

English translation of the unaudited condensed consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the three months ended 31 March 2015, together with the related auditors' review report thereon



QUARTERLY REPORT ON
31 MARCH 2015
Ethias Group

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INTRODUCTION

The quarterly report of the Ethias Group, hereafter "the Group", includes the management report, the consolidated financial statements prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union..

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 March 2015	31 March 2014	Change
Non-Life			
Public Bodies and Companies	479,293	491,270	-2.44%
Private individuals	151,277	150,396	0.59%
Premium collection Non Life	630,570	641,666	-1.73%
Life			
Public Bodies and Companies	338,580	281,690	20.20%
Private individuals	19,203	16,003	20.00%
Premium collection Life	357.783	297,693	20.19%
Total premium collection Life and Non Life	988,353	939,358	5.22%
Consolidated revenues	664,958	602,920	10.29%
Net income on current transactions after tax	(14,681)	(8,005)	
Investment in associates through profit or loss	-	-	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	-	-	
Net consolidated profit (loss) attributable to:	(14,681)	(8,005)	
Owners of the parent	(14,535)	(7,961)	
Non-controlling interests	(146)	(44)	

Essential data of the consolidated financial position

In thousands of EUR	31 March 2015	31 December 2014	Change
Total assets	22,427,261	22,006,632	1.91%
Equity of the Group	1,172,690	1,146,066	2.32%
Non-controlling interests	36,016	51,869	-30.56%

Legal coefficients

	31 March 2015	31 December 2014	Change
Solvency ratio of the Group	151.00%	145.89%	3.50%
Solvency ratio of the company Ethias SA	181.52%	179.11%	1.35%
Coverage of the technical liabilities by the company Ethias SA	112.26%	111.99%	0.24%

Other key figures

	31 March 2015	31 December 2014	Change
Number of employees	3,078	2,928	5.13%

MANAGEMENT REPORT

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

1.1 Allowance of an exit premium to the holders of a “FIRST A”

The EC decision of 12 June 2012 compels Ethias to continue its policy to accelerate the run-down of the portfolio “Life Individuals”, and this to strengthen its solvency. 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 1.7 billion were recognized at the end of March 2015, this is more than 50 % of the reserves existing at the end of December 2014. The number of contracts decreased from more than 52,000 to less than 30,000 at the end of March 2015. The transaction cost amounts to EUR 224 million at the end of March 2015 and should be qualified by a less important requirement at the Best Estimate level. The net cost has a direct impact on the income of Ethias, but allows to improve the solvency margin under the new Solvency II reference, that will enter into force on 1 January 2016, by more than 25 %.

1.2 Other facts and dates for the first quarter of 2015

29 January: Acquisition by Ethias SA of 100 % of the shares of the real estate company “Het Gehucht”.

29 January: the companies Xperthis Group and Xperthis SA acquired 100 % of the shares of MIMS SA, a company which is also active in the design, the development and the commercialization of IT solutions for professionals in the health sector.

13 March: The “Global Equities” compartment of the institutional SICAV under Belgian law “Ethias Sustainable Investment Fund SA” is registered on the list of alternative collective investment undertakings with variable number of institutional shares.

2. Result of the financial year

The first quarter of 2015 notes a loss of EUR 14 million in spite of the positive results recorded by the Non-Life insurance (EUR +61 million). This result takes into account the impact of the "Switch IV" operation (EUR -224 million) as well as the additional allocation to the technical provisions resulting from the liability adequacy test.

The weakness of the interest rates observed on the market during the financial year 2014 was even more marked during the 1st quarter of 2015, and within this context we realized a liability adequacy test on the life insurance provisions as in previous financial years. This test resulted in a strengthening of the technical provisions having a negative impact of EUR 21 million despite the previous provisions.

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

3.1 Macroeconomic environment

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

3.2 Solvency II and ORSA

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

Solvency II implies:

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

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

3.3 Control of the general costs

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

4. Events occurring after the closing on 31/03/2015

For the "FIRST A", additional surrenders amounting to EUR 160 million were observed between early April and the end of May 2015, bringing the level of the surrenders to an amount of more than EUR 1.8 billion since the beginning of the year and the number of contracts to less than 27,000.

