



ANNUAL REPORT 2015

Ethias Group

TABLE OF CONTENTS

Introduction.....	5
Key figures	6
<i>Essential data of the consolidated income statement.....</i>	<i>6</i>
<i>Essential data of the consolidated financial position.....</i>	<i>6</i>
<i>Regulatory coefficients</i>	<i>6</i>
<i>Other key figures</i>	<i>6</i>
Governance report	8
1. The Management Committee	8
2. The Board of Directors	8
3. The Audit and Risk Committee.....	8
4. The Appointments and Remuneration Committee	9
5. The Statutory Auditor.....	9
6. External offices exercised by the leaders of the Group.....	9
7. Justification for the independence and competence of the members of the Audit and Risk Committee of Ethias SA	11
Management report	12
1. The year 2015 in a number of dates and key facts	12
2. Result of the financial year	15
3. Profit sharing and refunds	17
4. Assessment of internal control	17
5. Risk Governance	18
6. Reinsurance.....	18
7. Information regarding environmental and employee matters.....	19
8. Information on circumstances which may significantly impact the company's development	19
9. Research & Development.....	19
10. Other activities of the Group.....	20
11. Events occurring after the financial year was closed	21
Consolidated financial statements	22
1. Consolidated balance sheet	23
2. Consolidated income statement	24
3. Statement of consolidated comprehensive income.....	25
4. Consolidated cash flows statement.....	26
5. Consolidated statement of changes in equity.....	27
6. General information	28

7.	<i>Summary of significant accounting principles</i>	43
8.	<i>Critical accounting estimates and judgments</i>	56
9.	<i>Management of financial and insurance risks</i>	57
10.	<i>Capital management</i>	76
11.	<i>Explanatory notes to the consolidated balance sheet</i>	77
12.	<i>Explanatory notes to the consolidated income statement</i>	110
13.	<i>Other notes to the consolidated financial statements</i>	116
14.	<i>Statutory auditor's report on the consolidated accounts for the year ended 31 December 2015.</i>	
	120	

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 19 April 2016.

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 EUR	31 December 2015	31 December 2014	Change during the year
Non-Life			
Public Bodies and Companies	738,921	738,068	0.12%
Private Individuals	561,357	553,522	1.42%
Premium collection Non-Life	1,300,277	1,291,590	0.67%
Life			
Public Bodies and Companies	1,091,063	1,026,230	6.32%
Private Individuals	52,792	57,820	-8.69%
Premium collection Life	1,143,856	1,084,049	5.52%
Total premium collection Life and Non-Life	2,444,133	2,375,639	2.88%
Consolidated revenues	2,603,230	2,497,192	4.25%
Net profit (loss) on current transactions after tax	636,904	(598,927)	
Share of the associates in the result	-	741	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	1,093	60	
Consolidated net profit (loss)	637,997	(598,126)	
Owners of the parent	632,526	(604,437)	
Non-controlling interests	5,470	6,311	

Essential data of the consolidated financial position

In thousands of EUR	31 December 2015	31 December 2014	Change during the year
Total assets	19,847,455	22,006,632	-9.81%
Equity of the Group	1,834,842	1,146,066	60.10%
Non-controlling interests	34,578	51,869	-33.34%

Regulatory coefficients

	31 December 2015	31 December 2014	Change during the year
Solvency ratio of the Group	224.06%	145.89%	53.58%
Solvency ratio of the company Ethias SA	178.74%	179.11%	-0.21%
Coverage of the technical liabilities by the company Ethias SA	109.61%	111.99%	-2.13%

Other key figures

	31 December 2015	31 December 2014	Change during the year
Number of employees	3,257	2,928	11.23%

GOVERNANCE REPORT

(ON 31 JANUARY 2016)

1. The Management Committee

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

3. The Audit and Risk Committee

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

4. The Appointments and Remuneration Committee

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

5. The Statutory Auditor

PwC, Réviseurs d'Entreprises scrl, 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
Erik De Lembre	C.L.U. Invest	rue des Chartreux 45 1000 Brussels	Chairman of the Board of Directors
	Partena Business Services	rue des Chartreux 45 1000 Brussels	Chairman of the Board of Directors
Claude Desseille	2 I Immo Invest	Bois Héros 15 1380 Lasne	Chairman of the Board of Directors
	Actualic	avenue des Myrtilles 56 1180 Uccle	Manager
	Allfin	rue des Colonies 56 1000 Brussels	Director
	Moury Management	rue Sainte-Marie 24 4000 Liège	Independent director
	Warehouses Estates Belgium	avenue Jean Mermoz 29 6041 Gosselies	CEO - Director
Willy Duron	Agfa-Gevaert	Septestraat 27 2640 Mortsel	Director
	Tigenix	Romeinsestraat 12/2 3001 Leuven	Director
	Van Lanschot Bankiers (Credit institution)	Hoge Steenweg 29 NL-5200 HC 's Hertogenbosch	Commissioner
	Windvision	Parallelweg 42 NL-6221 BD Maastricht	Chairman of the Board of Directors
Jean-Pierre Grafé	Liège-Airport	Aéroport de Bierset, Bâtiment 44 4460 Grâce-Hollogne	1 st 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 5 4000 Liège	Director
Olivier Henin	Brussels Airport Company	Boulevard A. Reyers 80 1030 Brussels	Director
	Eurogare	Place De Bronckaert 26 4000 Liège	Director
	Fedimmo	Chaussée de Wavre 1945 1160 Brussels	Chairman of the Board of Directors
	Sabena Aerospace Engineering	Avenue E. Mounier 2 1200 Brussels	Director
	Federal Shareholding and Investment Company (Financial Holding)	Avenue Louise 54/1 1050 Brussels	Vice-Chairman of the Board of Directors
Philip Neyt	Curalia (Insurance company)	rue Archimède 61 1000 Brussels	Director
	Ghelamco Invest	Zwaanhofweg 10 8900 Ieper	Director
	Leo Stevens and Co (Investment company)	Schildersstraat 33 2000 Antwerpen	Director
	Vladubel	avenue du Port 2 1080 Brussels	Director

6.2. Effective leaders of Ethias SA

Name	Company	Registered office	Office exercised
Philippe Lallemand	Meusinvest (Financial holding)	rue Lambert Lombard 3 4000 Liège	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
Bernard Thiry	Integrale (Insurance company)	Place Saint-Jacques 11/101 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 two independent directors. 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 and also includes Mr De Lembre, Mr Duron and Mr Grafé.

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

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

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

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

MANAGEMENT REPORT

1. The year 2015 in a number of dates and key facts

1.1. Switch IV

The decision by the European Commission of 12 June 2014 compels Ethias to continue its policy of accelerating the run-down of the portfolio "Life Individuals", and this to strengthen its solvency. 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.

This transaction was a real success as surrenders amounting to EUR 1.9 billion were recognized in 2015, i.e. 57 % of the reserves existing at the end of December 2014. The number of contracts decreased from more than 53,000 to less than 27,000. The cost of the transaction (EUR 243 million) directly impacts the 2015 result of Ethias, but this offer has allowed to significantly and recurrently improve the solvency margin under Solvency II, in force since 1 January 2016.

1.2. Reducing the duration gap

Ethias has implemented a series of specific measures (reinvestment in long-term OLO, acquisition of derivative hedging instruments ...) so as to reduce its duration gap (assets with an average maturity shorter than the maturity of liabilities) and therefore to limit its sensitivity to a decrease in interest rates. These measures have delivered results since this gap has been reduced by almost half compared to end-December 2014.

1.3. Financial Recovery Plan

The Board of Directors of Ethias SA approved on 4 June 2015 a financial recovery plan that aims to improve the solvency margin under Solvency II. This plan is a real business project and includes a set of specific measures, such as reducing overheads by 10 %, the issuance of an additional subordinated loan and reducing the duration gap. It also confirms the company's strategy and the scenario in "stand alone".

1.4. Restructuring of the perpetual subordinated loan of EUR 250 million and issuance of an additional loan

Ethias launched an exchange offer on 29 June 2015 for its perpetual subordinated loan of EUR 250 million against a "Tier 2" subordinated loan maturing in January 2026.

The operation was in real demand given the high participation level of 94.4 % (EUR 236 million).

Having reimbursed investors wishing to participate in the exchange offer but not having an investment with a minimum amount of EUR 100,000 (i.e. the minimum subscription amount) and having reimbursed the part of the investment not corresponding to a multiple of EUR 100,000, a new bond of EUR 231.9 million was issued on 14 July 2015, at the rate of 5 %.

On 5 November 2015, Ethias issued an additional "Tier 2" subordinated loan of EUR 170.8 million in nominal value (with the same characteristics as those relating to the loan issued in July), for an issue price of 80 %, paying a nominal rate of 5 % and maturing in January 2026.

1.5. Acquisition of the Guidewire solution

In November 2015, Ethias SA decided to acquire the Guidewire solution for contract and claims management in Non-Life Individuals and Public Bodies. Guidewire is a solution developed by a company specializing in insurance.

This new tool carries the ambition to transform the existing information system into a new integrated IT platform that is intuitive, state-of-the-art and extremely flexible, allowing to respond in a rapid and agile way to the demands of our policyholders and to continue developing products and services that meet their needs, both today and tomorrow.

1.6. Tax dispute

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

Indeed, the administration considered that, given the absence of risk within the meaning of the Civil Code (chance to gain or to lose), those contracts were not Life insurance contracts but investment contracts and that, consequently, the annual interests granted by Ethias SA to the reserves of these contracts were movable capital 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-2009, the First Instance Court of Liège confirmed the assessments on withholding tax. Ethias SA lodged an appeal against this judgment in November 2010. On 28 November 2014, the Court of Appeal upheld the verdict rendered in first instance and Ethias was ordered to pay EUR 378 million.

Ethias SA recovered EUR 44 million in 2015. This amount corresponds to the withholding taxes enlisted for 2008.

The claim for relief of the withholding taxes enlisted in 2008 was made on the basis of the new withholding tax exemption referring to the situation presented by the insurance policies of the public sector's first pension pillar introduced by article 265, paragraph 2, 3° of the Income Tax Code since 1 January 2007.

Additional recovery actions have been taken for other relevant years.

1.7. Fitch Rating

The rating agency Fitch confirmed on 25 September 2015 the rating for financial strength of Ethias SA at BBB+, with a stable outlook.

Fitch downgraded on 14 October 2015 the rating for financial strength of Ethias SA from BBB+ to BBB in order to reflect the increase in indebtedness, resulting from the issuance of additional bonds (mechanical downgrade).

1.8. Other facts in a number of dates

- 29 January:* Ethias SA acquires a 100% stake in the real estate company "Het Gehucht".
- 29 January:* The companies Xperthis Group and Xperthis SA, subsidiaries of NRB SA, acquire a 100 % stake in MIMS SA, a company also active in the design, the development and the commercialization of IT solutions for professionals in the health sector.
- 6 February:* Ethias SA becomes owner of BoCasa, a residential care centre, with a real estate investment of EUR 17.7 million including 90 rest home beds and 10 assisted housing units in Heusden-Zolder (Bolderberg, Limbourg).
- 13 March:* The "Global Equities" sub-fund of the institutional SICAV under Belgian law "Ethias Sustainable Investment Fund" is put on the list of alternative collective investment undertakings with a variable number of institutional units.
- 2 April:* Closing of the "Switch IV" operation (see item 1.1).
- 29 April:* At the 11th edition of the DECAVI Trophies, rewarding the best insurances of the Belgian market in different categories, Ethias wins 3 trophies in the headlight categories, namely "Civil Liability Car Insurance", "Innovation" and "Prevention".
- 30 April:* A new and innovative office (mixing both digital technology and human contact with high added value) opens at Charleroi.
- 21 May:* A world premier: Médic'Air, a medical assistance provider for Ethias Assistance, has used for the first time, during a civilian flight, lyophilized plasma developed by the French army (replacing frozen plasma which is too difficult to preserve and thaw).
- 27 May:* The annual Cuckoo Awards honour the best direct marketing campaigns. This year, Ethias receives the "Effectiveness - Best Integrated Cuckoo Award" for its "Alter Ethias" campaign. A great recognition for the creativity, the strategy and - in particular - the effectiveness of this approach, which has been translated in different campaigns (Car, Fire, Tenant, Motorcycle Insurance, Mentorship ...), and for different media (radio, TV, billboards, mailings, e-mailings, digital ...).

Ethias receives two external ISAE 3000 certifications, for its ethical financial management (Asset Management) on the one hand, and for its environmental performance (CO₂ emission control) on the other hand. These certifications provide recognition for Ethias in two key areas of Corporate Social Responsibility (CSR).
- 4 June:* Ethias offers free assistance insurance to all users of "Blue-bike" bicycles.

- 4 June:** The Board of Directors of Ethias approves a financial recovery plan that aims to improve the solvency margin under Solvency II. This plan is a real business project and includes a set of specific measures, such as reducing overheads, reducing the duration gap and issuing an additional subordinated loan.
- 8 June:** Our product offering is expanded through the "Boost Invest" range of Branch 23. With its four investments funds, suited to the different investor profiles of our clients, Ethias re-enters the market as a direct Life insurer for private individuals.
- 9 June:** Ethias is awarded the Q-Stage Label by the VOKA enterprise network. This label is handed over to businesses that provide quality internships for high school or university students.
- 17 June:** In Flanders, Ethias launches two insurances tailored to the needs of disabled persons and their personal assistants.
- 23 June:** Ethias acquires the real estate company "Lothian Development", which possesses office buildings.
- 1 July:** Ethias takes over "Interphase International" through a transaction being equal with a merger by absorption.
- 14 July:** Ethias issues a "Tier 2" subordinated loan of EUR 231.9 million with a maturity of 10 years in exchange for its perpetual subordinated loan of EUR 250 million (see item 1.4.).
- 21 August:** The insurer launches the "Ethias Street Vending" initiative on the road.
- 14 September:** The look of the Ethias website (www.ethias.be) is completely overhauled. In addition, the site allows policyholders (private individuals) to underwrite 7 insurance products online, covering the entire process ("from quote to payment"). A first for the insurance sector.
- 14 September:** The opening of the new regional office in Woluwe is another step in strengthening the presence of Ethias in the Brussels-Capital Region. After Bruges, Wavre and Charleroi, it is the 4th innovative Ethias office incorporating new technologies.
- 15 September:** Ethias announces the launch of a project to significantly reduce its network of authorized repairers. In the coming years, technological developments (connected cars, digitalization, preventive technologies, etc.) will undoubtedly increase the complexity of car repairs. A number of repairers are however not able to follow up on these developments. To further increase the quality service provided by repairers, Ethias has therefore decided to reduce the size of its network. Such a reduction will provide more opportunities for repairers who are willing to make every effort to meet the challenges ahead. By anticipating in this way the natural evolution in the automotive sector, Ethias is committed to ensuring a long-term quality service to its policyholders.
- 25 September:** The rating agency Fitch confirm the BBB+ rating for Ethias SA, with a stable outlook.
- 14 October:** Ethias announces to the financial markets its intention to issue a new subordinated loan. Consequently, the rating agency Fitch downgrades the rating of Ethias SA from BBB + to BBB (mechanical downgrade, see item 1.7.).
- 29 October:** NRB acquired all the shares of "Trasys Group SA". The latter holds, directly or indirectly, 100 % of the shares of the Belgian operating entities "Trasys SA" and "Trasys Technology SA" as well as 100 % of the shares of the Luxembourg company "Trasys Luxembourg PSF SA". The operating company "Trasys SA" also has branches in Greece, France, Switzerland, Spain and the UK.
- 5 November:** Ethias issues an additional "Tier 2" subordinated loan of EUR 170.8 million euro (see item 1.4.).
- 27 November:** Ethias announces the acquisition of the Guidewire software package for managing its Non-Life products (see item 1.5.). It will eventually replace the current IT system that is exclusively product-oriented.
- 3 December:** Ethias drops pharmaceutical certificates. From now on, pharmaceutical certificates of policyholders with a "Hospi" insurance (i.e. the BVAC certificates) no longer need to be sent by postal mail. The pharmacist will take care of it himself, sending the documents directly and via a digital transmission. This provides additional comfort for the patient and the pharmacist, and is a simplification for staff members managing the hospitalization records. This project was named "Assurpharma". It was set up by Assuralia, the umbrella organization of insurers operating in Belgium, and two pharmaceutical associations, Ophaco and APB.
- 3 December:** Ethias supports research on road safety, alongside the Belgian Road Safety Institute. A good example is the smart bus project.
- 4 December:** Ethias offers to holders of a first-generation FIRST Account (called "FIRST A") an exit premium of 10 %.
- 14 December:** Ethias inaugurates its 5th innovative office in the centre of Brussels.

