convertible loans	325,000,000
Total	325,000,000
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	416,352,798
G. Debts	11,249,707
IV. Debts toward credit institutions	11,249,707
Total	427,602,505
c) Debts with regard to taxes, remunerations and social security costs.	
1. Taxes (item V.1.a) of the liabilities)	
b) Non due tax debts	30,268,114
2. Remunerations and social security costs (item B.V.1.b) of the liabilities)	
b) Other debts with regard to remunerations and social security costs	43,117,304

N° 8. Statement of accruals for liabilities

Breakdown of the liability item H	Amounts
Financial products to be carried forward (Interests received in advance)	241,541
Financial charges to be allocated (REPO)	661
Financial charges to be allocated (bond)	3,023,747
Financial charges to be allocated (IRS)	385

N° 10. Information on technical accounts

Non-Life insurance

Content	Total	Direct business			
		Total	Accidents and disease (branches 1 and 2)	Automobile Civil Liability (branch 10)	Automobile Other branches (branches 3 and 7)
1) Gross premiums	1,291,590,102	1,147,378,441	339,248,320	233,878,027	181,781,568
2) Earned gross premiums	1,276,472,832	1,132,208,695	339,127,003	233,561,114	181,986,069
3) Gross damages	879,192,995	762,074,188	239,023,473	166,924,335	129,704,135
4) Gross operating costs	201,351,967	183,246,046	31,645,325	41,476,832	30,684,613
5) Reinsurance balance	(26,341,996)	(25,306,417)	(2,122,528)	6,800	4,720,499
6) Commissions (art. (37)		18,998,766			

Table of Contents	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	342,232	193,691,755	105,989,022	95,190	20,850,652
2) Earned gross premiums	348,987	190,547,465	106,085,555	99,696	9,356,541
3) Gross damages	419,885	107,556,344	61,532,947	8,579	9,236,254
4) Gross operating costs	68,253	38,235,155	18,508,229	36,618	2,182,081
5) Reinsurance balance	-	(2,417,987)	(25,493,201)	-	-
6) Commissions (art. (37)					

Content	Direct business		Accepted cases
	Third party (branch 17)	Assistance (branch 18)	
1) Gross premiums	36,638,319	34,863,356	144,211,661
2) Earned gross premiums	36,472,875	34,623,390	144,264,137
3) Gross damages	25,394,688	22,273,548	117,118,807
4) Gross operating costs	7,501,505	12,907,435	18,105,921
5) Reinsurance balance	-	-	(1,035,579)
6) Commissions (art. (37)			

II. Life insurances

Content	Amounts
A. Direct business	
1) Gross premiums	1,092,591,263
a) 1. Individual premiums	58,203,060
2. Premiums under group insurance contracts	1,034,388,203
b) 1. Periodic premiums	938,858,830
2. Single premiums	153,732,433
c) 1. Premiums for non-bonus contracts	11,501,015
2. Premiums for bonus contracts	1,080,881,013
3. Premiums from contracts where the investment risk is not borne by the company	209,235
2) Reinsurance balance	685,044
3) Commissions (art. (37)	583,216
B. Accepted cases	
Gross premiums	16,897,162

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

Content	Amounts
Gross premiums:	
- in Belgium	2,233,917,959
- in the other Member States of the EU	6,051,745

N° 11. Statement on personnel employed

Categories	2014 Total number at closing date	2014 Total average number of persons employed (*)	2014 Number of hours worked
Personnel under employment or internship contract (**)	1,818	1,744.89	2,635,730
Temporary staff and persons made available to the company	0	5.24	9,168
Total	**1,818**	**1,750.13**	**2,644,898**

Categories	2013 Total number at closing date	2013 Total average number of persons employed (*)	2013 Number of hours worked
Personnel under employment or internship contract (**)	1,808	1,742.29	2,642,861
Temporary staff and persons made available to the company	0	2.82	4,940
Total	**1,808**	**1,745.11**	**2,647,800**

(*) The average number of employees is calculated in full time equivalents in accordance with Article 12 , § 1 of the Royal Decree of 12 September 1983 implementing the law of 17 July 1975 on the accounting and the annual accounts of companies.