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

In thousands of EUR	Notes	31 March 2015	31 December 2014
Assets			
Goodwill	10.1	30,222	29,667
Other intangible assets	10.2	15,929	13,927
Properties and other fixed assets	10.4	133,236	132,443
Investment in associates		20,110	20,910
Investment properties	10.4	410,377	391,346
Financial assets available for sale	10.3	14,920,649	14,510,277
Financial assets at fair value through profit and loss	10.3	1,029,091	1,422,756
Loans, deposits and other financial investments recognized at amortized cost	10.3	912,471	945,343
Derivative financial instruments	10.3	87,105	15,094
Investments belonging to unit-linked insurance contracts	10.3	442,156	416,352
Financial investments		17,391,472	17,309,822
Reinsurers' share of insurance liabilities		124,209	113,890
Deferred tax assets	10.6	300,800	279,261
Receivables arising from insurance operations or accepted reinsurance	10.5	1,457,250	1,269,015
Receivables arising from ceded reinsurance operations	10.5	64,966	61,703
Other receivables	10.5	592,187	210,148
Other assets		223,369	281,024
Cash and cash equivalents		1,662,354	1,892,698
Assets available-for-sale including assets from discontinued operations		778	778
Total assets		22,427,261	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		(14,535)	(604,437)
Other items of comprehensive income		217,951	176,791
Equity of the Group		1,172,690	1,146,066
Non-controlling interests		36,016	51,869
Total equity		1,208,706	1,197,934
Insurance contract liabilities		9,337,856	8,529,903
Investment contract liabilities with discretionary participation features		8,352,141	10,279,399
Investment contract liabilities without discretionary participation features		4,072	4,036
Liabilities belonging to unit-linked insurance contracts		442,157	416,353
Profit sharing liabilities		5,508	20,708
Insurance and investment contract liabilities	10.7	18,141,734	19,250,398
Subordinated debts	10.8	321,500	321,500
Other financial debts	10.8	1,140,309	46,474
Employee benefits	10.9	619,392	603,348
Provisions		82,473	119,404
Derivative financial instruments		-	-
Tax payables	10.10	100,528	39,399
Deferred tax liabilities	10.6	3,737	4,032
Liabilities from operating activities	10.10	570,453	208,034
Other liabilities	10.10	236,558	214,236
Liabilities related to assets available for sale and discontinued operations		1,871	1,871
Total other liabilities		21,218,555	20,808,697
Total liabilities		22,427,261	22,006,632

The statements and notes 1 to 13 form an integral part of the consolidated financial IFRS statements as at 31 March 2015.

2. Consolidated income statement

In thousands of EUR	Notes	31 March 2015	31 March 2014
Gross premiums	11.1	988,353	939,358
Premiums ceded to reinsurers		(34,282)	(38,933)
Change in the provision for unearned premiums and outstanding risks ^(a)		(290,875)	(301,081)
Other income from insurance activities		786	1,472
Revenues from insurance activities ^(a)	11.1	663,981	600,816
Revenues from other activities		977	2,104
Revenues		664,958	602,920
Net revenues from investments		132,935	136,667
Net realized gains or losses on investments		38,857	13,509
Change in fair value of investments through profit and loss ^(b)		94,290	37,531
Net financial income		266,081	187,707
NET REVENUES		931,039	790,627
Benefits and claims		925,473	710,016
Net expenses or revenues ceded to reinsurers		(10,010)	(385)
Management costs ^(c)		79,291	79,384
Technical expenses for insurance activities	11.2	994,755	789,014
Expenses for other activities		(4,001)	7,630
Operating expenses		990,754	796,644
Change in depreciation and amortization on investments (net)	11.3	(3,547)	1,621
Other investment financial expenses	11.3	(25,351)	6,046
Finance costs		4,288	4,328
Financial expenses		(24,610)	11,994
NET EXPENSES		966,145	808,638
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		(35,106)	(18,012)
Income taxes		20,425	10,007
NET PROFIT (LOSS) AFTER TAX		(14,681)	(8,005)
Investment in associates through profit or loss		-	-
Net profit (loss) of the discontinued operations		-	-
Net consolidated profit (loss) attributable to:		(14,681)	(8,005)
Owners of the parent		(14,535)	(7,961)
Non-controlling interests		(146)	(44)