2. Result of the financial year

The year 2015 records a consolidated profit of EUR 633 million, split between the Non-Life business (EUR 306 million), the Life business (EUR 324 million), the other activities of the Group (EUR 90 million euros) and taxes (EUR -87 million).

This consolidated result reflects the impact of the cost related to the "Switch IV" operation (EUR 243 million) and the partial recovery of the tax dispute (EUR 44 million).

The adjusted margin under SI amounts to 224.06%.

2.1. Analysis of the results of the financial year

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

2.2. Finance and Asset Management

2.2.1 Investment policy

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

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

The different investment policies define the eligible investments, the strategic allocation of assets, the internal and external constraints, the objectives in terms of risk and return and, this in accordance with the policy of asset and liability management as well as the investment guidelines that depend on the risk appetite of the company and on its medium and long-term financial objectives. Their aim is, inter alia, to ensure the quality and the liquidity of the portfolio, to reduce its complexity and to optimize its diversification and risk profile, while respecting the legal 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.

Special attention is paid to the Solvency II regulation and its implications for the assets management. The optimization of the portfolio composition has been implemented in 2015, having an impact on the asset allocation. Consequently, the processing under Solvency II is an integral part of the investment and asset selection process.

As in the previous years, the majority of the investments has been made in government bonds and corporate bonds. The exposure to opaque products, such as structured, securitized and complex products continued to decrease. The exposure in shares slightly decreased over the year in order to reduce the portfolio's risk profile in preparation of Solvency II.

Regarding bond investments, the year was marked by high volatility in rates with, finally, a modest increase in the long-term rates over the year. The weak visibility on the expected interest-rate movements and the fear that the interest rates will remain low for a longer period, prompted us over the year to invest gradually and particularly in Belgian and French sovereign bonds. We continued to extend the duration of our investments in government bonds, both via spot purchases and via forward purchases. Derivatives programmes have also been implemented in order to hedge against possible interest rate cuts.

The credit markets also went through a volatile year with a credit spread widening that was to be observed at the end of the year. The yield pick-up in relation to sovereign securities offered investment opportunities while respecting our internal limits and ensuring a satisfactory risk-return linking. Only bonds with an "investment grade" listing were eligible for purchase. The exposure to financial debts has been further reduced given the more stringent requirements of Europe in terms of "burden sharing" for the private sector in the event of capital inadequacy.

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

The various actions taken to reduce the size of the Ethias' Life branch have once more required the preservation of a substantial liquidity cushion. However, longer-term investment solutions (deposits, monetary funds, etc.) were used to obtain an acceptable return while ensuring satisfactory liquidity and diversification.

As a responsible financial partner, Ethias also ensures to promote the compliance of its fundamental values through an investment code. A blacklist of prohibited investments is annually updated. The last version of this investment code was approved by the Management Committee on 7 December 2015. In its investment property, Ethias also prefers investments which strengthen its social role, such as investments in nursing and care homes.

2.2.2 The market conditions in 2015

In macroeconomic terms, 2015 showed an acceleration of European economic growth and a decline in unemployment throughout the year, even if the levels reached are still demonstrating a rather weak recovery. Furthermore, the fall by more than 50% in oil prices in 2014 significantly drove down the inflation figures published in 2015, which even passed through negative territory in the first quarter of the year and remained close to 0% at the end of the year.

The European Central Bank (ECB), whose purpose is to keep inflation just below 2 %, thus had to intervene to boost inflation expectations. As its main refinancing rate is already close to 0 % (0.05 %), the monetary institution decided to impact on the long-term market via the purchase of government bonds (Quantitative Easing). This measure, unprecedented in Europe, had also been put in place in the United States a few years ago and had just been stopped in the course of 2015 against the backdrop of economy recovery.

In anticipation of the official announcement of this European monetary easing, long-term rates decreased sharply until mid-April; the Belgian government 10-year rate falling from 0.83 % to 0.35 %, which is an all-time record. Until June, the monetary tightening in the United States as well as a renewed optimism reversed the trend and pushed that same rate above 1 %.

However, as from July on and until the end of the year, there was a progressive downward trend against a background of persistently low inflation and new measures by the European Central Bank who announced in December its decision to extend its bond purchases at least up to March 2017. The Belgian government rate ended the year at 0.97 %, i.e. an increase of 14 bps (basis points) compared to end-2014. As a whole, the short-term rates decreased whereas the long-term rates increased, the neutral point being around a 7-year maturity.

As for the peripheral countries, despite numerous political stirs related to various elections, the risk premiums remained relatively constant; it is evidence that the financial markets are, at least in the short term, appeased with regard to the European debt. It should be noted, though, that substantial disparities exist between the different countries. The Spanish growth, for instance, is well above the European average whereas Italy remains below. Spain, however, saw its risk premium increase because of the results of the Catalan and national elections.

On the corporate bonds markets, the 5-year iTraxx index - representing the risk premium related to the financing of businesses across all sectors - started the year at 63 bps to end around 70 bps. The year was volatile with a maximum of 92 bps and a minimum of 48 bps. Among the factors that pushed up the risk premiums, we should point out chronologically: the fears with regard to Ukraine, the monetary easing by the ECB, the political and economic crisis in Greece, the fears with regard to Chinese growth and the contagion to the emerging countries, the collapse in oil and raw material prices and, finally, the Volkswagen scandal.

This upward pressure on risk premiums was offset by a steady demand for corporate bonds, lowering the total returns. Indeed, corporate bonds proved a tremendous success given the demand for yield and the lack of alternatives, in particular the low yields offered by government bonds.

The stock markets were also highly volatile; the fluctuations were mainly due to the announcements about the decisions taken by the central banks and to the movements of the price of a barrel of oil.

The promises by the ECB president to do everything possible to increase inflation expectations pushed the stock markets up until mid-April with a performance of +20 % on the EuroStoxx50 since the beginning of the year. Volatility started to increase - and markets to drop - in the second quarter at the approach of the maturities of the loans that Greece owed its creditors. It reached its highest level during the summer with the devaluation of the Yuan, and it continued with the fears about an increase in interest rates in the US. The EuroStoxx50 fell by -15 % between the highest levels of April and the lowest of August. Volatility only faded (end-October) when the US Federal Reserve was clearer on the timing and pace of increases in interest rates and when the ECB announced possible monetary easing measures.

Taking everything into account, the EuroStoxx50 took advantage of the BCE's ever accommodating policy and it increased by +3.84 % over the year whereas the US indices finished in negative territory in anticipation of an increase in interest rates and against the backdrop of economic growth without great surprise (S&P: -0.73 % and Dow Jones: -2.23 %).

The consumer and construction sectors performed well. Leisure and Travel (+28.14 %), Construction (+22.91 %), Food and Beverages (+21.45 %), Luxury (+19.22 %) and Distribution (+18.49 %). The sectors associated with Raw Materials and Banks widely underperformed: Raw Materials (-13.14 %), Utilities (-5.42 %), Banks (-4.94 %) and Oil (-4.02 %).

3. Profit sharing and refunds

The following profit sharing and refunds are proposed:

Life Activities

■ Group Insurances

Increase of death benefit by 25% (or possible decrease of death benefit by 25%). 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 awarded in accordance with the stipulations of the fund.

■ Individual Insurances

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

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

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

■ Interest Rate Contracts

No profit sharings are provided, 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 writing of the report on the assessment of the internal control system is in conformity with the BNB circular 2015_21 on internal control as well as with the COSO 2013 standards (Committee of Sponsoring Organizations of the Treadway Commission).

In terms of control environment:

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

In terms of risk assessment:

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

In terms of controlling activities:

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

In terms of information and communication:

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

In terms of steering:

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

As with any internal control system, the system implemented by Ethias can only provide an absolute guarantee when the risks are completely excluded. Therefore, the system only provides a reasonable assurance with respect to the realization of its objectives. The system constantly evolves and was strengthened in 2015 through:

- Regular review of the risk limits;
- Regular review of its internal policies tailored to the risk appetite;
- Implementation of a data governance and improvement in process documentation;
- Continuous improvement of practises aiming at operational excellence;
- Implementation of policies relating to continuity and security;
- Continued compliance with the MiFID regulation.

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

- The formalization in the implementation of a federated control plan for the Solvency II value chain has to be finalized;
- The reliability of the information has to be improved;
- The roll-out of the policies relating to continuity and security has to be continued through the implementation of the BCP, the formalization of back-up procedures and the review of access management;
- The procedures need to be more formalized and the checks that are carried out should be better documented.

The conclusions drawn from our assessment of the internal control system have led us to pursue our efforts to bring about improvements in these domains.

5. Risk Governance

We refer to note 9 of the financial statements.

6. Reinsurance

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

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

These risks are covered by means of reinsurance treaties and facultative reinsurance contracts for the risks 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, 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.

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

There has been little change in the reinsurance programs between 2014 and 2015. We benefited from the favourable reinsurance context to continue purchasing additional capacities in Catastrophe Damages and Catastrophe Personal Accidents. Overall, our reinsurance cost is stable.

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

7. Information regarding environmental and 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 European Commission

The decision by the European Commission of 12 June 2014 sets out a series of commitments that Ethias must meet until 31 December 2016 (this deadline may be shortened or extended by the European Commission under certain conditions).

These commitments, both those related to the run-down of the portfolio Life Individuals and those on risk management, on technical profitability and on respect for the "reinvestment guidelines", were met at the end of December 2015 and will continue to be met until the end of 2016.

8.2 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.

8.3 Control of overheads

It was decided to reduce overhead costs by 10 % in order to improve the performance of Ethias. This decision was necessary to strengthen the profitability of Ethias in the current macroeconomic and competitive environment. The savings plan should allow to generate approximately EUR 45 million on a yearly basis from 2017 onwards.

8.4 Guidewire

To prepare for the integration and use of Guidewire within Ethias, an implementation program called "Century" has started in December 2015. The aim of Century is to make every effort so that Guidewire will be fully operational in 2019. The program also focuses on accompanying measures and training needed to facilitate this transformation. The target is to ensure the first operational roll-out in the course of the 2nd quarter of 2017.

9. Research & Development

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

This approach requires ongoing development and optimization of quantitative risk models, particularly to comply with the new legislation, such as Solvency II. To implement this ambitious new European regulation, Ethias has been developing since 2008 a major R&D project to produce new actuarial models for managing financial, operational and Life/Non-Life insurance risks, as well as new tools for mapping these risks and various possible incidents. This work will lead to a complete and drastic overhaul of all the company's risk models and to the development of IT tools that go well beyond the current state of art.

In addition, to support the technological change and the new constraints following the implementation of Solvency II, Ethias' IT department employs about thirty people for steering and monitoring the outsourcing activities as well as the implementation of a corporate IT architecture. Indeed, over the years, many applications have been developed by the Ethias IT department on mainframe systems in order to provide customers with insurance services. Today, these systems have serious limitations in scalability, interoperability and performance and do not effectively meet the new mobility needs requested by the customers.

Hence, it is primarily to address these issues that engineers of Ethias' IT department are conducting research and development activities.

10. Other activities of the Group

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

In February 2015, the company "Ethias Investment RDT-DBI SA" changed its name and became "Ethias Sustainable Investment Fund SA". In addition to the sub-fund "EUROPEAN EQUITIES HIGH YIELD", the company has registered a second sub-fund, named "Global Equities", on the list of alternative collective investment undertakings with a variable number of institutional units, on the basis of Article 3 of the Royal Decree of 7 December 2007.

This year, despite a slight loss of EUR 761 thousand for the sub-fund "Global Equities", the company has increased its result by 74.11 %, bringing it to EUR 27,772 thousand (EUR 15,951 thousand in 2014).

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

As for NRB, in order to continue its expansion strategy, the company acquired in October 2015, all the shares of "Trasys Group SA", giving NRB the occasion to strengthen itself in the field of consultancy services and application development and to enter new markets such as the European Institutions.

The operations for integration between NRB and Trasys have started from 1 January 2016 onwards, allowing to operate as a single operating entity conducted by a single Management Team. The legal merger of the two entities is planned for 2017.

Xperthis has also reinforced its position in the health care sector via the purchase of MIMS. This acquisition fits within the growth strategy of the NRB, aiming to become the number one supplier of ICT services in Belgium.

Despite significant price-cutting pressure by some of our largest customers, the growth recorded in several sectors, in particular thanks to acquisitions, has allowed NRB to end the year with a turnover higher than in 2014.

Meanwhile, as to increase customer service quality and to meet the increasingly fierce market competition, NRB has pursued its planned operations in terms of productivity improvement, investment, training and significant savings programs both within NRB and its subsidiaries.

The programs for risk management (including security, continuity and quality improvement) have been completed.

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

The consolidated turnover amounts to EUR 246 million and the consolidated operating result represents 7.20 % of this figure.

The financial result is EUR -4.4 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 107.5 million including tangible assets for EUR 42.7 million and positive consolidation differences for EUR 49.9 million euro.
- Receivables within one year up to EUR 69.3 million.
- Cash investments and available values amount to EUR 53.6 million.
- After allocation of the result of NRB, the consolidated equity reaches EUR 89.4 million.
- Interests of third parties amount to EUR 24.5 million.
- Debts within maximum one year reach EUR 121.1 million.

Owing to the activities of the financial year 2015, a consolidated profit of EUR 6.25 million could be generated, of which EUR 5.6 million as Group share and EUR 0.5 million as third party share.

11. Events occurring after the financial year was closed

11.1. Run-down of the Life insurance activity for Private Individuals

To further reduce Life reserves in Private Individuals, Ethias launched on 4 December 2015 the "Switch V" operation (running until 19 February 2016), which consists of offering to the holders of a "FIRST A" contract an exit premium equal to 10 % of the mathematical reserve upon full surrender or upon partial surrender provided that the surrender rate is 50 % or more of the mathematical reserve.

At the end of February 2016, surrenders amounting to EUR 60 million were recorded.

11.2. Tax dispute

In the course of February 2016, Ethias SA lodged an appeal with the Court of Cassation for the years decided on appeal (see item 1.6.).

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

In thousands of EUR	Notes	31 December 2015	31 December 2014
Assets			
Goodwill	11.1	44,762	29,667
Other intangible assets	11.2	45,965	13,927
Properties and other fixed assets	11.6	136,517	132,443
Investment in associates	11.3	-	20,910
Investment properties	11.6	432,640	391,346
Financial assets available for sale	11.4	13,822,390	14,510,277
Financial assets at fair value through profit and loss	11.4	862,395	1,422,756
Loans, deposits and other financial investments recognized at amortized cost	11.4	845,705	945,343
Derivative financial instruments	11.5	22,986	15,094
Investments belonging to unit-linked insurance contracts	11.4	359,078	416,352
Financial investments		15,912,555	17,309,822
Reinsurers' share of insurance liabilities	11.13	134,123	113,890
Deferred tax assets	11.10	170,096	279,261
Receivables arising from insurance operations or accepted reinsurance	11.7	1,291,136	1,269,015
Receivables arising from ceded reinsurance operations	11.7	57,001	61,703
Other receivables	11.7	277,527	210,148
Other assets	11.8	258,369	281,024
Cash and cash equivalents	11.9	1,086,763	1,892,698
Assets available for sale including assets from discontinued operations	11.11	-	778
Total assets		19,847,455	22,006,632
Liabilities			
Share capital		1,000,000	1,000,000
Reserves and retained earnings		(30,726)	573,712
Net profit (loss) of the period		632,526	(604,437)
Other items of comprehensive income		233,041	176,791
Equity of the Group		1,834,842	1,146,066
Non-controlling interests		34,578	51,869
Total equity	11.12	1,869,420	1,197,934
Insurance contract liabilities		8,606,896	8,529,903
Investment contract liabilities with discretionary participation features		7,351,547	10,279,399
Investment contract liabilities without discretionary participation features		3,904	4,036
Liabilities belonging to unit-linked insurance contracts		359,078	416,353
Profit sharing liabilities		37,796	20,708
Insurance and investment contract liabilities	11.13	16,359,222	19,250,398
Subordinated debts	11.14	454,372	321,500
Other financial debts	11.14	56,096	46,474
Employee benefits	11.16	502,129	603,348
Provisions	11.15	62,799	119,404
Derivative financial instruments	11.5	19,958	-
Tax payables	11.17	49,168	39,399
Deferred tax liabilities	11.10	59	4,032
Liabilities from operating activities	11.17	215,463	208,034
Other liabilities	11.17	258,769	214,236
Liabilities related to assets available for sale and discontinued operations	11.11	-	1,871
Total other liabilities		17,978,035	20,808,697
Total liabilities		19,847,455	22,006,632

The statements and notes 1 to 14 form an integral part of the consolidated financial IFRS statements as of 31 December 2015.