(**) The staff under employment or internship contract is made up of workers entered in the staff register and linked to the company by an employment contract or an internship contract within the meaning of Royal Decree N° 230 of 21 December 1983.

N° 12. Statement on all administrative and management costs, broken down by type

Name	Amounts
I. Employee benefit expenses	**183,190,518**
1. a) Remunerations	116,020,791
b) Pensions	0
c) Other direct social benefits	33,103,743
2. Employers' social security contributions	36,689,411
3. Employers' allowances and premiums for extra-legal insurances	183,746
4. Other employee benefit expenses	293,099
5. Provisions for pensions, remuneration and social security costs	(3,100,272)
a) Appropriations (+)	1,335,037
b) Expenditures and reversals (-)	(4,435,309)
II. Services and other goods	**144,995,030**
V. Other current expenditure	**8,364,747**
1. Fiscal operating costs	1,557,895
a) Property tax	1,527,499
b) Others	30,396
2. Contributions to public bodies	4,668,416
4. Others	2,138,436
VI. Administrative costs recovered and other current income (-)	**(26,301,274)**
1. Recovered administrative costs	26,301,274
b) Others	26,301,274
Total	**310,249,021**

N° 13. Other income, other costs

		Amounts
A.	**Breakdown of the other income (item 7 of the non-technical account)**	
	Default interest on tax receivables	5,204,780
	Reversals of write-downs on litigations	9,031,641
	Received commissions	1,677,428
	Capital gains realized on tangible assets	4,000
	Others	834,228
B.	**Breakdown of the other costs (item 8 of the non-technical account)**	
	Depreciations	3,866,911
	Impairments on receivables	10,075,925
	Capital losses realized on assets	3,877,533
	Provisions for capital losses on receivables	(1,019,331)
	Equity-related charges	6,028,614
	Financial costs	282,198
	Provisions for risks and charges	(6,563,060)
	Fees	375,223
	Provision for disputes	(712,703)
	Cancellation of default interests on fiscal receivables	10,492,903

N° 14. Exceptional results

		Amounts
B.	**Breakdown of the exceptional costs (item 12 of the non-technical account)**	
	Tax dispute	367,479,283

N° 15. Income taxes

		Amounts
A.	**Breakdown of item 15 a) 'Taxes':**	275,795
	1. Income taxes for the financial year:	275,795
	a) Refundable advance payments and prepayments	1,447,842
	c) Excess of advance payments and / or capitalized refundable withholding taxes (-)	(1,447,842)
	d) Estimated tax supplements (included in heading G.V.1.a) of liabilities)	275,795
B.	**Main sources of differences between the profit before tax, as stated in the accounts, and the estimated taxable profit**	
	Taxable provisions and impairments (Variation):	104,470,000
	Exempted capital gains:	(71,620,000)
	Tax refunds:	(310,000)
	Non-deductible expenses:	349,190,000
	Deductions of various deferred tax assets	(246,830,000)
D.	**Sources of deferred tax assets:**	
	1. Deferred tax assets:	1,314,400,000
	Accumulated tax losses deductible from future taxable profits	405,000,000
	Taxed technical provisions	715,200,000
	Taxed impairments and financial provisions	177,900,000
	Taxed impairments and provisions (others)	15,200,000
	Hidden reserves (Ex GR)	1,100,000

N° 16. Other taxes and charges borne by third parties

			2014	2013
A.	**Charges:**			
	1.	Charges on insurance contracts borne by third parties	226,823,938	216,502,330
	2.	Other charges borne by the company	4,247,586	4,290,218
B.	**Amounts retained on behalf of third parties in respect of:**			
	1.	Withholding tax on earned income	271,887,405	272,977,258
	2.	Withholding tax (on dividends)	4,915,023	4,389,567