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 March 2015	31 March 2014
NET CONSOLIDATED PROFIT (LOSS)	(14,681)	(8,005)
Actuarial gains and losses on defined benefit pension liabilities	(13,115)	-
Tax on other items that will not be subsequently reclassified to the net profit (loss)	4,458	-
Items that will not be subsequently reclassified to the net profit (loss)	(8,657)	-
Change in fair value of financial assets available for sale	43,957	12,819
Change in fair value of derivative instruments designated as cash flow hedges	9,003	-
Tax on other items of comprehensive income that will be subsequently reclassified to the net profit (loss)	(3,143)	(15,713)
Items that could be subsequently reclassified to the net profit (loss)	49,817	(2,894)
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME	41,159	(2,894)
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	26,478	(10,899)
Owners of the parent	26,624	(10,855)
Non-controlling interests	(146)	(44)

4. Consolidated cash flows statement

In thousands of EUR	Notes	31 March 2015	31 March 2014
Net profit (loss) before tax (Total 1)		(35,106)	(18,012)
Depreciations and impairments on intangible and tangible assets	10.2, 10.5	1,286	1,317
Change in depreciations on financial instruments and investment properties	10.4, 10.5	(3,547)	1,621
Change in fair value on investments through profit or loss	10.4	(94,290)	(37,531)
Provisions for risks and expenses, and other liabilities		(34,653)	3,835
Change in provisions of insurance and investments contracts		(1,471,607)	159,865
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(158,276)	(144,912)
Corrections of the amounts that do not impact cash flows (Total 2)		(1,761,086)	(15,805)
Dividends and instalments on earned dividends		3,305	1,641
Earned financial income	11.3	182,833	185,114
Use of provision for employee benefits		(5,553)	(6,609)
Change in current receivables and debts	10.6, 11.17	(127,767)	(17,229)
Change in liabilities from insurance and investments contracts		4,530	(26,120)
Tax paid		1,670	255
Other changes (Total 3)		59,019	137,052
Net cash flows from operating activities (Total 1+2+3)		(1,737,172)	103,235
Shares in subsidiaries, net of acquired cash in hand	6.3.1	(3,281)	(134)
Acquisition of financial assets and investment properties	10.3, 10.5	(706,810)	(625,542)
Acquisition of intangible and tangible fixed assets	10.2, 10.5	(3,400)	(1,244)
Disposals of shares in subsidiaries, net of transferred cash	6.3.2	-	-
Disposals of financial assets and investment properties	10.3, 10.5	1,166,986	1,164,258
Disposals of intangible and tangible fixed assets	10.2, 10.5	43	4
Net cash flows from investing activities		453,538	537,342
Subscription to capital increase		-	-
Capital refund		(10,706)	-
Dividends paid by the parent company		-	-
Dividends paid to third parties		(5,207)	(4,729)
Issues of financial liabilities	10.8	1,095,067	6,842
Refund of financial liabilities	10.8	(1,355)	(1,828)
Interests paid on financial liabilities		-	(33)
Net cash flows from financing activities		1,077,799	252
Total cash flows		(205,835)	640,829
Cash or cash equivalents at the beginning of the period		1,868,800	1,549,449
Cash or cash equivalents at the end of the period		1,663,130	2,190,310
Change in the cash accounts		(205,835)	640,830
Impacts of exchange rate differences of foreign currency and of other transactions		165	31
Change in cash		(205,670)	640,861

Cash flows related to the subsidiary available for sale were not separately presented in this cash flow statement. The total of the cash and cash equivalents of this company amount to EUR 776 thousand on 31 March 2015.