2. Consolidated income statement

In thousands of EUR	Notes	31 December 2015	31 December 2014
Gross premiums	12.1	2,444,133	2,375,639
Premiums ceded to reinsurers	12.3	(37,746)	(40,570)
Change in the provision for unearned premiums and outstanding risks ^(a)		(7,424)	(15,250)
Other income from insurance activities		5,520	4,496
Revenues from insurance activities ^(a)	12.1	2,404,483	2,324,315
Revenues from other activities	12.4	198,746	172,876
Revenues		2,603,230	2,497,192
Net income of investments		623,694	621,349
Net realized gains or losses on investments		34,787	119,987
Change in fair value of investments through profit and loss ^(b)		25,753	22,254
Net financial income	12.5	684,234	763,589
NET REVENUES		3,287,464	3,260,781
Benefits and claims		2,137,411	3,185,067
Net expenses or revenues ceded to reinsurers	12.3	(48,167)	(15,045)
Management costs ^(c)		257,595	284,685
Technical expenses for insurance activities	12.2	2,346,838	3,454,707
Expenses for other activities	12.4	200,744	542,038
Operating expenses		2,547,582	3,996,746
Change in depreciation and amortization on investments (net)	12.5	41,281	22,910
Other investment financial expenses	12.5	(45,382)	(10,974)
Finance costs	12.6	19,894	17,944
Financial expenses		15,793	29,880
NET EXPENSES		2,563,376	4,026,626
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		724,088	(765,845)
Income taxes	12.9	(87,185)	166,918
NET PROFIT (LOSS) AFTER TAX		636,904	(598,927)
Share of the associates in the result		-	741
Net profit (loss) from discontinued operations		1,093	60
Net consolidated profit (loss)		637,997	(598,126)
Owners of the parent		632,526	(604,437)
Non-controlling interests		5,470	6,311

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, management costs, internal claim handling costs and other technical expenses.

3. Statement of consolidated comprehensive income

In thousands of EUR	31 December 2015	31 December 2014
NET CONSOLIDATED PROFIT (LOSS)	637,997	(598,126)
Actuarial gains and losses on defined benefit pension liabilities	103,847	(50,333)
Tax on other items that will not be subsequently reclassified to the net profit (loss)	(35,297)	17,108
Items that will not be subsequently reclassified to the net profit (loss)	68,549	(33,225)
Change in fair value of financial assets available for sale	(1,359)	63,000
Change in fair value of derivative instruments designated as cash flow hedges	(19,580)	13,667
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	8,640	(37,094)
Items that could be subsequently reclassified to the net profit (loss)	(12,299)	39,574
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME OF THE FINANCIAL YEAR	56,250	6,349
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	694,247	(591,778)
Owners of the parent	688,776	(598,089)
Non-controlling interests	5,470	6,311

4. Consolidated cash flows statement

In thousands of EUR	Notes	31 December 2015	31 December 2014
Net profit (loss) before tax (Total 1)		724,088	(765,845)
Depreciations and impairments on intangible and tangible assets	11.2, 11.6	18,633	18,515
Change in depreciation on financial instruments and investment properties	11.4, 11.6, 12.5	41,281	22,910
Change in fair value on investments through profit or loss	11.4, 12.5	(25,753)	(22,254)
Provisions for risks and expenses, and other liabilities	11.15, 12.8	(26,339)	13,172
Change in provisions of insurance and investments contracts	11.13	(2,510,987)	491,259
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(547,437)	(290,943)
Corrections of the amounts that do not impact cash flows (Total 2)		(3,050,602)	232,659
Dividends and instalments on earned dividends		27,599	28,478
Earned financial income	12.5	529,356	544,761
Use of provision for employee benefits		(26,102)	(27,430)
Change in current receivables and debts	11.7, 11.17	48,517	(43,914)
Change in liabilities from insurance and investments contracts		(112,028)	(68,625)
Tax paid		(54,017)	18,220
Other changes (Total 3)		413,325	451,490
Net cash flows from operating activities (Total 1+2+3)		(1,913,188)	(81,696)
Shares in subsidiaries, net of acquired cash in hand	6.5.1	(27,620)	21,135
Acquisition of financial assets and investment properties	11.4, 11.6	(2,389,827)	(3,155,717)
Acquisition of intangible and tangible fixed assets	11.2, 11.6	(52,490)	(18,595)
Disposals of shares in subsidiaries, net of transferred cash	6.5.2	-	5,039
Disposals of financial assets and investment properties	11.4, 11.6	3,515,862	3,563,077
Disposals of intangible and tangible fixed assets	11.2, 11.6	116	2,240
Net cash flows from investing activities		1,046,041	417,178
Subscription to capital increase		-	10,000
Capital refund		(29,206)	-
Dividends paid by the parent company		-	-
Dividends paid to third parties		(5,207)	(4,729)
Issues of financial liabilities	11.14	382,892	6,045
Refund of financial liabilities	11.14	(277,937)	(10,799)
Interests paid on financial liabilities	12.6	(10,605)	(17,944)
Net cash flows from financing activities		59,936	(17,427)
Total cash flows		(807,211)	318,055
Cash or cash equivalents at the beginning of the period	11.9	1,868,800	1,549,449
Cash or cash equivalents at the end of the period	11.9	1,067,203	1,868,800
Change in the cash accounts		(807,211)	318,055
Impacts of exchange rate differences of foreign currency and of other transactions		5,614	1,296
Change in cash		(801,597)	319,351

5. Consolidated statement of changes in equity

In thousands of EUR	2015						
	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	(30,726)	246,681	(69,890)	1,146,066	51,869	1,197,934
Net consolidated profit (loss)	-	632,526	-	-	632,526	5,470	637,997
Total of other items of comprehensive income of the financial year	-	-	626	55,625	56,250	-	56,250
Net consolidated comprehensive income	-	632,526	626	55,625	688,777	5,470	694,247
Capital movements	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(5,207)	(5,207)
Change in the consolidation scope	-	-	-	-	-	(17,554)	(17,554)
Other movements	-	-	-	-	-	-	-
Equity as of 31 December	1,000,000	601,801	247,307	(14,265)	1,834,842	34,578	1,869,420

In thousands of EUR	2014						
	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

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.

The dividends distributed for an amount of EUR 5,207 thousand (compared to EUR 4,729 thousand on 31 December 2014) mainly consist of dividends distributed outside of the Group by the NRB subgroup.

6. General information

6.1 The Group

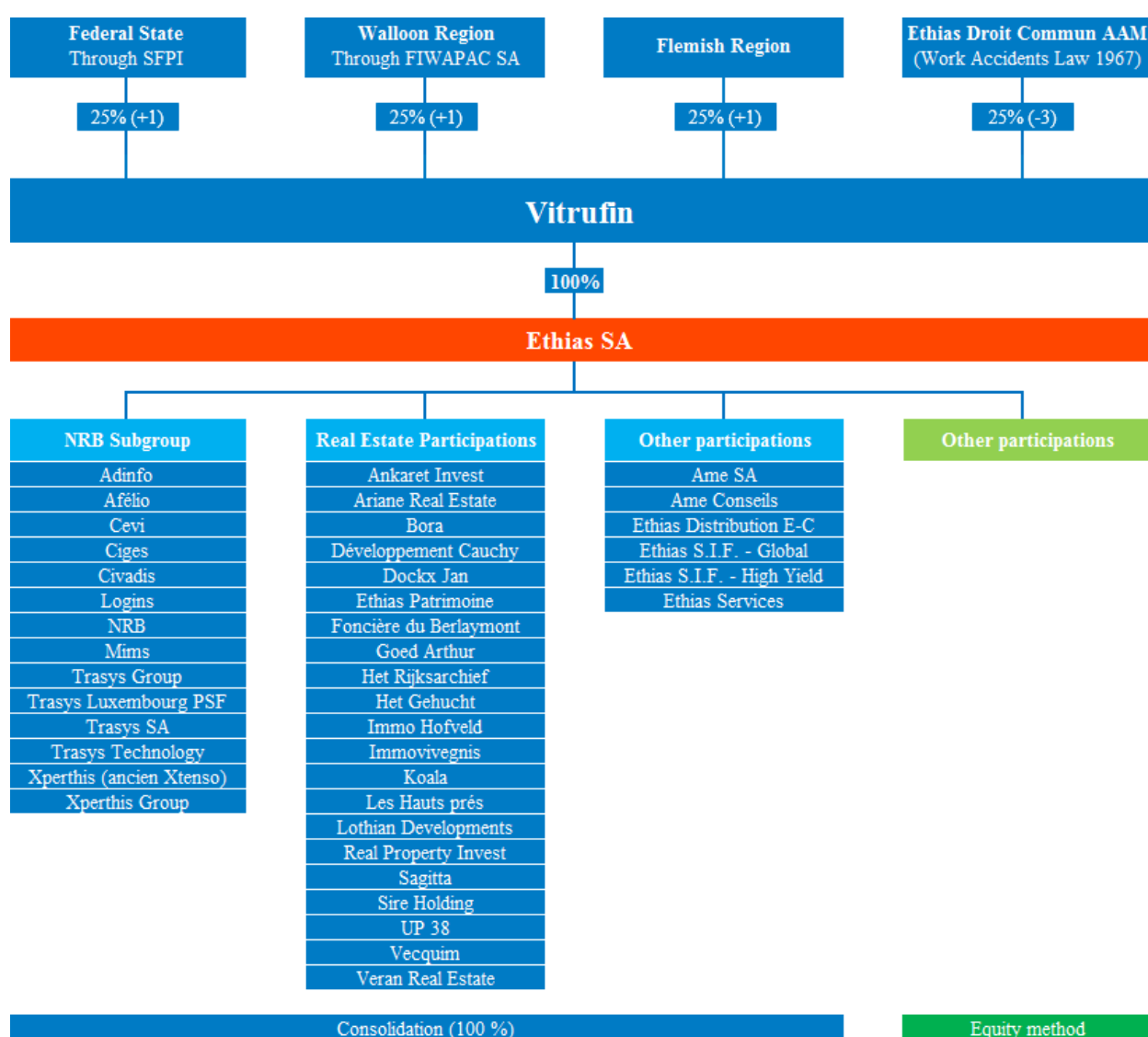
Ethias SA is the consolidating company of the Ethias Group.

Ethias SA is an insurance company licensed under number 0196 to practise all Non-Life insurance branches, Life insurances, dowry and birth insurances (Royal Decree of 4 and 13 July 1979, Belgian Statue Book of 14 July 1979) as well as 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 3,257 people on 31 December 2015 compared to 2,928 on 31 December 2014.

Its legal structure is as follows:



6.2 Scope of consolidation

List of consolidated subsidiaries

	31 December 2015					31 December 2014		
	Country	Sector	Currency	Integration percentage	Control percentage	Integration percentage	Control percentage	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	0.00%	0.00%	100.00%	100.00%	Liquidated
Ame SA	Belgium	Holding	EUR	100.00%	100.00%	-	-	Take-over
Ame Conseils	Luxembourg	Other	EUR	100.00%	100.00%	-	-	Take-over
Ethias Distribution E-C	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Sustainable Invest. Fund - Global Equities	Belgium	Other	EUR	100.00%	100.00%	0.00%	0.00%	
Ethias Sustainable Invest. Fund - High Yield	Belgium	Other	EUR	100.00%	100.00%	95.71%	95.71%	
Ethias Services	Belgium	Other	EUR	99.90%	99.90%	99.90%	99.90%	
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 Gehucht	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2015
Het Rijksarchief	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	0.00%	0.00%	100.00%	100.00%	Absorbed by Ethias SA
Koala	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Les Hauts prés	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Lothian Developments IV	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2015
Real Property Invest	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sagitta	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sire Holding	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
UP 38	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Vecquim	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Veran Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Adinfo	Belgium	IT	EUR	34.88%	51.00%	34.88%	51.00%	
Afelio	Belgium	IT	EUR	51.36%	75.10%	51.36%	75.10%	
Cevi	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Ciges	Belgium	IT	EUR	37.61%	100.00%	37.61%	100.00%	
Civadis	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Logins	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
MIMS	Belgium	IT	EUR	37.61%	100.00%	0.00%	0.00%	Acquired in 2015
NRB	Belgium	IT	EUR	68.39%	68.39%	68.39%	68.39%	
Trasys Group	Belgium	IT	EUR	68.39%	100.00%	0.00%	0.00%	Acquired in 2015

Trasys SA	Belgium	IT	EUR	68.39%	100.00%	0.00%	0.00%	Acquired in 2015
Trasys Luxembourg PSF	Luxembourg	IT	EUR	68.39%	100.00%	0.00%	0.00%	Acquired in 2015
Trasys Technology	Belgium	IT	EUR	68.39%	100.00%	0.00%	0.00%	Acquired in 2015
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%	Take-over
Ame Conseils	Luxembourg	Other	EUR	-	-	50.00%	50.00%	Take-over

6.2.2 List of non-consolidated subsidiaries

	31 December 2015				31 December 2014	
	Country	Sector	Currency	Percentage of ownership	Percentage of ownership	Variation in scope
Assurcard	Belgium	Insurance	EUR	20.00%	20.00%	
Aviabel	Belgium	Insurance	EUR	24.70%	24.70%	
Whestia	Belgium	Insurance	EUR	25.10%	25.10%	
BC Meetjesland-Maldegem	Belgium	Other	EUR	27.58%	27.58%	
BC Regio Geraardsbergen	Belgium	Other	EUR	27.12%	27.12%	
Ecetia Finances	Belgium	Other	EUR	0.00%	40.00%	Sold
Epimède	Belgium	Other	EUR	25.49%	0.00%	Constitution
Hotel Wellness	Belgium	Other	EUR	100.00%	100.00%	
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%	45.00%	
Vital Building	Belgium	Real Estate	EUR	50.00%	50.00%	
Skarabee	Belgium	IT	EUR	31.25%	31.25%	

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

6.3 Presentation of the NRB subgroup

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

6.3.1 Consolidated balance sheet

In thousands of EUR	31 December 2015	31 December 2014
Assets		
Goodwill	51,740	29,667
Other intangible assets	15,132	13,921
Operational buildings and other tangible fixed assets	41,603	39,113
Investment in associates	-	-
Investment properties	2,047	1,842
Financial assets available for sale	27	208
Financial assets at fair value through profit and loss	28,580	37,263
Loans, deposits and other financial investments recognized at amortized cost	3,899	4,882
Financial investments	32,506	42,353
Reinsurers' share of insurance liabilities	-	-
Deferred tax assets	989	2,833
Receivables arising from insurance operations or accepted reinsurance	-	-
Receivables arising from ceded reinsurance operations	-	-
Other receivables	86,041	54,841
Other assets	10,549	12,464
Cash and cash equivalents	21,738	28,018
Assets available for sale including assets from discontinued operations	-	-
Total assets	262,345	225,051
Liabilities		
Share capital	16,837	16,837
Reserves and retained earnings	76,877	76,368
Net profit (loss) of the period	9,922	10,509
Other items of comprehensive income	2	2
Equity of the Group	103,637	103,715
Non-controlling interests	16,845	17,077
Total equity	120,482	120,792
Insurance and investment contract liabilities	-	-
Subordinated debts	-	-
Other financial debts	36,530	21,679
Employee benefits	7,801	9,007
Provisions	1,003	2,799
Derivative financial instruments	-	-
Tax payables	11,926	8,879
Deferred tax liabilities	35	2,020
Liabilities from operating activities	-	-
Other liabilities	84,569	59,875
Liabilities related to assets available for sale and discontinued operations	-	-
Total other liabilities	141,863	104,259
Total liabilities	262,345	225,051

6.3.2 Consolidated income statement

In thousands of EUR	31 December 2015	31 December 2014
Revenues from insurance activities ^(a)	-	-
Revenues from other activities	210,775	176,959
Revenues	210,775	176,959
Net income from investments	2,772	1,533
Net realized gains or losses on investments	2,311	294
Change in fair value of investments through profit and loss ^(b)	(3,182)	2,157
Net financial income	1,902	3,985
NET REVENUES	212,677	180,944
Insurance services expenses		177
Management costs ^(c)	-	303
Technical expenses of insurance activity	-	480
Expenses of other activities	193,506	159,849
Operating expenses	193,506	160,329
Change in depreciation and amortization on investments (net)	397	307
Other investment financial expenses	590	584
Finance costs	413	396
Financial expenses	1,401	1,287
NET EXPENSES	194,907	161,616
Goodwill impairment	-	-
NET PROFIT (LOSS) BEFORE TAX	17,769	19,327
Income taxes	(5,513)	(6,529)
NET PROFIT (LOSS) AFTER TAX	12,256	12,799
Net consolidated profit (loss) attributable to:	12,256	12,799
Owners of the parent	9,922	10,509
Non-controlling interests	2,334	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 EUR	31 December 2015	31 December 2014
NET CONSOLIDATED PROFIT (LOSS)	12,256	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:	12,256	12,799
Owners of the parent	9,922	10,509
Non-controlling interests	2,334	2,290

6.4 Sector information

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

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

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

The results of the segments for the years ended on 31 December 2015 and 2014 respectively are detailed below:

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

[illegible]

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

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

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

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

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

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

6.4.1. Private Individuals

Non-Life

The income in Non-Life Private Individuals amounts to EUR 561 million at end-December 2015 and slightly grows compared to end-2014 (EUR 554 million) thanks to the increase in the income realized in Car Insurance. About 85 % of the income results from the commercialization of Car and Fire Insurance products. The main part of the income is realized through our 42 regional offices spread over the Belgian territory and through our Call Centre.