N° 17. Off-balance sheet rights and commitments

		Amounts
B.	**Personal guarantees given or irrevocably promised on behalf of third parties**	105,265,998
C.	**Real guarantees given or irrevocably promised by the enterprise on its own assets as security for debts and commitments:**	
	a) of the company:	69,301,615
D.	**Collateral received (others than in cash):**	
	a) securities and values of reinsurers:	51,145,729
	b) Others	862,991,022
H.	**Others:**	460,104,782
	ACQUISITION COMMITMENTS	60,768,119
	IRS SWAP - RECEIVE LEG	10,000,000
	CAPS/FLOOR	261,250,000
	LOAN COMMITMENTS INFRA	22,597,616
	LOAN COMMITMENTS FIN	7,558,917
	SHARE INTERESTS COMMITMENTS	25,807,130
	BOND FORWARDS COMMITMENTS	72,123,000

N° 18. Relations with associates and companies linked by a participating interest

Relevant items of the balance sheet		Associates		Companies linked by a participating interest	
		2014	2013	2014	2013
C.	**II. Investment in associates and participations**	**389,154,000**	**428,923,226**	**178,856,652**	**180,878,634**
1 + 3	Share interests	384,104,971	428,923,226	178,856,652	150,241,384
2 + 4	Certificates, bonds and receivables	5,049,029	-	-	30,637,250
	- Others	5,049,029	-	-	30,637,250
C.	**II. Investment in associates and participations**	**-**	**-**	**1,382**	**2,212**
1 + 3	Share interests	-	-	1,382	2,212
E.	**Receivables**	**749,104**	**63,066**	**383,329**	**594,172**
I.	Receivables arising from direct insurance operations	-	42,570	-	-
III.	Other receivables	749,104	20,496	383,329	594,172
B.	**Subordinated debts**	**3,500,000**	**5,000,000**	**1,000,000**	**1,000,000**
G.	**Debts**	**14,086,765**	**28,399,176**	**10,858**	**618,893**
V.	Other debts	14,086,765	28,399,176	10,858	618,893

Relevant items of the balance sheet	Associates	
	2014	2013
- Personal and real guarantees given or irrevocably promised by the company as a security of debts and commitments of associates	105,265,998	**-**

N° 19. Financial relations with:

		Amounts
A.	**directors and managers:**	
1.	Outstanding receivables on these persons	368,571
4.	Direct and indirect remunerations and allocated pensions charged to the income statement	
	- to directors and managers	191,791

N° 19bis. Financial relations with:

The statutory auditor and the persons with whom he is linked		Amounts
1.	**Remuneration of the statutory auditor:**	**635,000**
2.	**Fees for exceptional services or special missions accomplished within the company by the statutory auditor:**	**182,286**
-	Other control missions	166,986
-	Other missions outside the audit missions	15,300
3.	**Fees for exceptional services or special missions accomplished within the company by the persons with whom the statutory auditor is linked:**	**108,425**
-	Other control missions	45,146
-	Tax advice missions	55,480
-	Other missions outside the audit missions	7,799

Statements pursuant to Article 133, paragraph 6 of the Code of Companies
In accordance with Article 133 of the Companies Code, the "1-1" assessment of the remuneration report and fees Audit vs. Non-audit of the Statutory Auditor and the persons linked is done for the whole of the Ethias group, to which the company belongs. Accordingly, the compliance with the "1-1" report is justified in the notes to the consolidated financial statements published by the parent company of the group, Vitrufin SA, to which we refer for more details.
The non-audit services of the Statutory Auditor and the related fees have been approved by the Statutory Audit Committee of Ethias SA.

N° 20. Valuation rules

The valuation rules applicable on the income statement are mentioned below.

Asset side of the balance sheet

Intangible assets (heading B)

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

The depreciations are carried out using the linear method at the rate of 20 %.

Investments (heading C)

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

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

Land is not depreciated.

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

- Immovable properties: 2 %
- Alterations: 10 %

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

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

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

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

These investments are subjected to depreciation in case of durable impairments. Additional or exceptional impairments can be recognized on a proposal from the Management Committee.

Other financial investments (sub-heading C.III.)