5. Consolidated statement of changes in equity

In thousands of EUR	31 March 2015						
	Subscribed 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)	-	(14,535)	-	-	(14,535)	(146)	(14,681)
Total of other items of comprehensive income	-	-	43,874	(2,714)	41,159	-	41,159
Net consolidated comprehensive income	-	(14,535)	43,874	(2,714)	26,624	(146)	26,478
Capital movements	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(5,207)	(5,207)
Change in the consolidation scope	-	-	-	-	-	(10,500)	(10,500)
Other movements	-	-	-	-	-	-	-
Equity as of 31 March	1,000,000	(45,261)	290,554	(72,604)	1,172,690	36,016	1,208,706

In thousands of EUR	31 March 2014						
	Subscribed 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)	-	(7,961)	-	-	(7,961)	(44)	(8,005)
Total of other items of comprehensive income	-	-	(2,894)	-	(2,894)	-	(2,894)
Net consolidated comprehensive income	-	(7,961)	(2,894)	-	(10,855)	(44)	(10,899)
Capital movements	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(4,729)	(4,729)
Change in the consolidation scope	-	-	-	-	-	(78)	(78)
Other movements	-	-	-	-	-	-	-
Equity as of 31 March	1,000,000	565,751	213,235	(45,686)	1,733,300	37,299	1,770,598

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 and the revaluations of the derivative hedging instruments (both net of taxes).

The dividends distributed for an amount of EUR 5,207 thousand (4,729 at 31/03/2014) mainly consist of dividends distributed outside the Group by the NRB subgroup.

6. General information

6.1 The Group

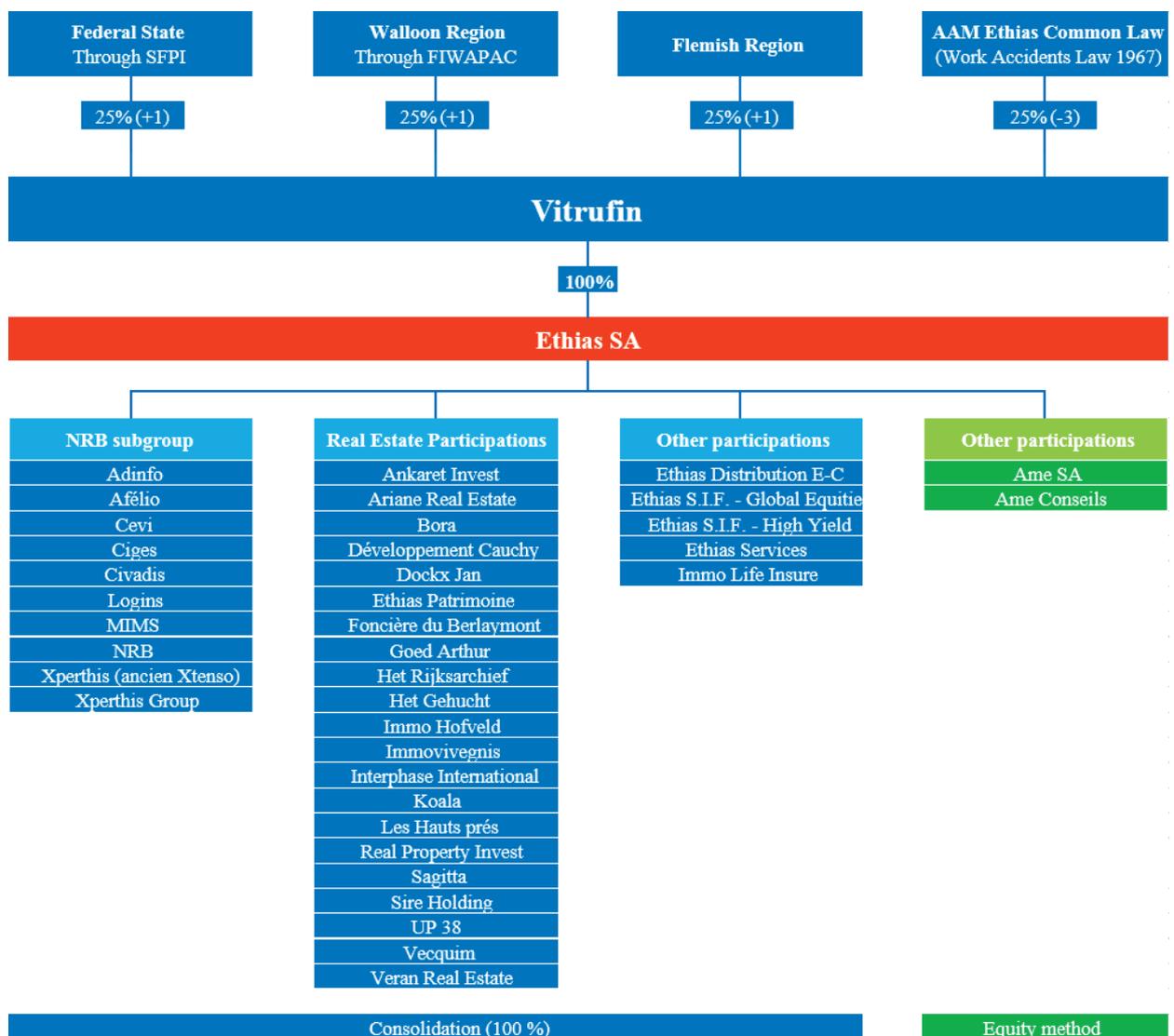
Ethias SA is the consolidating company of the Ethias Group.