The individual insurance activities in Non-Life showed a positive net technical-financial balance of EUR 143 million, compared to EUR 119 million at end-2014. This historic favourable result could be recorded thanks to the fact that there were no claims resulting from major events, on the one hand, and to the continuation of our programme of operational excellence that contributes to control administrative expenses, on the other hand.

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

This is how, in 2015, Ethias received a double award for its Car Insurance: the DECAVI Award for "Best Civil Liability Car Insurance" as well as the Innovation Trophy for "Ethias Young Drivers", its insurance for young drivers that enjoys important commercial success.

2015 was also marked by major innovations with regard to the digitalization of our business, starting with the full overhaul of our internet site. This development not only allows us to enhance the customer experience by enabling the finalization of the online subscription for no less than 7 of our products, but also to adapt our site to the screen format of smartphones and tablets. We have also further integrated communication via text messaging in our file management process, i.e. in the Assistance insurance and in the administrative process of premium payment reminders.

In 2013, Ethias opened up its first Concept Store in Bruges. At present, 5 offices have already been adapted to this innovative trend. In 2015, our office in Charleroi was transformed and, within the context of intensifying our presence in the Brussels-Capital Region, an Ethias office in Woluwe-Saint-Pierre as well as our Flagship Store in Brussels were inaugurated. Physical proximity goes hand in hand with digital interaction in these offices.

The redeployment of our authorized repairers' network that is presently taking place, should allow us to cope with the technical evolutions in the automotive sector in general and in that of car damage repairs, in particular. Moreover, the modernization of this network will allow us to offer additional services that will increase the quality of our customer services.

Furthermore, Ethias has joined the Belgian College of Experts that awards the "Sustainable Repairs" label. Ethias wants to put its expertise in that field to the service of developing a sustainable process management within the automotive sector, thus meeting a real expectation from private individuals as well as from public authorities and businesses.

Life

In Life Private Individuals, the income amounts to EUR 55 million at end-December 2015 and, following the decision of the European Commission of June 2014¹, it results from fund replenishments on existing policies in Life and from the commercialization, since June 2015, of Branch 23 products (Boost Invest offerings). With its four investments funds, tailored to the different investor profiles of our insureds, Ethias thus re-enters the market as a direct Life insurer for private individuals.

The distribution of the Branch 21 insurance products, "CertiFlex" and "Rent", for the account of Integrale, has brought in a premium income of slightly more than EUR 60 million.

The net technical-financial balance amounts to EUR -325 million compared to EUR -48 million at end-2014, the decrease being basically explained by the cost of the "Switch IV" operation of EUR 243 million.

The reserves in Life Private Individuals have drastically decreased during these last years (effect of the decision by the European Commission and of the Solvency II regulation), reaching EUR 3.597 million at end-2015 (compared to EUR 6.523 at end-2014). For nearly 53 %, they relate to the reserves regarding FIRST A (FIRST products commercialized before September 2013 and having a guaranteed interest rate until the decease of the policyholder or until his/her 99th birthday), a product having an average guaranteed interest rate of around 3.44 % at end-2015.

The decrease in reserves results from the implementation of the "Switch IV" operation: at end-February 2015, 53,000 holders of a First "A" account (that had been concluded before September 2003), were contacted to offer them a bonus of 4 years' interest bonus in case of full surrender or partial surrender (i.e. higher than EUR 100,000). Nearly EUR 1.9 billion surrenders have been recognized thanks to this action. Despite its cost of around EUR 243 million (amount corresponding to the bonus of 4 years' interest), the action has allowed to considerably and recurrently improve our Solvency II ratio.

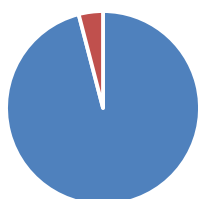
6.4.2. Public Bodies and Companies

Ethias: a multi-branch insurer

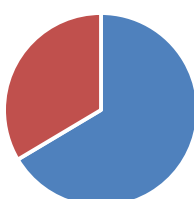
In 2015, Ethias' Public and Corporate Departments pursued its strategy of diversification: a **multi-product** - Life and Non-Life - insurer, **in every sector**, i.e. the public sector, the non-profit sector as well as the private sector.

Its **partnership strategy**, combining effectiveness and agility with operational excellence, confirms its success with the **public sector** as its market coverage reaches up to more than 90%.

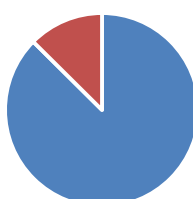
Federal Authority



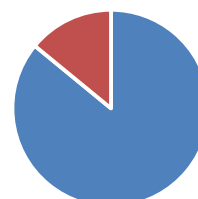
Regions



Local Authorities



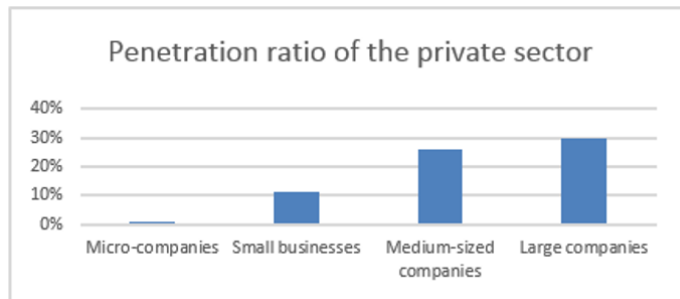
Public Companies



Ethias is also intensely active in the **non-profit sector**, with more than 20,000 organizations putting their trust in the insurer, compared to nearly 3,000 in the public sector and more than 12,000 companies in the private sector. This success is due to **specific risk coverage**, such as: volunteers' civil liability, sporting accidents, organization of events, ...

Social policy	4,801
Culture	3,802
Protection of rights and interests	2,365
Education, research and development	1,289
Environment	517
Leisure	4,349
OFP	5
Philosophy and worships	802
Health	144
Sports	4,593

¹ This decision imposed, notably on Ethias, to stop marketing Life products, with the exception of Branch 23 products and death insurance products without Life component.



Ethias has a historic partnership with the public sector, but is also strongly developed in the **private sector**, with a predominance of **large and medium-size companies** (in particular through our brokerage distribution network).

Innovation at the heart of our concerns

Innovation is an essential factor in a highly competitive environment. Empowerment, mobility, cloud and data are the four keywords of these innovating business models. Ethias invests in innovation and integrates these criteria into the development of two web-based applications.

One application is dedicated to prevention: Ethias Prevention Reporter

The Ethias Prevention Reporter provides the possibility to realize prevention reporting, in situ, via geo-location, risk/claim categorization, voice recognition, photo/video, etc. This effective reporting tool also allows Ethias' clients to save precious time on a daily basis.

With its Prevention Reporter, Ethias won its 19th DECAVI Award.

Ethias Prevention Corner: an essential web corner for Prevention Advisors

Anxious to promote the right prevention reflexes, Ethias has modernized and enriched its "Prevention Corner", the online platform for services and advice relating to security: tip of the month, videos and tutorials as well as numerous practical tools for any type of prevention service, such as info sheets, study and analysis sheets, various forms, etc.

Prevention: a concrete commitment

Nowadays, an insurer cannot afford himself to merely cover a series of financial risks, but has to adopt a comprehensive prevention risk policy, i.e. prevent and anticipate risks, reduce their occurrence and impact, and develop a true organizational culture around risk prevention. Ethias has maintained this momentum by proposing innovative initiatives in 2015.

A risk management audit for a company's overall assessment

Ethias Services proposes an audit in risk management accompanying a mapping of risks within an entity. Such a comprehensive approach of risk management will positively impact the company through:

- risk prevention and thus a potential reduction of the financial consequences in case the event does occur;
- a better view on the risks and thus a better adapted insurance coverage;
- a potential drop in insurance premiums thanks to improved risk prevention.

The 3rd edition of the Ethias Prevention Awards rewarding initiatives related to mobility and business travel

"Get noticed in prevention!" ... "Share your initiatives and best practices!" ... This edition of the Ethias Prevention Awards will reward the most innovating prevention projects relating to mobility and business travel, with special mention for the safety of children (in the category "Child Safety"). Hence, Ethias demonstrates its commitment to social responsibility in the field of prevention.

Expertise at the service of its affiliates

Ethias Services: services of high added value

The increase in value of an insurer is to be found in the advice he can give to his affiliates. For this purpose, Ethias intensifies the development of Ethias Services. Ethias Services gives support to the organisations in actuarial, fiscal and legal aspects that are connected with their insurance policies or their pension funds management operations. Actuarial research to budget their costs, fiscal research to optimize their expenses, legal research to secure their commitments, etc. Ethias Services offers consulting, management and subcontracting services.

Knowledge sharing

In these times of collective intelligence and social learning, Ethias wants to share its expertise in statutory as well as in complementary pensions. Ethias' specialists led several information sessions and participated in various conferences on two reference works about the pension regulation in local authorities, statutory pensions of permanent staff members and of mandataries. These works, which the Ethias' specialist wrote themselves, have been published by Vanden Broele editions.

Finally, in September 2015, Ethias teamed up with Roularta Media Group and launched the "Trends Public Sector Newsletter", in which Ethias contributes to the section "Experts Speaking".

Training

Ethias also provides courses through the "Ethias Members' Academy" (EMA) or via other programmes: 450 persons trained in 20 days of EMA training, 200 persons trained via partnerships and more than 700 persons trained through sessions sponsored by Ethias. In 2015, Ethias also broadened its training and information programme with a focus on e-learning and video tutorials, as for instance, a tailor-made video presentation and information programme for one of our customers in the pharmaceutical sector.

Efforts are bearing fruit

At the end of the financial year 2015, the results of the Departments Public Bodies & Companies are once again positive, both in terms of profitability as in terms of growth.

The insurance activity "Public Bodies and Companies" shows a slight increase compared to 2014 with an income of more than EUR 1.9 billion.

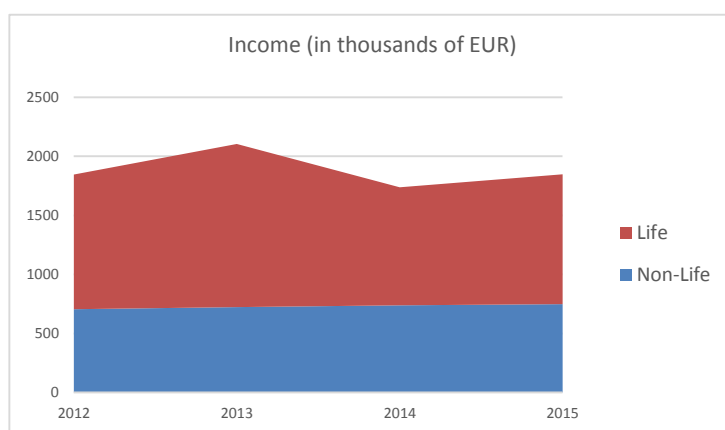
The **Non-Life** income in Public Bodies & Companies amounts to EUR 739 million at end-December 2015 and slightly grows compared to the income of EUR 738 million noted at end-2014 (in particular, as a result of an economic situation that is difficult for the public and private entities). The income increase in Health Care compensates the slight income decrease in Work Accidents. This income is realized up to 75 % via our direct distribution network, the balance being realized through brokerage, and for nearly 60 %, it is based on the commercialization of Work Accident and Health Care products.

The net technical-financial balance amounts to EUR 155 million and increases with EUR 10 million compared to end-2014.

The **Life** income in Public Bodies & Companies amounts to EUR 1.116 million at end-December 2015 and mainly results from the commercialization of Life Insurance products of the 1st and 2nd pillar (respectively pension insurances and group insurances, with an income of respectively EUR 806 million and EUR 272 million). It grows by 6.09 % compared to the income of EUR 1,052 million generated at end-2014, mainly as a result of the income growth in the 2nd pillar (single premiums collection).

The net technical-financial balance amounts to EUR 25 million compared to EUR 21 million at end-2014.

The Life reserves in Public Bodies & Companies amount to nearly EUR 9 billion at end-2015 for Branch 21. It has to be noted that the average guaranteed interest rate regarding the 1st pillar is adjusted annually in order to take account of the changes in the interest rates of the OLO 10 years. For the 2nd pillar, the interest rate fell from 3.25 % to 1.75 % at the beginning of 2016 for the new payments in accordance with the regulation in force.



Overall, the Life and Non-Life activities for Public Bodies & Companies show a **positive net result** of EUR 180 million.

6.4.3. Adjustments

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

6.4.3.1. IFRS adjustments

The recognition of IAS 19 decreases Life income by EUR 25 million, insurance payments by EUR 26 million and Life technical provisions by 8 million; overheads related to the 4 processes and expenses for other activities increase by EUR 6 million. The total impact from IAS 19 thus amounts to EUR 3 million.

The recognition of Life technical provisions under IFRS 4 positively impacts the result of EUR 650 million. This result is mainly due to the cancellation of the flashing-light provision for EUR 154 million and to reversals of provisions recognized in 2014 for EUR 496 million following the update of the adequacy test for Life technical provisions.

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

IFRS adjustments of subsidiaries amount to EUR -2 million and mainly relate to adjustments on formation expenses and revaluations of stocks, funds and bonds

Deferred taxes related to IFRS adjustments impact the income statement by EUR -79 million.

The sum of the IFRS adjustments represents a revenue of EUR 576 million.

6.4.3.2. Consolidation adjustments

Consolidation adjustments consist primarily of the elimination of dividends (EUR 27 million), the reversal of value adjustments (EUR 2 million), the impact of the change in accounting method for AME and AME Conseils (EUR 3 million) and the impact of the change in the ownership percentage of the SICAV "Ethias Sustainable Investment Fund" for EUR 19 million.

All consolidation adjustments represent an expense of EUR 43 million.

6.4.3.3. Eliminations of intercompany transactions

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

6.5 Acquisitions and disposals of subsidiaries

6.5.1 Acquisitions

In thousands of EUR	2015	2014
Intangible assets	542	118
Investment properties	37,551	5,380
Financial investments	27	40
Reinsurers' share of technical provisions	-	-
Other assets and tangible fixed assets	41,531	1,936
Cash and cash equivalents	21,445	7,457
Insurance and investment contract liabilities	-	-
Financial debts	(41,986)	(26,557)
Provisions for risks and expenses	(15)	(520)
Other liabilities	(36,925)	(1,881)
Identifiable net assets and liabilities acquired	22,169	(14,027)
Goodwill on acquisitions	14,909	698
Change in cash related to acquisitions from previous financial years	4,360	127
Non-controlling interests	7,627	(481)
Consideration paid in cash	49,065	(13,683)
Acquired cash in hand	21,445	7,452
Net cash flows	27,620	(21,135)

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 2015 by acquiring "Het Gehucht" and "Lothian Developments IV".

The subsidiaries Xperthis Group and Xperthis have, in turn, acquired 100 % of the shares in the company MIMS. The subsidiary NRB acquired all the shares of Trasys Group SA. The latter holds, directly or indirectly, 100 % of the shares of the operating entities "Trasys SA" and "Trasys Technology SA" as well as the Luxembourg company "Trasys Luxembourg PSF SA".

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

6.5.2 Disposals

In thousands of EUR	2015	2014
Intangible assets	-	-
Financial investments	-	-
Reinsurers' share of technical provisions	-	-
Other assets	-	-
Cash and cash equivalents	-	-
Insurance and investment contract liabilities	-	-
Financial debts	-	-
Provisions for risks and expenses	-	-
Other liabilities	-	-
Identifiable net assets and liabilities	-	-
Gain/(loss) on disposals, net of tax	(1,128)	627
Net cash received related to disposals without loss of control	1,128	4,412
Transferred cash	-	-
Net cash flows	-	5,039

7. Summary of significant accounting principles

7.1 Basis of preparation of the consolidated financial statements

7.1.1 General principles

The consolidated financial statements of the Group are established on the basis of the IFRS reference document (International Financial Reporting Standards), as definitive, in force on 31 December 2015, 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 2015

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

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

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

7.1.3 Future standards and interpretations

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

Furthermore, the Group has made an analysis of the standards and interpretations that will come into effect from 1 January 2016 onwards. The potential impact of these future provisions is currently being assessed.