Shares, share interests and other variable yield securities (C.III.1)

These investments are subjected to impairments in case of durable capital loss. The existence of a significant unrealized loss with regard to the purchase price, determined on the basis of the weighted average price over a period of 12 consecutive months preceding the closing, is a criterion of durable impairment. The capital loss is qualified as important when it exceeds the purchase price by 20 % in a normal market context. This criterion can be submitted to the Management Committee for consideration when the markets are more volatile.

Additional or exceptional impairments can be recognized on a proposal from the Management Committee. The impact of these impairments are included in the notes accompanying the income statement provided that they represent an important amount.

In case of disposal of securities the book value, used to calculate the realized gains and losses, is determined on the basis of the weighted average price.

Bonds and other fixed-income securities (C.III.2)

These investments are recognized in the balance sheet at their purchase price.

However, when their actuarial yield, calculated at the time of the purchase (taking into account their redemption amount at maturity) differs from their nominal yield, the difference between the purchase and the redemption amount is recognized through profit or loss, pro rata temporis for the remaining duration of the securities, as elements of the interest yields on these securities and is recorded as increase of reduction of their purchase price. Taking into account the actuarial yield at the time of the purchase, this difference is recognized through profit or loss on a discounted basis.

In accordance with the principles of Article 19 paragraph 1, impairments are systematically applied to the bonds, mentioned in the sub-heading 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 record an impairment or not is the subject of an analysis at each 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

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

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

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

With regard to the perpetual loans, the difference between their purchase price and their lower market value is to be considered as a permanent impairment so that these securities are valuated at the lowest value between their book value and their market value.

In case of disposal of securities, the book value, used to calculate the realized gains and losses, is determined on the basis of the weighted average price.

Within the framework of an arbitrage operation, the realized gains and losses on the balance sheet are maintained and recognized through profit or loss over the term of the re-investment.

Mortgage loans and mortgage credits - Other loans (C.III.4 & C.III.5)

Impairments are applied to this loans according to the same rule as the one applied to sub-heading C.III.2 above.

Investments related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)

These investments are recognized in the balance sheet at their actual value (market value).

Deposits with credit institutions (sub-heading C.III.6)

Receivables (heading E)

Available values (sub-heading F.II)

These items are recognized at their nominal of purchase price.

Impairments are registered to take into account the uncertainties of their recovery.

Reinsurers' share of insurance liabilities (heading D. bis)

This item shows the reinsurers' commitment. The amounts recorded are obtained in accordance with the various applicable reinsurance treaties.

Other asset elements (heading F)

Tangible assets (sub-heading F.I)

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

The depreciations are carried out using the linear method at the following rates:

- plant, machinery, electronic equipment: 33 1/3 %
- rolling stock: 25 %
- office furniture and equipment: 10 %

The office furniture and equipment of which the purchase price is lower than EUR 250,00, are depreciated within the first year.

- medical devices: 20 %

Liability side of the balance sheet

Technical provisions (heading C)

These provisions are calculated with prudence, taking into account the statutory and regulatory dispositions established by different control organizations.

The provision for equalization and catastrophes 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 risks and expenses (heading E)

The provisions for foreseeable risks and expenses are determined with prudence, sincerity and good faith.

The provisions with regard to the previous financial years are regularly reviewed and recognized through profit or loss if they serve no longer any purpose.

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

These items are recognized at their nominal value.

Other particular rules

Accounts denominated in currencies

The monetary items are valorized in euro at the spot price at the closing date of the financial year.

The non-monetary items are maintained in euro at their purchase price.

The balance of the negative differences resulting from the conversion of monetary items, other than the technical provisions, is recognized through profit or loss. The balance of the positive differences is recognized in the accruals as deferrable proceed.

Derivative financial instruments

The derivative financial instruments, used on a speculative basis, follow the prudence principle. This means that the unrealized losses are subjected to impairments of are used to constitute provisions for financial risks. However, the unrealized gains are not recognized through profit or loss.