Ethias SA is an insurance company licensed under number 0196 for practising all non-life insurance branches, life insurances, dowry and birth insurances (Royal Decree of 4 and 13 July 1979, Belgian Statute Book of 14 July 1979) as well as capitalisation activities (Belgian Statute 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 3,078 people on 31 March 2015 compared to 2,928 on 31 December 2014.

Its legal structure is as follows:



6.2 Consolidation scope

6.2.1 List of the consolidated subsidiaries

	31 March 2015					31 December 2014		
	Country	Sector	Currency	Percentage of integration	Percentage of control	Percentage of integration	Percentage of control	Change in scope
Consolidating company: ETHIAS SA								
Fully consolidated companies:								
Immo Life Insure	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	In liquidation
Ethias Distribution E-C	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Sustainable Invest. Fund - High Yield	Belgium	Other	EUR	100.00%	100.00%	95.71%	95.71%	
Ethias Sustainable Invest. Fund - Global Equities	Belgium	Other	EUR	100.00%	100.00%	0.00%	0.00%	New compartment
Ethias Services	Belgium	Other	EUR	99.90%	100.00%	99.90%	100.00%	
Ankaret Invest	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ariane Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Bora	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Développement Cauchy	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Dockx Jan	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Patrimoine	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Foncière du Berlaymont	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Goed Arthur	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Het 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	100.00%	100.00%	100.00%	100.00%	
Koala	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Les Hauts prés	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
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%	
Civadis	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Adinfo	Belgium	IT	EUR	34.88%	51.00%	34.88%	51.00%	
Afelio	Belgium	IT	EUR	51.36%	75.10%	51.36%	75.10%	
Cevi	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Ciges	Belgium	IT	EUR	37.61%	100.00%	37.61%	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%	
Xperthis (former Xtenso)	Belgium	IT	EUR	37.61%	100.00%	37.61%	100.00%	
Xperthis Group	Belgium	IT	EUR	37.61%	55.00%	37.61%	55.00%	

Associates and equity method:

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

6.2.2 List of the non-consolidated subsidiaries

	31 March 2015				31 December 2014	
	Country	Sector	Currency	Percentage of ownership	Percentage of ownership	Change 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	40.00%	40.00%	
Hotel Wellness	Belgium	Other	EUR	100.00%	100.00%	
Lexar Technics	Belgium	Other	EUR	15.10%	15.10%	
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	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	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 and associates with a negligible interest towards the consolidated equity of the Group are excluded from the scope. Hence, these entities are not consolidated from the moment that they, collectively or separately, represent less than one percent of the consolidated net assets of the Group.

6.3 Acquisitions and disposals of subsidiaries

6.3.1 Acquisitions

In thousands of EUR	31 March 2015	31 December 2014
Intangible assets	8	118
Investment properties	17,396	5,380
Financial investments	27	40
Reinsurers' share of insurance liabilities	-	-
Other assets and tangible fixed assets	2,269	1,936
Cash and cash equivalents	20,849	7,457
Insurance and investment contract liabilities	-	-
Financial debts	(16,023)	(26,557)
Provisions for risks and expenses	-	(520)
Other liabilities	(1,777)	(1,881)
Identifiable net assets and liabilities acquired	22,749	(14,027)
Goodwill on acquisitions	556	698
Change in cash related to acquisitions from previous financial years	52	127
Non-controlling interests	773	(481)
Consideration paid in cash	24,129	(13,683)
Acquired cash in hand	20,849	7,452
Net cash flows	3,281	(21,135)

Given its confirmed willingness to invest more in real estate assets, the Group has acquired a series of real estate subsidiaries. In the 1st quarter of 2015, the Group pursued its real estate policy by acquiring a new real estate subsidiary: "Het Gehucht".