To conclude, the Group follows the elaboration by the IASB of the main standards and interpretations that can have a significant impact on the accounts. As such, it mainly follows the evolution of the future standards IFRS 4 "insurance contracts" and IFRS 9 "financial instruments".

7.2 Sector information

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

7.3 Consolidation principles and methods

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

The subsidiaries are the entities controlled by the Group.

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

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

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

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

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

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

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

7.4 Business combinations

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

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

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

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

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

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

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

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

7.5 Foreign currency translation and transactions

7.5.1 Functional and reporting currency

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

7.5.2 Conversion

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

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

7.6 Intangible assets

7.6.1 Goodwill

7.6.1.1 Measurement

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

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

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

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

7.6.1.2 Impairment

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

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

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

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

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

7.6.2 Other intangible assets

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

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

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

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

7.7 Property and investment property

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

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

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

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

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

7.8 Other tangible fixed assets

Tangible fixed assets include facilities, machinery and equipment, computer equipment, furniture and office equipment, as well as rolling stock. They are recorded at their acquisition 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.

7.9 Financial investments

7.9.1 Classification

Financial instruments are classified into the following categories:

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

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

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

7.9.2 Reclassifications

Only the following reclassifications are allowed:

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

7.9.3 Initial recognition

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

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

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

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

7.9.4 Measurement

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

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

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

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

7.9.5 Impairment

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

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

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

Financial assets available for sale

Securities

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

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

Bonds

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

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

Criteria for determining durable losses in value

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

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

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

Revaluation reserve

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

Financial liabilities valued at amortized cost

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

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

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

7.9.6 De-recognition

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

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

7.10 Derivative financial instruments

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

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

Hedge accounting

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

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

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

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

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

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

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

7.11 Reinsurance

Disposals

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

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

Acceptances

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

7.12 Receivables

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

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

7.13 Cash and cash equivalents

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

7.14 Equity

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

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

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

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

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

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

7.15 Insurance and investment contract liabilities

7.15.1 Classification

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

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

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

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

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

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

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

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

7.15.2 Measurement and recognition

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

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

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

Non-Life insurance contracts

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

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

Claims management costs are provisioned.

Mathematical provisions are also established to cover constituted annuities.

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

Life insurance contracts

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

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

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

Investment contracts with discretionary participation features

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

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

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

Investment contracts without discretionary participation

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

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

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

Unit-linked contracts

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

Shadow accounting and provision for deferred profit sharing

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

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

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

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

Liability Adequacy Test (LAT)

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

Embedded derivatives

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

Revenue recognition

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

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

7.16 Subordinated debts and financial debt

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

7.17 Provisions

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

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

Provisions are recognized when:

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

7.18 Lease contracts

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

The Group as lessee

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

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

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

The Group as lessor

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

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

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

7.19 Employee benefits

Post-employment benefits

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

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

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

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

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

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

Short-term benefits

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

Other long-term benefits

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

Early retirement

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

Other contract termination compensation

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

7.20 Discontinued operations and available-for-sale assets

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

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

7.21 Revenue recognition

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

Income from insurance activities

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

Financial 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.

7.22 Income taxes

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

7.23 Contingent liabilities

A contingent liability is:

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

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

7.24 Events after the reporting period

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

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

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

8. Critical accounting estimates and judgments

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

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

8.1 Fair value of financial instruments

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

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

8.2 Insurance and investment liabilities

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

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

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

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

8.3 Employee benefits

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

8.4 Deferred taxes

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

9. Management of financial and insurance risks

9.1 Introduction

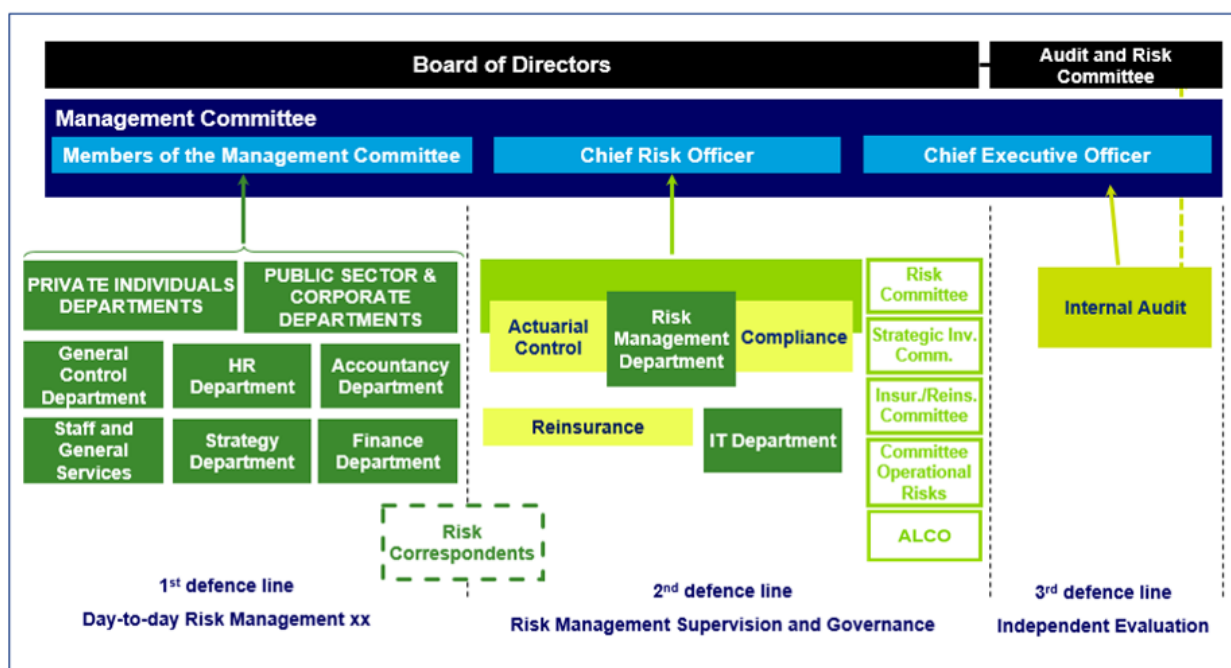
Besides its business activity consisting in the management of the risks subscribed by its customers, an insurance company, as well as any other company, is confronted with different categories of risks. In such circumstances, it is a matter of managing the uncertainty as satisfactorily as possible, by identifying, assessing and effectively dealing with the risks the company is confronted with, in order to control them. The purpose 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 of the organisation by maintaining the risk exposure within the limits of risk appetite".

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

9.2 Governance with regard to risk management

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



First defence line - Daily risk monitoring

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

The operational lines and the support 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 incurred on an ongoing basis.

Furthermore, a network of risk correspondents within the operational lines and the support functions, composed of the Risk Management correspondents and the Legal & Compliance cells, permits to benefit from the technical skills of the experts in the field.

These correspondents are points of contact who have the responsibility to relay to the CRO all the information that is essential for the accurate organization of risk management. Functionally, they report 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 actuarial work serving 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 - Risk supervision

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

The Chief Risk Officer has to make sure that Ethias' risk management structure 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 operational level to initiate changes and to help 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's control functions as an assistance to 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 Operational Risk Monitoring Committee;
- the ALCO (a committee whose mission is to contribute to the protection of Ethias in its liquidity, profitability and solvency aspects (SI and SII) through the alignment of the company's assets and liabilities).

In fact, these committees are monitoring, 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 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 - Independent evaluation

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

9.3 Solvency II

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

Ten major releases have been supplied which provide the basis of the operationalization of Solvency II, and which also benefit to the entire company. Two dry-runs of an annual solvency calculation have been carried out, as well as a quarterly calculation.

The installation of the infrastructure and of the processes relating to Solvency II has been carried out while constantly taking into account the potential synergies with the whole company, for example:

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

In 2016, the aim is to finalize the operationalization of the Solvency II chain.

An "S2 Readiness" project has been implemented to reach, in the 3 pillars of Solvency II, an acceptable level of compliance on 1 January 2016 and to reach the target maturity level in the course of 2016.

9.4 Typology of risks

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

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

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

Insurance risks				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					

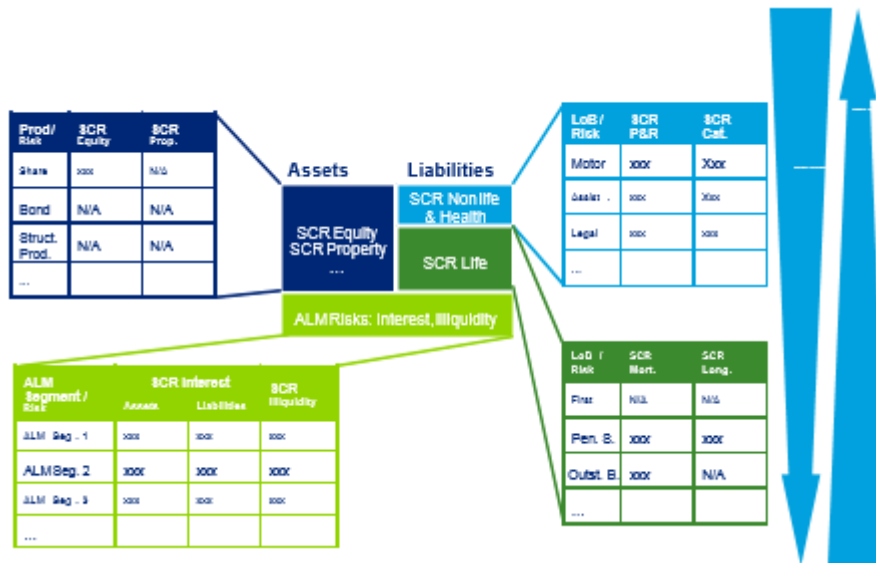
Exact definitions of the main risks listed in the typology chart have been summarized in the analysis of the different risks that are mentioned hereafter.

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 are situated that consume the most capital, impacting Ethias' liquidity or strongly reducing its profitability.

9.5.2 Risk appetite

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

The company's risk appetite and its strategic objectives have to be consistent. Risk appetite falls within the competence of the Board of Directors. In practice, it is proposed by the Chief Risk Officer, ratified by the Management Committee and approved by the Board of Directors. The risk policies are the direct translation of the Board of Directors' view in terms of risk appetite. Similar to the strategic objectives that are translated into operational objectives, risk appetite, as it has been approved by the Board of Directors, is equally due to translate itself, through policies into operational terms. Ethias' Risk Appetite, adapted to Solvency II, is structured around 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 is also a promotion tool and a means of spreading the "Risk Management" culture within all the departments of the company.

9.6 Insurance risks

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

The insurance risks are mainly borne and managed at the level of Ethias SA. The other companies of the Group do not undertake insurance activities. Consequently, the sensitivity analyses in Life and Non-Life hereafter, are only carried out on the level of Ethias 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 management costs or in claims frequency on the evaluation of the Non-Life insurance contracts within the framework of IFRS 4 (phase 1).

In thousands of euros, solely Ethias SA	2015	2014
Reserve risk		
Increase by 10% in overheads	(12,446)	(12,061)
Increase by 5% in claims	(46,601)	(46,986)

9.6.2 Life

9.6.2.1 Nature and extent of the risks

Life underwriting risk

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

- **Mortality risk**
The mortality risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
- **Longevity risk**
The longevity risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
- **Disability/morbidity risk**
The disability/morbidity risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.
- **Expense risk**
The expense risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the expenses incurred in servicing insurance or reinsurance SLT Health contracts. The expense risk takes inflation into account.
- **Revision risk**
The revision risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the revision rates applied to annuity insurances, due to changes in the legal environment or in the state of health of the person insured.
- **Termination risk**
The termination risk is the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the reduction, maturity, redemption rates and renewal rates of the policies.
- **Catastrophe risk**
The catastrophe risk is the risk of loss or unfavourable change in the value of the insurance liabilities, resulting from the considerable uncertainty, related to the unusual accumulation of risks under such extreme circumstances, that carries some weight on the pricing and provisioning assumptions.

9.6.2.2 Sensitivity analysis

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

In thousands of euros, solely Ethias SA	2015	2014
Mortality risk		
Increase by 15 % in mortality	29,015	44,221
Longevity risk		
Increase by 20 % in longevity	(44,272)	(63,418)
Expense risk		
Increase by 10% in overheads	(16,003)	(12,499)
Increase from 2% to 4% in the inflation rate	(43,973)	(35,475)

9.6.3 Concentration risk

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

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

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

Ethias' positioning towards this category of policyholders 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.

In thousands of EUR	31 December 2015		31 December 2014	
	Income	Part of the income	Income	Part of the income
Non-Life insurance				
Public Bodies & Companies	738,921	31%	738,068	32%
Private Individuals	561,357	23%	553,522	24%
Gross premiums	1,300,277	54%	1,291,590	56%
Public Bodies & Companies	(27,370)	-2%	(29,996)	-2%
Private Individuals	(7,234)	0%	(7,535)	0%
Premiums ceded to reinsurers	(34,604)	-1%	(37,531)	-2%
Public Bodies & Companies	711,550	30%	708,072	30%
Private Individuals	554,123	23%	545,987	24%
Net premiums	1,265,673	53%	1,254,059	54%
Life insurance				
Public Bodies & Companies	1,091,064	45%	1,026,229	44%
Private Individuals	52,792	2%	57,820	2%
Gross premiums	1,143,856	48%	1,084,049	46%
Public Bodies & Companies	(3,142)	0%	(3,039)	0%
Private Individuals	-	0%	-	0%
Premiums ceded to reinsurers	(3,142)	0%	(3,039)	0%
Public Bodies & Companies	1,087,922	45%	1,023,190	44%
Private Individuals	52,792	2%	57,820	2%
Net premiums	1,140,714	47%	1,081,010	46%
Total amount Life and Non-Life insurance	2,406,387	100%	2,335,069	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 (Mutual Insurance Association) Ethias Droit Commun's "Law 67 Work accidents" portfolio. The different portfolios (car, accidents at work, accidents common law, civil liability, fire, comprehensive, construction all risk and ten-year risk) are reinsured by excess of loss treaties. Reinsurance intervenes whenever a damage or an event exceeds the amount determined according to risk aversion.

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

Life management

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

Non-Life and Life management

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

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

9.7 Financial risks

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

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

9.7.1 Credit risk

9.7.1.1 Nature and extent of the risks

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

This risk can be subdivided into:

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

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

9.7.1.2 Maximum exposure and mitigation of credit risk

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

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

In thousands of euros, <i>in the market value at the Group's level</i>	2015					
	Maximum exposure to credit risk	Cash	Securities	Real estate properties	Total amount of received guarantees	Unsecured exposure
Available for sale	586,366	-	-	-	-	586,366
Designated at fair value through profit or loss	146,592	-	-	-	-	146,592
Held for trading	9,626	-	-	-	-	9,626
Share interests, shares and investment funds	742,584	-	-	-	-	742,584
Available for sale	13,236,025	-	1,042,224	-	1,042,224	12,193,801
Designated at fair value through profit or loss	706,177	-	-	-	-	706,177
Unlisted on an active market	56,016	-	-	-	-	56,016
Bonds	13,998,218	-	1,042,224	-	1,042,224	12,955,993
Loans and deposits recognized at amortized cost	831,675	-	-	511,301	511,301	320,374
Other investments	831,675	-	-	511,301	511,301	320,374
Held for trading	8,940	3,890	-	-	3,890	5,050
Held for cash flow hedging	4,942	5,075	-	-	5,075	(133) (*)
Derivative financial assets	13,882	8,965	-	-	8,965	4,917
Receivables arising from insurance operations or accepted reinsurance	1,291,136	-	-	-	-	1,291,136
Receivables arising from ceded reinsurance operations	57,001	-	53,802	-	53,802	3,199
Other receivables	277,527	-	4,835	-	4,835	272,692
Cash and cash equivalents	1,086,763	-	-	-	-	1,086,763
Total amount of exposure to credit risk	18,298,786	8,965	1,100,861	511,301	1,621,127	16,677,658

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

In thousands of euros, <i>in the market value at the Group's level</i>	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

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 7 % of the bond portfolio in 2015, compared to 12 % in 2014).