The forward transaction in micro hedging or concluded within the framework of the ALM management are symmetrically valuated with the allocation of costs and income of the hedged items for the residual lifetime of these items. Forward transactions for hedging purposes are forward transactions having the purpose of the effect to compensate or to reduce the risk on an asset, a liability, a right, an obligation, an off-balance sheet commitment or a set of items that are homogeneous in nature with regard to their sensitivity to interest rate variations.

Finally, the hedging transactions or the transactions concluded within the framework of the ALM management must be recognized as such and this, from the conclusion of the transaction.

N° 21. Changes to valuation rules

A. Presentation of the changes and their justifications

On 9 October 2014 the Federal Public Service Finance issued a Royal Decree amending the Royal Decree of 17 November 1994 on the income statement of insurance companies. The amendment concerns, among others, paragraph 3 of Article 31 of this decree, relating to the determination of other-than-temporary losses and impairments of bonds and receivables.

To maintain the principle that such securities and receivables remain recognized at amortized cost, the proposed provision does not impose an automatic recognition of an impairment in case of market value durably lower than the book value, but assumes that this circumstance will indicate, unless proved otherwise, the existence of a durable depreciation to be taken into account and which must, under the circumstances, be reflected in a reduction in value. The application of this provision thus adapted implies for the company to retain a certain number of criteria, including the market value, to determine the durability of a depreciation.

To enable the user of the income statement to understand the approach of the company, it is now required to indicate the criteria used in the notes to the income statement.

Consequently, and in order to align with this adaptation, we have changed the rules on depreciations for bonds mentioned in C.III.2 as well as for loans and mortgages and other loans specified under C.III.4 and C.III.5.

B. Valuation differential resulting from changes

Items and sub-items concerned	Amounts
C.III.2. Bonds and other fixed-income securities	(5,857,200)

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	(17,279,413)

Derivative financial instruments used	
Index options	3 acquisition transactions and 3 early transfer transactions
Swaps	1 early transfer transaction
CDS	1 disposal transaction

Profit and loss accounts	Result	Reversal of impairment losses	Provision
Index options	(25,056)	244,477	-
Swaps	918,800	-	-
CDS	-	-	-
Caps and Floors	-	2,899,786	-

Additional information

The unfavourable judgement passed in November 2014 by the Court of Appeal with regard to the dispute with the tax authorities had a negative impact of approximately EUR 378 million.

Remark regarding Note 3

The current value of the perpetual bonds (recognized among the other types of bonds under 8.03.223.2) comes from the use of a "model price" instead of a market price that is either a Bloomberg valuation or a valuation provided by a counterparty. This covers some 20% of the portfolio.

This valuation, unchanged from December 31, 2013, is reflected in the accounts by an improvement of the present value of these bonds by +11 million euro as of 31 December 2014.

Solvency II

We refer to items 3.6.2. and 5.2. in the management report.

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.

2014	Total	Men	Women
Average amount of employees			
Full-time	1,558.26	879.51	678.75
Part-time	257.53	37.73	219.80
Total in full-time equivalents (FTE)	1,744.89	906.05	838.84
Number of hours actually worked			
Full-time	2,346,659	1,329,052	1,017,607
Part-time	289,071	41,529	247,542
Total	2,635,730	1,370,581	1,265,149
Employee benefit expenses			
Full-time	162,392,279	101,708,048	60,684,231
Part-time	20,798,240	4,688,403	16,109,837
Total	183,190,519	106,396,451	76,794,068
Amount of benefits granted in addition to wages	**530,604**	**308,173**	**222,431**

2013	Total	Men	Women
Average amount of employees	**1,742.29**	**921.80**	**820.49**
Number of hours actually worked	**2,642,861**	**1,400,704**	**1,242,157**
Employee benefit expenses	**181,676,740**	**106,526,156**	**75,150,584**
Amount of benefits granted in addition to wages	**549,000**	**321,906**	**227,094**