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

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

6.3.2 Disposals

In thousands of EUR	31 March 2015	31 December 2014
Intangible assets	-	-
Financial investments	-	-
Reinsurers' share of insurance liabilities	-	-
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	626
Net cash received related to disposals without loss of control	(1,128)	4,412
Transferred cash	-	-
Net cash flows	-	5,038

7. Summary of significant accounting principles

7.1 Basis of preparation of the consolidated financial statements

7.1.1 General principles

IAS 34 is applicable to this quarterly report as it prescribes the minimum content of an interim financial report as well as the accounting and valuating principles to apply to the full or summarized financial statements of an interim period. Emphasis is placed on the important events and transactions of the quarter using the same accounting methods as in the yearly financial statements.

This report is prepared for the first quarter ending 31 March 2015 and compares it with the end of the previous financial year for the Consolidated balance sheet, and with the comparable interim periods of the previous financial year for the other statements.

These interim financial statements, for the three months ending 31 March 2015, have been prepared in accordance with IAS 34 "Interim financial reporting".

The interim financial statements should be read in conjunction with the annual financial statements for the year ending 31 December 2014, which have been prepared in accordance with IFRS.

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.

Yearly improvements to IFRS (2011-2013) (Official Journal of the European Union of 19 December 2014). These improvements 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 application is authorized, the entity can apply it in its first IFRS financial statements, but is not obligated to do so. This standard does not apply to the Group.
- The amendment to 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.

Furthermore, the Group has made an analysis of the standards and interpretations that will come into effect from 1 January 2016 onwards.

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

7.2 Accounting principles and valuation rules

The accounting principles and the valuation rules applied at 31 December 2014 are still valid and therefore applicable for the quarter 2015. For detailed explanation see the annual report at end 2014.

The activities of Ethias are not subject to a significant seasonal factor.

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 concern the domains included in the annual report at end 2014.

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

As at 31 March, the liability adequacy test (or "LAT") has been realized on the basis of a simplified method with the exception of the "FIRST A" segment.

Since there were only minor changes to the liability portfolios, only the risk-free rating curves and the matching adjustment were updated. A rescaling has also been performed.

9. Management of financial and insurance risks

9.1 Concentration risk

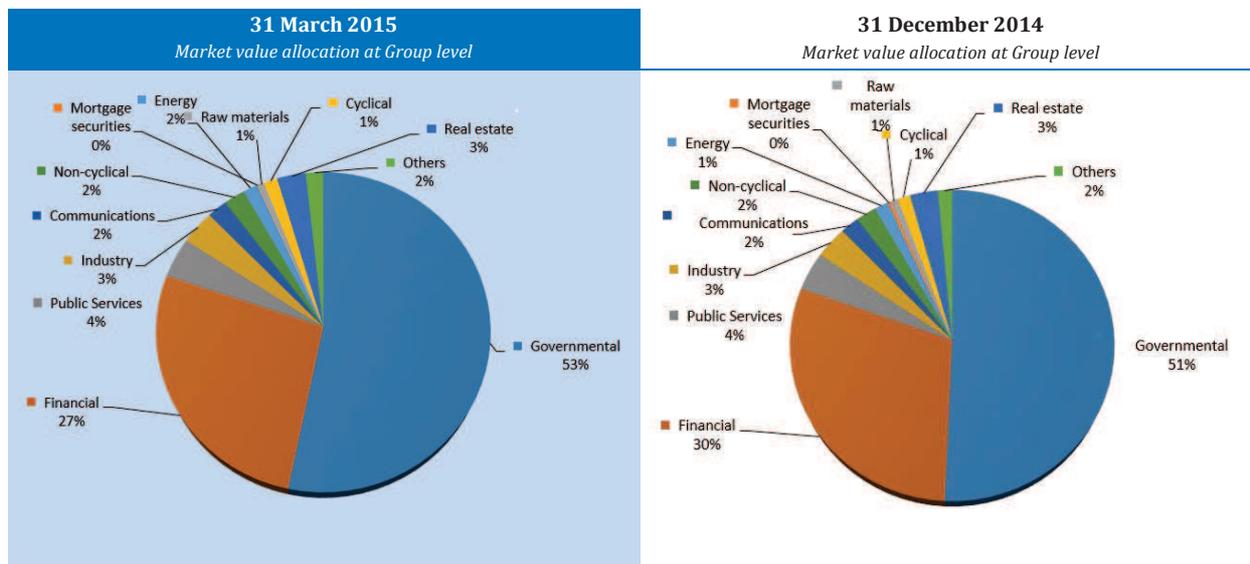
The concentration risk on the market risks includes the risk of additional losses borne by the company as a result of either, the lack of diversification in its assets portfolio (losses increased by the concentration of investments in a geographical zone or activity sector) or an important exposure to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