Covered bonds are debt securities issued by a credit institution and whereof the payment is guaranteed by specifically dedicated assets (or "*hedging 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 1,042,224 thousand on 31/12/2015 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. In 2015, the amount of collateral received on derivative products amounts to EUR 8,965 thousand.

Receivables

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

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

9.7.2 Concentration risk

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

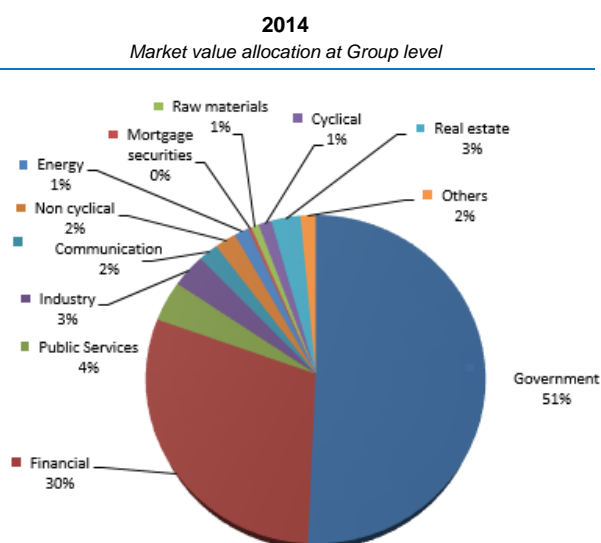
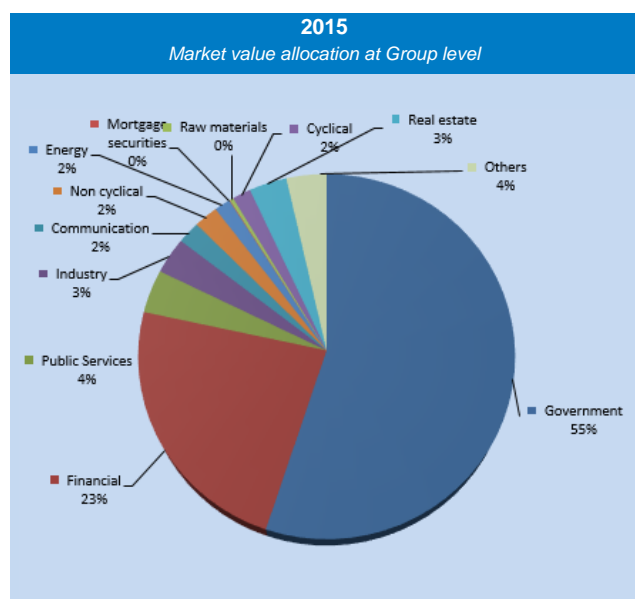
It should be noted that bond forwards are not included in the indicators presented in this document.

Sectoral distribution

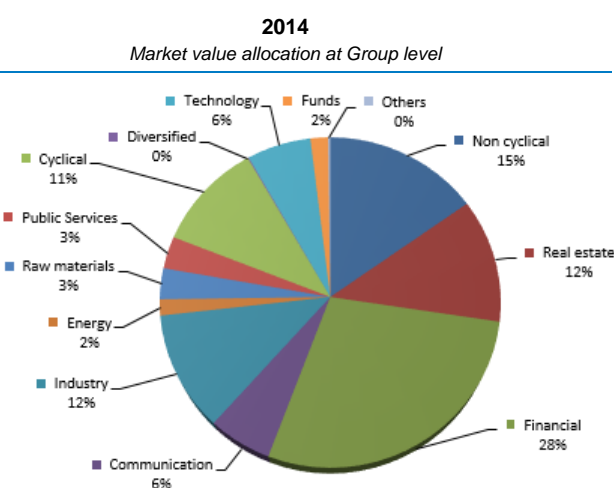
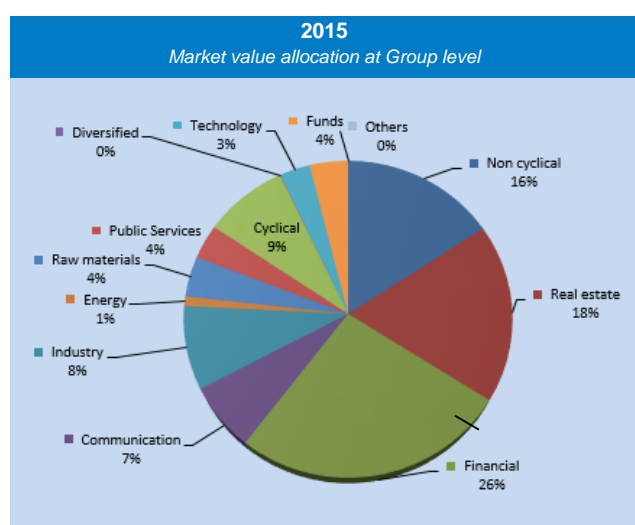
In order to manage the concentration at sectoral level of the financial assets, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification.

In 2015 and 2014, the sectoral distribution of the shares and investment funds as well as of the bonds and equivalent stocks invested by the Ethias Groups, appears as follows:

Bonds and equivalent stocks



Shares, participations and investment funds



Exposure to sovereign risk

In 2015, the part invested by Ethias SA in sovereign or supranational risk amounts to 58 % of the total amount of the fair value of all the bonds (i.e. EUR 8,119,959 thousand on a total of EUR 13,998,218 thousand). For 2014, this ratio amounted to 55 % (i.e. EUR 8,218,510 thousand on a total of EUR 14,988,796 thousand).

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

In thousands of euros, <i>in market value at Group level</i>	2015	2014
Germany	214,136	271,286
Austria	188,901	226,896
Belgium	4,824,003	4,764,794
Spain	511,947	566,442
Central and Eastern Europe	431,274	446,730
France	919,650	791,446
Ireland	189,666	205,203
Italy	553,542	573,959
The Netherlands	70,682	122,692
Scandinavia	151	6,518
Portugal	115,559	141,531
Supranational securities	92,219	92,427
Other	8,228	8,587
Total	8,119,959	8,218,510

Within the framework of its credit risk management, the Group analyses the details of its exposure to the sovereign risk as mentioned above whilst including all debts issued or guaranteed by governments, in fair value, without restriction to their activity sector. By way of example, the Group considers the securities of companies active in public services but guaranteed by the Belgian state as governmental and similar debts. This explains why the total amount of exposure to the sovereign risk, i.e. EUR 8,119,959 thousand per 31 December 2015 (against EUR 8,218,510 thousand per 31 December 2014), is higher than the amount mentioned under the sector "Governmental", i.e. EUR 7,707,353 thousand (against EUR 7,599,322 thousand for the year 2014).

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 ALM risks

Quarterly ALM reports prepared by the Risk Management Department permit to diagnose the asset-liability management and the liquidity situation and to define the necessary corrective measures. These reports are analysed by the ALCO Committee and presented to the Management Committee which takes, if necessary, the corrective measures required and which determines the specific steering of certain identified risks.

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

9.7.3.3 Analysis of contractual maturities

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

In thousands of EUR Only Ethias SA	2015							
	Book value	Total amount of undiscounted flows	Expected cash flows (undiscounted)					Undetermined maturity
			Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	
Assets								
Investment properties	194,923	541,137	(36,276)	(12,777)	87,372	286,307	216,512	
Share interests, shares and investment funds	926,440	1,321,883	38,503	195,741	227,004	278,235	547,620	
Bonds and equivalent stocks	13,984,437	18,151,873	1,473,291	5,794,573	4,703,493	3,602,728	2,577,788	
Loans and deposits	941,061	1,213,459	120,719	433,830	264,594	344,556	49,761	
Derivative financial instruments	22,986	22,986	22,986	-	-	-	-	
Investments belonging to unit-linked insurance contracts	359,077	476,553	74,350	95,950	75,086	43,683	187,483	
Cash and cash equivalents	1,000,522	4,814,129	1,335,611	84,965	713,426	2,283,918	396,210	
Total assets	17,429,447	26,542,020	3,029,183	6,592,281	6,070,974	6,874,208	3,975,374	
Liabilities								
Insurance and investment contract liabilities	15,993,621	19,731,608	2,176,765	4,102,202	2,899,242	3,850,207	6,703,192	
Liabilities belonging to unit-linked insurance contracts	359,078	468,473	109,981	152,179	56,582	46,861	102,870	
Subordinated debts	457,872	756,295	25,991	100,231	188,372	427,702	-	14,000
Other financial debts	19,561	9,506	-	158	9,348	-	-	
Derivative financial instruments	19,958	19,958	19,958	-	-	-	-	
Total liabilities	16,850,090	20,985,841	2,332,695	4,354,770	3,153,544	4,324,770	6,806,062	14,000

In thousands of EUR Only Ethias SA	2014							
	Book value	Total amount of undiscounted flows	Expected cash flows (undiscounted)					Undetermined maturity
			Up to 1 year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 20 years	More than 20 years	
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

The projection of cash flows is based on several assumptions.

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

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

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

The liquidity analysis shows, for each time interval, a cumulative cash flow surplus of assets towards the expected net outflows on liabilities, except for the intervals beyond 20 years in 2015. Liabilities flows beyond 20 years are primarily derived from Group Insurances, Pension Insurances, FIRST A and Work Accident annuities. On the assets side, we have invested for some years now in 30-year government bonds within the long-term portfolios, but this is not enough to cover long liabilities with the same duration. These investments will be renewed over time. This reflects the duration gap, which we have however reduced in the course of recent years. Furthermore, we have cash flow surpluses for time intervals before 20 years, which will ensure the benefits of liabilities in the longer term.

The year 2015 was marked by the "Switch IV" operation, intended to encourage the repurchase of certain FIRST contracts. This action was successful, with the repurchased reserves amounting to EUR 1.9 billion. This results in a decrease in assets under management, reflected in multiple categories of assets and, in particular, cash. Indeed, a significant volume of liquidities was foreseen end-2014 to take on the expected massive surrenders following the commercial operation "Switch IV". The actions foreseen in 2015 and 2016 should have a lower impact, reducing the need for available liquidity. Only real estate has increased in the context of the investment policy for strengthening our allocation in this category of assets.

9.7.4 Market risk

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

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

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

9.7.4.1 Interest rate risk

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

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

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

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

9.7.4.2 Credit spread risk

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

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

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

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

In thousands of EUR <i>In market value, At Group level</i>	2015						
	AAA	AA	A	BBB	BB and below	No rating	Total
Bonds and equivalent stocks	842,891	6,169,089	2,349,234	3,673,202	443,334	520,466	13,998,218
Loans and deposits	-	-	3,796	30	-	827,849	831,675
Receivables	-	-	-	-	-	1,625,664	1,625,664
Cash and cash equivalents	-	125	711,849	354,492	57	20,240	1,086,763
Total	842,891	6,169,214	3,064,880	4,027,724	443,391	2,994,219	17,542,320

In thousands of EUR <i>In market value, At Group level</i>	2014						
	AAA	AA	A	BBB	BB and below	No rating	Total
Bonds and equivalent stocks	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

9.7.4.3 Stock price risk

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

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

In thousands of EUR <i>In market value, at Group level</i>	2015		2014	
	Fair value	% of the value in the balance	Fair value	% of the value in the balance
Share interests	186,566	0.94%	239,267	1.09%
Shares	500,582	2.52%	678,102	3.08%
Investment funds	55,436	0.28%	34,219	0.16%
Total	742,584	3.74%	951,588	4.32%

9.7.4.4 Price risk on investment properties

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

In 2015, the market value of the Group's investment properties amounts to EUR 465,395 thousand (i.e. 2.34% of total assets) against EUR 417,027 thousand (i.e. 1.89 % of total assets) in 2014.

9.7.4.5 Foreign currency exchange risk

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

9.7.5 Analysis of sensitivity to financial risks

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

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

	2015	
	Estimated impact on the income statement	Estimated impact on other comprehensive income items
In thousands of euros, only Ethias SA (and plus Ethias S.I.F. in the case of shares)		
Interest rate risk		
Increase in the yield curve by 100 basis points	(29,357)	(772,189)
Decrease in the yield curve by 100 basis points	26,171	773,749
Credit spread risk		
Increase in the credit spread by 100 basis points	(36,349)	(809,204)
Decrease in the credit spread by 100 basis points	32,812	809,489
Stock price risk		
Stock price decrease by 39 %	(63,571)	(145,087)
Stock price increase by 39 %	52,955	155,702
	2014	
	Estimated impact on the income statement	Estimated impact on other comprehensive income items
In thousands of euros, only Ethias SA (and plus Ethias RTD High Yield in the case of shares)		
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

The stock segment decreased, the exposure in market value is therefore less compared to last year. The segment of bonds and similar stocks in AFS decreased in market value, 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 practises

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

- Execution, delivery and process management

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

- Damage to physical assets

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

- Interruptions in business activity and system failures

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

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

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

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

The Chief Risk Officer also implemented:

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

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

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

10. Capital management

10.1 Capital management purposes

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

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

10.2 Regulatory 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.

Regulatory solvency margin of Ethias SA

In thousands of EUR	2015	2014
Margin to be constituted	719,779	798,244
Components	1,286,546	1,429,722
Coverage Ratio	178.74%	179.11%

Adjusted solvency margin of the Group

In thousands of EUR	2015	2014
Margin to be constituted	719,779	798,244
Components	1,612,759	1,164,531
Coverage Ratio	224.06%	145.89%

10.3 Financial rating

The rating agency Fitch confirmed on 25 September 2015 the rating for financial strength of Ethias SA at BBB+ and its default rating at BBB (with a stable outlook). Fitch stressed the adequacy of the capitalization level and the strength of the Non-Life technical profitability.

Fitch downgraded on 14 October 2015 the rating for financial strength of Ethias SA from BBB+ to BBB and its default rating from BBB to BBB- in order to reflect the increase in debt ratio, resulting from the issuance of additional bonds (mechanical downgrade).

11. Explanatory notes to the consolidated balance sheet

11.1 Goodwill

11.1.1 Evolution of goodwill

In thousands of EUR	2015	2014
Gross value on 1 January	29,667	28,969
Accumulated impairments on 1 January	-	-
Net book value on 1 January	29,667	28,969
Acquisitions	14,909	698
Other changes	187	-
Net book value on 31 December	44,762	29,667

The goodwill recognized in 2015 find its origin in the recent acquisition of various subsidiaries within the Group. It relates to the extension of the activities of the subsidiary NRB through the acquisition of various IT subsidiaries

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

11.1.2 Impairment test on goodwill

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

The Group carried out an impairment test on the goodwill and concluded that no impairment had to be recognized in 2015. This decision was, in particular, based on the fact that the goodwill was recently recognized (2010-2015). 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

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

In thousands of EUR	2014		
	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 impairments on 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	-	(40)	(40)
Other changes	-	-	-
Net book value on 31 December	12,144	1,783	13,927

11.3 Investment in associates and joint ventures

11.3.1 Information about associates and joint ventures

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

In thousands of EUR	Ownership percentage	Assets	Liabilities	Equity	Revenues	Net profit (loss)
Total on 31 December 2015	-	-	-	-	-	-
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

In 2014, AME SA and its subsidiary AME Conseils SARL were jointly controlled by Vitrufin Group and the French Group Covéa.

On 17 December 2015, the shares held by Covéa were repurchased by Ethias SA. Hence, the Group owns 100% of SA AME and of AME Conseils SARL.

11.3.2 Evolution of investments in associates and joint ventures

In thousands of EUR	2015	2014
Net book value on 1 January	20,910	24,794
Interests sold during the financial year	-	(555)
Reclassifications	-	-
Share in the result of the financial year	-	741
Dividends paid	-	-
Other changes	(20,910)	(4,070)
Net book value on 31 December	-	20,910

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

31 December 2014

In thousands of EUR	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
Held for trading	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 and equivalent stocks	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

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

In thousands of EUR	2014						Total
	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	
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

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

It should be noted that the swaps were wound up during the fiscal year 2015, and that this results in a loss of EUR 63 million.

11.4.3 Evolution of impairments on investments

11.4.3.1 Impairments on available-for-sale investments

In thousands of EUR	2015	2014
Balance on 1 January	(30,572)	(31,345)
Provision for impairments	(26,807)	(6,951)
Reversals of impairments	3,284	2,169
Reversals due to disposals	6,269	6,813
Change in scope	-	-
Reclassifications	(260)	(1,258)
Other changes	-	-
Balance on 31 December	(48,085)	(30,572)

11.4.3.2 Impairments on loans, deposits and other financial investments

In thousands of EUR	2015	2014
Balance on 1 January	(20,002)	(34,803)
Provision for impairments	(6,880)	(13,342)
Reversals of impairments	-	-
Reversals due to disposals	127	33,616
Change in scope	-	-
Reclassifications	-	(5,473)
Other changes	-	-
Balance on 31 December	(26,755)	(20,002)

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"

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

In thousands of EUR	31 December 2014							
	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Net book value of unimpaired assets based on the following periods:			
					Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Available-for-sale investments	13,819,924	(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

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

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 financial 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

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

11.4.5 Distribution between the various hierarchic levels

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

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

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

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

This category includes, inter alia, all sovereign debt securities directly valued 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 2015, this concerns a portfolio that is limited to two private issues and an investment linked to infrastructure projects for a total of EUR 99,912 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 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.