2014	Full-time	Part-time	Total (FTE)
Number of employees	**1,557**	**261**	**1,748.70**
By type of employment contract			
Permanent contract	1,469	259	1,659.40
Fixed-term contract	82	2	83.30
Replacement contract	6	-	6
By sex and educational level			
Men	874	38	901.10
primary education	-	-	-
secondary education	198	18	210.00
higher non-university education	416	11	424.20
university education	260	9	266.90
Women	683	223	847.60
primary education	1	-	1
secondary education	127	60	171.70
higher non-university education	340	119	429.50
university education	215	44	245.40
By professional category			
Management staff	21	-	21.00
Clerical staff	1,536	261	1,727.70

Temporary staff and persons made available to the company

2014	Temporary staff
Average number of persons employed	5.24
Number of hours actually worked	9,168
Costs for the company	319,172

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**	**96.80**
By type of employment contract			
Permanent contract	32	-	32.00
Fixed-term contract	59	1	59.80
Replacement contract	5	-	5.00

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.	**77**	**10**	**84.10**
By type of employment contract			
Permanent contract	50	10	57.10
Fixed-term contract	23	-	23.00
Replacement contract	4	-	4.00
By reason of termination of the contract			
Pension	2	-	2.00
Unemployment with company allowance	29	5	32.70
Dismissal	5	2	6.60
Other reason	41	3	42.80

Information about training for employees during the financial year

2014	Men	Women
Formal initiatives of continuing vocational training paid by the employer		
Number of employees involved	851	849
Number of hours of training	14,051	14,976
Net costs for the company	1,647,947	1,807,443
of which gross costs directly linked to trainings	1,529,801	1,689,574
of which contributions and deposits paid to collective funds	129,309	129,005
of which allowances and other financial benefits received (to be deducted)	11,163	11,137
Less formal or informal initiatives of continuing vocational training paid by the employer		
Number of employees involved	400	447
Number of hours of training	32,757	32,031
Net costs for the company	1,954,285	1,910,986

5. Statutory auditor's report on the financial statements for the year ended 31 December 2014

Free translation from the French original

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the financial statements for the year ended 31 December 2014, as defined below, and the additional declarations required. The financial statements include the balance sheet as of 31 December 2014, the income statement ended for the year ended that date and the notes.

Report on the financial statements – Unqualified opinion

We have audited the financial statements of Ethias SA ("the Company") for the year ended 31 December 2014. These financial statements, of which the balance sheet total amounts to EUR 19,770,823,276 and of which the income statement shows a loss for the year available for appropriation of EUR 134,892,663, have been prepared in accordance with the accounting principles applicable to insurance companies in Belgium.

Responsibility of the Board of directors for the preparation of the financial statements

The Board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the accounting principles applicable to insurance companies in Belgium and is also responsible for the implementation of internal controls, which it considers necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with the ethical requirements. As statutory auditor, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the Company's internal control relevant to the preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the managing body as well as evaluating the overall presentation of the consolidated financial statements. To conclude, we have obtained from the Board of directors and the Company's officials the explanations and information necessary to perform our audit.

We believe that the resulting audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the Company's financial position as of 31 December 2014 as well as of its results for the year then ended, in accordance with the accounting principles applicable to insurance companies in Belgium.

Report on other legal and regulatory requirements

The Board of directors is responsible for the preparation and the content of the management report, for the Company's compliance with the legal and regulatory provisions applicable to accounting as well as with the Belgian Corporate Code and the Company's bylaws.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) applicable in Belgium, it is our responsibility to verify, in all material respects, the compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the financial statements:

- The management report includes the information required by the Belgian Corporate Code, is consistent with the financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to formal aspects of minor importance, the Company's accounting was maintained in accordance with legal and regulatory provisions applicable to insurance companies in Belgium.
- The appropriation of results proposed to you complies with the legal and statutory provisions.

- We do not have to report any transactions undertaken or decisions taken in violation of the bylaws or the Belgian Corporate Code.

- As stated under item 5.2 of the management report on the financial statements, the Solvency II regulation will enter into force on 1 January 2016. It is therefore essential that the Company continues the actions it has already taken to comply with the capital requirements of this new regulation.

The statutory auditor

PwC Reviseurs d'Entreprises sccrl

represented by:

Kurt Cappoen

Company auditor