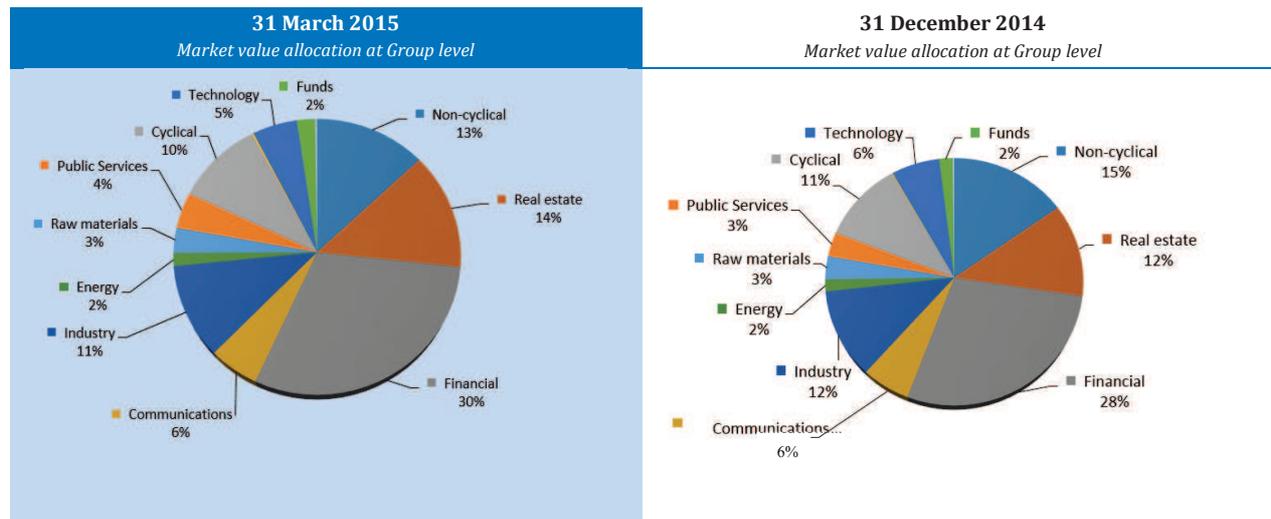
Sectoral distribution

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

For the first quarter of 2015 and the year 2014, the sectoral distribution of the shares and investment funds as of the bonds and equivalent stocks invested by Ethias SA, appears as follows:

Bonds and equivalent securities:



Shares, participations and investment funds:

Exposure to sovereign risk

In the first quarter of 2015, the part invested by Ethias SA in sovereign or supranational risk amounts to 57% of the total amount of the fair value of all the bonds (i.e. EUR 8,576,529 thousand on a total of EUR 15,086,330 thousand). As of 31 December 2014, this percentage 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, in market value at the Group's level	31 March 2015	31 December 2014
Germany	266,433	271,286
Austria	195,395	226,896
Belgium	5,006,753	4,764,794
Spain	602,004	566,442
Central and Eastern Europe	454,972	446,730
France	907,941	791,446
Ireland	185,807	205,203
Italy	628,378	573,959
The Netherlands	73,081	122,692
Scandinavia	6,443	6,518
Portugal	143,614	141,531
Supranational securities	93,929	92,427
Others	11,779	8,587
Total	8,576,529	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 8,576,529 thousand per 31 March 2015 (against EUR 8,218,510 thousand per 31 December 2014), is higher than the amount mentioned under the sector "Governmental", i.e. EUR 8,035,770 thousand (against EUR 7,599,322 thousand for the year 2014).