At 31 December 2015, a portfolio limited to two private issues and an investment linked to infrastructure projects are valued on the basis of a theoretical price that was calculated by using a spread and an interest rate curve for a total of EUR 99,912 thousand.

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	2015		2014	
	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	206,206	46,826	39,661	114,260
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Bonds	206,206	46,826	39,661	114,260
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial assets	-	-	-	-
Investments belonging to unit-linked insurance contracts	-	-	1,424	-
Total financial assets	206,206	46,826	41,086	114,260
Financial liabilities				
Investment contracts hedged by assets at fair value	-	-	-	-
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total financial liabilities	-	-	-	-

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

Transfers between investments from level 1 to level 2 (thus for EUR 206,206 thousand against EUR 39,661 thousand in 2014) 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 46,826 thousand against EUR 114,260 thousand in 2014).

11.4.7 Evolution of investments estimated at fair value in level 3

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

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

Regarding the transfer from level 3 of EUR 185,476 thousand at 31 December 2015, EUR 137,778 thousand was transferred to Level 1 and EUR 47,697 thousand to level 2.

11.5 Derivative financial instruments

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

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

In thousands of EUR	31 December 2014					
	Maturity dates			Total nominal value	Positive fair value	Negative fair value
	< 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 futures	-	-	-	-	-	-
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 futures(*)	-	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 752,539 thousand in 2015 as well as the amount of EUR 72,123 thousand in 2014 correspond to the notional amount multiplied by the exercise price.

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

The hedging against the fall in interest rates has been analysed in 2015 with a twofold objective:

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

In this context, we implemented a swaps program for a nominal amount of EUR 360 million which was closed during the first half of 2015 as well as swaptions for a nominal amount of EUR 1.65 billion at end-2015. A new program for OLO forwards was also concluded in 2015 in order to extend the duration for a nominal amount of EUR 553 million.

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

11.6 Tangible fixed assets and investment properties

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

In thousands of EUR	2014			
	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)
Included loan costs	-	-	-	-
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)
Reclassifications 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

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

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

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

11.7 Receivables

11.7.1 Breakdown of receivables by nature

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

In thousands of EUR	31 December 2014		
	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

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.

11.7.2 Evolution of impairments on receivables

In thousands of EUR	2015	2014
Impairments on receivables on 1 January	(18,561)	(17,267)
Provisions of the financial year	(11,699)	(10,076)
Expenditures of the financial year	6,319	595
Reversals of the financial year	8,275	8,444
Change in the consolidation scope	(178)	(257)
Other changes	-	-
Impairments on receivables on 31 December	(15,843)	(18,561)

We think the impairment principle on receivables is prudent as only 8 % of the impairments are actually recorded as a write-off of receivables. The use of the financial year is mainly due to the write-offs of receivables recognized on reinsurance and coinsurance.

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.

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

In thousands of EUR	31 December 2014							
	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Net book value of unimpaired assets based on the following periods:			
					Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,283,102	(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

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

11.8 Other assets

In thousands of EUR	31 December 2015	31 December 2014
Interest and rent accrued but not yet due	246,131	267,384
Other accruals	8,810	10,580
Other assets	3,428	3,060
Total	258,369	281,024

11.9 Cash and cash equivalents

In thousands of EUR	31 December 2015	31 December 2014
Cash at bank and in hand	949,801	950,210
Cash equivalents	136,962	942,488
Total of the cash and cash equivalents	1,086,763	1,892,698
Debts arising from repurchase operations (repo)	(9,271)	(11,250)
Bank overdraft and other debts included in the cash flow statement	(10,290)	(13,425)
Cash and cash equivalents regarding the groups intended to be transferred	-	776
Total of the repurchase operations, cash and cash equivalents in the cash flow table	1,067,203	1,868,800

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. At 31 December 2015, the amount received in collateral for the swaptions totals EUR 3,890 thousand and EUR 5,075 thousand for the forwards.

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

11.10 Deferred tax assets and liabilities

11.10.1 Breakdown of deferred tax assets and liabilities

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

In thousands of EUR	31 December 2014		
	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

11.10.2 Evolution of deferred tax assets and liabilities

In thousands of EUR	2015			2014		
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Net book value on 1 January	279,261	4,032	275,230	126,017	4,206	121,811
Changes through profit or loss	(42,509)	36,022	(78,531)	172,813	254	172,560
Change in other items of comprehensive income	(66,657)	(39,995)	(26,661)	(19,569)	(428)	(19,141)
Change in scope	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net book value on 31 December	170,096	59	170,038	279,261	4,032	275,230

11.10.3 Deferred taxes

In thousands of EUR	31 December 2015	31 December 2014
Deferred taxes for which a deferred tax asset was allocated		
Intended use within the year	57,129	42,950
Intended use between 1 and 2 years	75,133	52,920
Intended use between 2 and 3 years	37,777	65,619
Intended use after 3 years	-	113,741
Debt with maturity after 3 years	-	-
Subtotal	170,038	275,230
Deferred taxes for which no deferred tax asset was allocated		
Limited recoverability	-	-
Unlimited recoverability	264,612	300,392
Subtotal	264,612	300,392
Total of the allocated and non-allocated deferred taxes	434,650	575,622

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

In thousands of EUR	31 December 2015	31 December 2014
Intangible assets	-	-
Investment in associates	-	-
Financial investments	-	-
Reinsurers' share of technical provisions	-	-
Other assets	-	2
Cash and cash equivalents	-	776
Insurance and investment contract liabilities	-	-
Financial debts	-	-
Provisions for risks and expenses	-	-
Other liabilities	-	1,871
Net assets	-	(1,093)

On 1 January 2014, the life insurance portfolio of Immo Life Insure was ceded within Ethias SA. The dissolution of the company Immo Life Insure took place on 29 October 2015 and, at the time of writing these lines, the publication of the liquidation is in progress.

11.12 Equity

11.12.1 Issued capital

The capital issued and paid on 31 December 2015 amounts to EUR 1,000,000,000. The capital is represented by 20,000,000 shares without indication of the nominal value.

	2015	
	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	2015	2014
Net book value on 1 January	246,681	216,129
Reassessment	(219,351)	865,193
Related taxes	76,593	(305,114)
Shadow accounting	284,937	(759,604)
Related taxes	(96,850)	258,189
Transfer resulting from disposals or impairments	(66,945)	(42,588)
Related taxes	22,242	14,476
Other changes	-	-
Net book value on 31 December	247,307	246,681

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

In thousands of EUR	2015	2014
Net book value on 1 January	(78,912)	(45,688)
Recognized actuarial profits and losses	103,847	(50,333)
Related taxes	(35,297)	17,108
Other changes	-	-
Net book value on 31 December	(10,363)	(78,912)

11.12.2.3 Evolution of the reserve for hedge accounting

In thousands of EUR	2015	2014
Net book value on 1 January	9,022	-
Revaluation	-	-
Related taxes	-	-
Profits and losses realized on hedging instruments not yet recognized through profit or loss	(19,580)	13,667
Related taxes	6,655	(4,645)
Change in scope	-	-
Change in accounting method	-	-
Other changes	-	-
Net book value on 31 December	(3,903)	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 investment contract liabilities

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

11.13.1.1 Liabilities related to Non-Life insurance contracts

In thousands of EUR	31 December 2015	31 December 2014
Mathematical provisions	766,078	731,620
Provisions for unearned premiums	273,781	266,484
Provisions for claims	2,310,020	2,311,145
Shadow accounting	-	-
Other provisions	216,668	211,269
Total insurance contract liabilities (gross)	3,566,546	3,520,518
Reinsurers' share in liabilities related to Non-Life insurance contracts	132,505	112,390
Total insurance contract liabilities (after deduction of the reinsurers' share)	3,434,041	3,408,128

11.13.1.2 Liabilities related to Life insurance contracts

In thousands of EUR	31 December 2015	31 December 2014
Mathematical provisions	4,419,951	4,399,697
Provisions for claims	1,565	2,251
Shadow accounting	618,834	607,437
Insurance contract liabilities	5,040,350	5,009,385
Liabilities related to unit-linked insurance contracts	24,154	29,524
Total insurance contract liabilities (gross)	5,064,504	5,038,909
Reinsurers' share in liabilities related to Life insurance contracts	1,432	1,500
Total insurance contract liabilities (after deduction of the reinsurers' share)	5,063,072	5,037,409

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.

Regarding the "Switch IV" operation, please refer to section 1.1 of the management report.

11.13.1.3 Investment contract liabilities

In thousands of EUR	31 December 2015	31 December 2014
Mathematical provisions	6,713,747	9,351,879
Provisions for claims	-	-
Shadow accounting	637,800	927,519
Investment contract liabilities with discretionary participation features	7,351,547	10,279,399
Liabilities related to unit-linked investment contracts with discretionary participation features	232,442	172,450
Mathematical provisions	3,904	4,036
Investment contract liabilities without discretionary participation features	3,904	4,036
Liabilities related to unit-linked investment contracts without discretionary participation features	102,482	214,379
Total investment contract liabilities (gross)	7,690,377	10,670,263
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total insurance contract liabilities (after deduction of the reinsurers' share)	7,690,377	10,670,263

11.13.1.4 Profit sharing liabilities

In thousands of EUR	31 December 2015	31 December 2014
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	18,040	9,110
Profit sharing related to investment contracts	19,756	11,598
Liabilities for profit sharing of policyholders	37,796	20,708

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	2015	2014
Insurance contract liabilities on 1 January	3,520,518	3,513,234
Claims paid in the previous years	(317,918)	(392,400)
Change in claim costs compared to the previous financial years	(214,871)	(169,088)
Addition to liabilities on claims of the current year	531,664	539,909
Transfer of received/ceded reserves	-	-
Change in gross reserves for unearned premiums	7,313	15,162
Change in the consolidation scope	-	-
Shadow accounting	-	(31,014)
Other changes	39,841	44,715
Insurance contract liabilities on 31 December	3,566,546	3,520,518

11.13.2.2 Evolution of the reinsurers' share

In thousands of EUR	2015	2014
Reinsurers' share in insurance contract liabilities on 1 January	112,390	141,191
Reinsurers' share in claims costs	(18,938)	(29,316)
Change in claim costs compared to the previous financial years	9,478	(19,958)
Addition to liabilities on claims of the current year	30,618	20,605
Other changes in reserves	(1,043)	(132)
Reinsurers' share in insurance contract liabilities on 31 December	132,505	112,390

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.

[illegible]

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	2015	2014
Insurance contract liabilities on 1 January	5,009,385	4,622,501
Premiums	279,584	218,957
Benefits	(276,942)	(245,293)
Time value	129,400	138,127
Internal transfers	(13,125)	(217,356)
Transfer of received/ceded reserves	4,804	1,538
Shadow accounting	11,398	334,918
Other changes in reserves	(104,153)	155,993
Insurance contract liabilities on 31 December	5,040,350	5,009,385

11.13.3.2 Evolution of the reinsurers' share

In thousands of EUR	2015	2014
Reinsurers' share in insurance contract liabilities on 1 January	1,500	-
Ceded premiums	-	253
Reinsurers' share in claims costs	-	-
Reinsurers' share in time value	-	-
Transfers	-	-
Other changes in reserves	(68)	1,247
Reinsurers' share in insurance contract liabilities on 31 December	1,432	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	2015	2014
Investment contract liabilities on 1 January	10,279,399	9,469,739
Premiums	820,404	859,212
Benefits	(3,188,288)	(1,540,014)
Time value	191,098	241,699
Internal transfers	(29,421)	221,812
Transfer of received/ceded reserves	(51,622)	(60,517)
Shadow accounting	(289,719)	461,690
Other changes in reserves	(380,302)	625,777
Investment contract liabilities on 31 December	7,351,547	10,279,399

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

11.13.5 Evolution of liabilities related to unit-linked insurance contracts

In thousands of EUR	2015	2014
Liabilities related to unit-linked insurance contracts on 1 January	416,353	476,547
Premiums	2,226	209
Benefits	(123,035)	(92,663)
Revaluation of the provisions	21,188	37,725
Technical result and other transfers	-	-
Internal transfers	42,546	(4,198)
Transfer of received/ceded reserves	-	-
Other changes in reserves	(199)	(1,267)
Liabilities related to unit-linked insurance contracts on 31 December	359,078	416,353

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

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

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

- Liabilities are updated through an appropriate risk-free interest rate curve in order to take into account the asset and liability management implemented in the company's long-term commitments.
- The surrender law was estimated on the basis of the historic data. A documented management action was taken into account for the surrenders linked to the FIRST A segment. This management action aims to increase the surrender rate for the years 2016 and 2017. At the time of preparing the financial statements, the management has already implemented a Switch action that has achieved just under half of the 2016 objective. The management has demonstrated in the past its willingness to speed up the surrenders on this product and its ability to take the necessary steps to reach the target. Hence, the consideration of the management action in the valuation of the liabilities appears appropriate at the time of preparing the financial statements.
- In 2015, taking into account the market conditions, the unrealized gains 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 2015		31 December 2014	
	Balance value	Fair value	Balance value	Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	454,372	419,918	321,500	310,203
Subordinated debts	454,372	419,918	321,500	310,203
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Bank overdrafts	1,325	1,325	25	25
Debts arising from repurchase operations (repo)	9,271	9,271	11,250	11,250
Collateral received as guarantee	8,965	8,965	13,400	13,400
Others	36,536	36,536	21,800	21,800
Other financial debts	56,096	56,096	46,474	46,474
Total of the financial debts	510,468	476,015	367,974	356,677

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

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 valorization of these elements.

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

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

The assessments at fair value of the issued loans are based on the market price Bid (source BGN) for a nominal value of EUR 416,700 thousand and on a fixed price model based on observable elements, such as the levels of the interest rate markets and of credit markets for a nominal value of EUR 75,000 thousand.

The collateral received as guarantee amounts to EUR 8,965 thousand in December 2015 (against EUR 13,400 thousand at 31 December 2014), resulting from the implementation of hedging operations of the OLO forward type in 2014 as well as the swaptions programme concluded in March, June and December 2015.

11.14.2 Breakdown by maturity

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

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	-	-	-	-	-
Bank overdrafts	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

11.15 Provisions

Provisions recognized in the balance sheet are analysed as follows:

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

Provisions for financial risks were used after deduction of provisions for an amount of EUR 56 million. They mainly concern the default risks and the risks related to the financial markets.

In thousands of EUR	2014			Total
	Provisions for disputes	Provisions for financial risks	Other non-technical provisions	
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

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 2015	31 December 2014
Post-employment benefits	477,758	573,216
Long-term employee benefits	1,453	1,583
Termination benefits	22,918	28,549
Total	502,129	603,348

Amounts of the projected benefits

In thousands of EUR	2016	2015
Group insurance	28,540	23,981
Retirement	4,421	4,485
Jubilee	79	73
End of career	115	100
Total	33,154	28,639

11.16.2 Description of the employee benefits

11.16.2.1 Post-employment benefits

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

Pension benefit obligations

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

- Defined benefit plans, according to which a predetermined amount shall be paid to an employee at the moment of his pension retirement, or during his retirement. Generally, this amount depends on the following factors: number of years of service, salary and maximum legal pension 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 2015	31 December 2014
Discount rate	1.70% / 2.30%	1.15% / 1.90%
Expected wage increase	0.50%	1.50%
Inflation rate	1.70%	1.70%
Staff turnover rate	0% / 1.50% / 2.40%	1.50% / 2.40%
Life table	32% of MR/FR	32% of MR/FR

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

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

The average duration of the life benefit of the pension schemes is 10 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 16,452 thousand. A decrease of the same level would however result in a debt increase of EUR 20,382 thousand.

The impact of an increase with 25 basis points of the expected wage increase rate amounts to EUR 9,753 thousand. An equivalent decrease would however lower the debt with EUR 11,425 thousand.

	31 December 2015	31 December 2014
Discount rate		
Increase in rates with 50 basis points	(16,452)	(30,027)
Decrease in rates with 50 basis points	20,382	32,712
Expected wage increase		
Increase in rates with 25 basis points	9,753	18,134
Decrease in rates with 25 basis points	(11,425)	(16,878)

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

In thousands of EUR	2015			2014		
	Post-employment benefits	Long-term benefits	Total	Post-employment benefits	Long-term benefits	Total
Actual debt value on 1 January	573,216	1,583	574,799	504,454	1,473	505,927
Cost price of provided services	33,378	140	33,518	30,026	114	30,140
Financial cost price	6,565	21	6,586	14,006	43	14,049
Contributions constituted by participants	-	-	-	-	-	-
Actuarial derogations	(103,847)	(132)	(103,978)	50,333	41	50,374
Benefits	(25,953)	(159)	(26,112)	(26,249)	(92)	(26,341)
Cost price of past services	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Regulations	-	-	-	-	-	-
Others	(5,602)	-	(5,602)	647	3	650
Actual debt value on 31 December	477,758	1,453	479,211	573,216	1,583	574,799

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 2015	31 December 2014
Liabilities arising from direct insurance operations and accepted reinsurance	129,778	133,275
Liabilities arising from ceded reinsurance operations	85,685	74,759
Liabilities from operating activities	215,463	208,034
Tax on current result	6,925	5,984
Other contributions and taxes	42,243	33,415
Tax payables	49,168	39,399
Social security payables	63,606	60,994
Payables to associates	-	-
Payables from finance leases	3,331	2,143
Trade payables	54,890	38,760
Other payables	111,635	99,704
Other payables	233,460	201,602
Accruals for liabilities	25,308	12,634
Total other payables	523,400	461,669

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

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

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

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

11.17.2 Breakdown by maturity

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

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
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 payables	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

12. Explanatory notes to the consolidated income statement

12.1 Revenues from insurance activities

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

In thousands of EUR	2014			
	Insurance contracts Non-Life	Life	Investment 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 outstanding risks (net of reinsurance)	-	(15,250)	-	(15,250)
Other income 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

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

12.2 Technical expenses of insurance activity

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

In thousands of EUR	2014			
	Insurance contracts Life	Non-Life	Investment 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 of insurance activity	535,627	1,120,889	1,798,191	3,454,707

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

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

12.3 Net profit (loss) of cessions in reinsurance

In thousands of EUR	2015	2014
Premiums ceded to reinsurers	(37,746)	(40,570)
Change in provision for unearned premiums - reinsurers' share	(1,043)	(132)
Net expenses or revenues ceded to reinsurers	48,167	15,045
Net profit (loss) of cessions in reinsurance	9,378	(25,657)

12.4 Net profit (loss) of other activities

In thousands of EUR	2015	2014
Revenues of institutions not being insurance companies	178,750	156,775
Other revenues of institutions not being insurance companies	18,511	13,565
Other revenues related to insurance activities	1,485	2,536
Revenues from other activities	198,746	172,876
Operating expenses of institutions not being insurance companies	(172,712)	(134,755)
Operating expenses of institutions being insurance companies	(8,674)	-
Other revenues of institutions not being insurance companies	(16,405)	(20,639)
Other expenses of institutions being insurance companies *	(2,953)	(386,645)
Expenses for other activities	(200,744)	(542,038)
Net profit (loss) of other activities	(1,998)	(369,162)

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, in 2014, of the tax dispute, i.e. EUR 378 thousand. For more information we refer to point 1.6 of the management report.

12.5 Net financial result without finance costs

In thousands of EUR	2015					Total
	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	
Investment properties	25,716	2,962	-	(13,170)	(1,900)	13,608
Available for sale	7,372	523	-	(6,450)	-	1,446
Share interests	7,372	523	-	(6,450)	-	1,446
Available for sale	10,308	43,022	-	3,724	-	57,054
At fair value through profit or loss	9,593	18,479	2,847	-	-	30,919
Held for trading	326	3,435	(1,371)	-	-	2,390
Shares and investment funds	20,227	64,935	1,476	3,724	-	90,363
Available for sale	426,472	26,548	(297)	(18,634)	-	434,089
At fair value through profit or loss	36,861	2,489	44,996	-	-	84,347
Held for trading	-	-	-	-	-	-
Unlisted at amortized cost price	1,737	-	-	-	-	1,737
Bonds	465,070	29,037	44,699	(18,634)	-	520,173
Loans, deposits and other financial investments	25,551	150	-	(6,753)	10,721	29,669
Held for trading	67	(62,821)	(20,462)	-	-	(83,216)
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial instruments	67	(62,821)	(20,462)	-	-	(83,216)
Investments belonging to unit-linked insurance contracts	(269)	-	-	-	-	(269)
Cash and cash equivalents	2,951	-	41	-	-	2,992
Others	77,009	-	-	-	36,561	113,570
Net financial result without finance costs	623,694	34,787	25,753	(41,281)	45,382	688,335

In thousands of EUR	2014					Total
	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	
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

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	2015	2014
Expenses related to bond loans	19,398	17,630
Expenses related to other financial debts	496	314
Total of the finance costs	19,894	17,944

12.7 Expenses by nature and allocation

In thousands of EUR	2015	2014
Internal claim handling costs	100,477	115,682
Acquisition costs of contracts	126,017	143,630
Management costs	44,685	59,803
Management costs of investments	8,275	8,643
General costs related to other activities	181,386	134,755
Total of the overhead costs by allocation	460,840	462,513
Employee benefit expenses	298,384	303,931
Rental and leasing expenses	9,132	8,519
Expenses related to operational buildings	6,332	6,114
IT costs	70,096	91,115
Allocations, amortizations and Provisions for Other Risks and Expenses	12,369	-
Other expenses	91,448	78,713
Recovered overhead costs (-)	(26,921)	(25,879)
Total of the overhead costs by nature	460,840	462,513

Overhead costs relating to the insurance activities are on the decrease by 15 % compared to 2014: EUR 279 million in 2015 vs. EUR 328 million in 2014. This difference is explained by the implementation of the savings plan.

Overhead costs relating to the other activities increase by 35 % compared to 2014: EUR 181 million in 2015 vs. EUR 135 million in 2014. This increase is mainly due to the acquisition of two new companies, viz. Trasys (EUR 18 million) and MIMS (EUR 3 million), and higher expenses at NRB for an amount of EUR 17 million related to an accounting reclassification.

The remuneration costs amount to EUR 298 million at end-2015 and remain relatively stable. These costs relating to the insurance activity decrease by 9 %, i.e. EUR 18 million. This decrease is due to the limitation of the recruitment plan, the reduction in the number of FTEs and the lowering of the expenses in relation to the group insurance. These costs relating to the other activities mainly increase as a result of the acquisition of Trasys (EUR 9 million) and of MIMS (EUR 3 million). Moreover, the remuneration costs have increased by EUR 1 million for Afélio following the company's growth.

IT costs amount to EUR 70 million at end-2015. They decrease by 23 % compared to 2014 because of the application of the new accounting rule for activating IT expenditure and of a reduction in infrastructure costs.

Despite a decrease in expenses for the insurance activity following the implementation of the savings plan, in particular the reduced use of consultancy, the other expenses have increased by 16 %, i.e. EUR 13 million. This increase is mainly due to the integration of the Trasys group.

12.8 Employee benefit expenses

In thousands of EUR	2015	2014
Wages	196,904	187,347
Social security expenses	60,610	56,682
Post-employment benefits	(1,693)	503
Defined benefit schemes	31,436	45,398
Other long-term benefits	(25)	179
Other benefits	(1,243)	69
Others	12,395	13,753
Total of the employee benefit expenses	298,384	303,931

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 31,436 thousand in 2015 (against EUR 45,398 thousand in 2014). 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	2015	2014
Payable tax	(8,654)	(6,509)
Deferred tax	(78,531)	173,428
Income tax on permanent activities	(87,185)	166,918
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	(87,185)	166,918
Tax expenses recognized in other comprehensive income components	(26,658)	(19,986)

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	2015	2014
Profit before tax (without contribution of divestitures and associates)	724,088	(765,845)
Theoretical tax rate	33.99%	33.99%
Tax expense / theoretical tax revenue	(246,118)	260,311
Impact of non-deductible expenses	(66,321)	(173,265)
Impact of non-taxable revenues	103,278	97,150
Impact of fiscal deficits	20,402	66,276
Impact of other temporary differences	98,123	(96,226)
Other impacts	3,451	12,672
Total of the tax expense adjustments	158,933	(93,392)
Real tax expense/proceed	(87,185)	166,918
Effective tax rate	12%	22%

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, the section of the other temporary differences includes, inter alia, the deferred taxes recognized in BGAAP.

13. Other notes to the consolidated financial statements

13.1 Lease contracts

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

13.1.1 Ethias as lessor

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

In thousands of EUR	2015	2014
Past due during the year	29,435	25,992
Within more than one and maximum 5 years	113,218	100,669
Within more than 5 years	375,857	369,868
Total	518,510	496,529

Rent amount recognized as proceed within the financial year:

In thousands of EUR	2015	2014
Minimum rent	29,886	21,890
Conditional rent	1,698	1,405
Total	31,584	23,295

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	2015	2014
Past due during the year	6,558	6,343
Within more than one and maximum 5 years	13,338	9,469
Within more than 5 years	61	-
Total	19,956	15,812

Rent amount recognized as expense within the financial year:

In thousands of EUR	2015	2014
Minimum rent	9,404	8,799
Conditional rent	-	-
Total	9,404	8,799

Leased assets mainly relate to real estate and company cars.

13.2 Related parties

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

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

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

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

13.2.1 Transactions related to the balance sheet

In thousands of EUR	31 December 2015	31 December 2014
Receivables	1,005,693	1,009,670
Other assets	-	-
Total assets with related parties	1,005,693	1,009,670
Insurance and investment contract liabilities	966,258	965,087
Financial debts	-	-
Trade and other payables	-	-
Total liabilities with related parties	966,258	965,087

13.2.2 Transactions related to revenues and expenses

In thousands of EUR	31 December 2015	31 December 2014
Revenues	129,144	144,158
Operating expenses	(120,526)	(138,092)
Financial revenues	29,949	37,603
Total of the revenues and expenses with related parties	38,567	43,669

13.2.3 Other transactions with related parties

In 2015, the Group did not receive or give any commitment towards related parties.

13.3 Remunerations for key management personnel

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

The total amount of their remunerations include the following elements:

In thousands of EUR	2015	2014
Short-term benefits	2,473	2,651
Post-employment benefits	841	839
Termination benefits	-	538
Other long-term benefits	-	-
Remunerations and other benefits for managers and directors	3,314	4,028

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

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

13.4 Fees of the Statutory Auditor

In thousands of EUR	2015	2014
Fees for audit services	901	859
Fees for services relating to audit services	666	193
Fees for fiscal advice	173	80
Other fees for non-audit services	714	335
Total	2,445	1,467

13.5 Commitments

13.5.1 Received commitments

In thousands of EUR	31 December 2015	31 December 2014
Guarantee commitments	803,018	914,357
Finance commitment	-	-
Other received commitments	-	-
Total	803,018	914,357

Guarantee commitments mainly include guarantees linked to mortgage loans granted to the Group. On 31 December 2015, this portfolio amounts to EUR 743,957 thousand, which corresponds to the initially guaranteed amounts (against EUR 858,680 thousand on 31 December 2014). One counts:

- mortgage loans (Stater management) for EUR 665,530 thousand on 31 December 2015 (against EUR 750,563 thousand on 31 December 2014).
- mortgage loans for EUR 75,141 thousand on 31 December 2015 (against EUR 104,650 thousand on 31 December 2014).
- public body loans for EUR 2,286 thousand on 31 December 2015 (against EUR 2,467 thousand on 31 December 2014).
- real estate loans for EUR 1,000 thousand on 31 December 2014 and 2015.

For derivatives, please see note 11.5.

13.5.2 Given commitments

In thousands of EUR	31 December 2015	31 December 2014
Guarantee commitments with regard to financing	83,400	104,250
Other guarantee commitments	49,764	56,735
Commitments on securities	14,619	18,473
Other given commitments	127,539	116,732
Total	275,321	296,190

The guarantee commitments with regard to financing mainly concern the credit facility for an amount of EUR 83,400 thousand granted by Ethias SA to Vitrufin on 31 December 2015 (against EUR 104,250 thousand on 31 December 2014).

The other guarantee commitments mainly include:

- Personal guarantees given for an amount of EUR 40,938 thousand on 31 December 2015 (against EUR 50,829 thousand on 31 December 2014). 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, on the one hand, repurchase agreements ("repos") with a maturity of 3 months for an amount of EUR 9,271 thousand (against EUR 11,250 thousand in 2014), which relate exclusively to Belgian State obligations, and on the other hand, French securities paid in collateral for an amount of EUR 5,348 thousand in 2015 (against EUR 7,223 thousand in 2014).

The other guarantees given include:

- purchase commitments for properties, i.e. EUR 60,313 thousand on 31 December 2015 (against EUR 60,768 thousand on 31 December 2014). These commitments relate to the investment properties "Air Properties" (for EUR 36,595 thousand in 2015 and 2014) and "Real Property Invest" for EUR 3,112 thousand (against EUR 13,227 thousand in 2014) as well as social buildings for EUR 20,605 thousand in 2015 (against EUR 10,946 thousand in 2014).
- lending commitments for EUR 26,949 thousand on 31 December 2015 (against EUR 55,964 thousand on 31 December 2014). This total is composed of EUR 14,411 thousand for lending commitments for infrastructures (against EUR 22,598 thousand), EUR 10,539 thousand for financial lending commitments (against EUR 7,559 thousand in 2014), and EUR 2,000 thousand for real estate loans.

- commitments towards non-consolidated financial participations for EUR 28,217 thousand on 31 December 2015 (against EUR 25,807 thousand on 31 December 2014).
- commitments towards bond funds for EUR 12,060 thousand on 31 December 2015.

13.6 Contingent liabilities

13.6.1 Financing guarantee commitment granted to Vitrufin

As a reminder: the decision of the European Commission compels Ethias SA to reduce its exposure to Dexia by 90 %. It is in this context that Vitrufin SA acquired all the shares held by Ethias SA in Dexia. This transaction was completed in agreement with the European Commission. To finance this acquisition, Vitrufin SA issued in January 2012 a bond loan of EUR 278 million, fully subscribed at end-December 2011 by Belgian and foreign institutional investors from the public and private sector. Following the successful placement of the bond loan, the debt towards Ethias SA was reimbursed in January 2012. The loan is refundable at maturity (viz. in January 2019) and bears an annual interest of 7.5%. The payment of interests and the repayment of capital on due date will be provided through the liquidities generated by the dividends from Ethias SA. An credit facility agreement signed in early January 2012 provides for the annual provisioning of funds by Ethias SA to Vitrufin SA in order to provide additional security to the investors in the event that the dividends paid by Ethias SA would not be sufficient to cover the annual interests related to the bond loan.

13.7 Events after the reporting period

- To further reduce Life reserves in Private Individuals, Ethias launched on 4 December 2015 the "Switch V" operation (running until 19 February 2016), which consists of offering to the holders of a "FIRST A" contract an exit premium equal to 10% of the mathematical reserve upon full surrender or upon partial surrender provided that the surrender rate is 50% or more of the mathematical reserve.

At the end of February 2016, surrenders amounting to EUR 60 million were recorded.

- With regard to the tax dispute, it should be noted that, in the course of February 2016, Ethias SA has lodged an appeal with the Court of Cassation for the years decided on appeal.



Sint-Stevens-Woluwe, 20 April 2016

To the shareholders
of Ethias SA
Liège

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2015

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated accounts for the year ended 31 December 2015, as defined here below, as well as the required additional statement. The consolidated accounts comprise the consolidated balance sheet as at 31 December 2015 and the related consolidated income statement, statement of consolidated comprehensive income, consolidated cash flows statement and consolidated statement of changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated accounts – Unqualified opinion

We have audited the consolidated accounts of Ethias SA (“the Company”) and its subsidiaries (jointly “the Group”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated balance sheet amounts to EUR 19.847.455.000 and the consolidated income statement shows a net consolidated result for the year of EUR 637.997.000.

Board of directors’ responsibility for the preparation of the consolidated accounts

The board of directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as it determines, is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor’s responsibility

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

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

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

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

Unqualified Opinion

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated balance sheet as at 31 December 2015 and of its consolidated income statement 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 preparation and the content of the directors' report on the consolidated accounts is the responsibility of the board of directors.

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

- The directors' report on the consolidated accounts includes the information required by the Companies' code, is consistent with the consolidated accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

A handwritten signature in blue ink, appearing to read 'Kurt Cappoen', with a long horizontal stroke extending to the right.

Kurt Cappoen
Qualified auditor