9.2 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's level</i>	31 March 2015						
	AAA	AA	A	BBB	BB and below	No rating	Total
Bonds and equivalent securities	1,068,735	6,290,145	2,880,061	4,072,668	581,453	193,267	15,086,329
Loans and deposits	-	-	4,832	-	-	987,112	991,944
Receivables	-	-	-	-	-	2,114,404	2,114,404
Cash and cash equivalents	-	29,981	1,210,168	212,640	24,973	184,710	1,662,472
Total	1,068,735	6,320,126	4,095,061	4,285,308	606,426	3,479,492	19,855,149

In thousands of EUR <i>In market value At Group's level</i>	31 December 2014						
	AAA	AA	A	BBB	BB and below	No rating	Total
Bonds and equivalent securities	1,377,931	5,811,282	3,148,878	3,880,604	610,496	159,605	14,988,796
Loans and deposits	-	-	4,832	-	-	1,007,288	1,012,120
Receivables	-	-	202	-	-	1,540,664	1,540,866
Cash and cash equivalents	3,998	67,937	1,404,745	373,831	24,942	17,561	1,893,014
Total	1,381,929	5,879,219	4,558,656	4,254,435	635,438	2,725,119	19,434,796

10. Explanatory notes to the consolidated balance sheet

10.1 Goodwill

10.1.1 Evolution of goodwill

In thousands of EUR	31 March 2015	31 December 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	556	698
Other changes	-	-
Net book value on 31 March/31 December	30,222	29,667

The goodwill recognized in 2015 finds its origin in the recent acquisition of various subsidiaries within the Group. It relates to the extension of the activities of the subsidiary NRB through the acquisition of various IT subsidiaries (in 2010 Adinfo, in 2011 and 2012 Xtenso, Polymedis and Partézis that merged into Xperthis in 2013, Stesud in 2013 that has been acquired by Civadis in 2014, Ciges in 2014, and MIMS in 2015).

10.1.2 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 on 31 March 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.

10.2 Other intangible assets

In thousands of EUR	31 March 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 impairment losses on 1 January	-	(7,457)	(7,457)
Net book value on 1 January	12,144	1,783	13,927
Acquisitions	-	1,996	1,996
Disposals	-	-	-
Reclassifications	-	-	-
Change in the consolidation scope	-	8	8
Net amortization	-	-	-
Impairment losses	-	(2)	(2)
Other changes	-	-	-
Net book value on 31 March	12,144	3,785	15,929

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

10.3 Financial investments

10.3.1 Overview of financial investments by category

In thousands of EUR	31 March 2015					
	Cost price	Impairments	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
Available for sale	188,594	(15,299)	67,006	-	240,302	240,302
Share interests	188,594	(15,299)	67,006	-	240,302	240,302
Available for sale	279,060	(2,990)	125,563	-	401,633	401,633
Designated at fair value through profit or loss	164,722	-	-	26,156	190,878	190,878
Held for trading	385	-	-	(345)	40	40
Shares	444,167	(2,990)	125,563	25,811	592,551	592,551
Available for sale	29,662	(1,216)	8,298	-	36,743	36,743
Designated at fair value through profit or loss	943	-	-	150	1,093	1,093
Investment funds	30,604	(1,216)	8,298	150	37,836	37,836
Available for sale	12,245,792	(6,009)	2,002,188	-	14,241,971	14,241,971
Designated at fair value through profit or loss	855,979	-	-	(18,898)	837,081	837,081
Unlisted on an active market	16,500	(10,000)	-	-	6,500	7,278
Bonds	13,118,271	(16,009)	2,002,188	(18,898)	15,085,552	15,086,330
Loans and deposits	915,936	(9,965)	-	-	905,971	991,944
Other investments	915,936	(9,965)	-	-	905,971	991,944
Held for trading	29,120	-	-	35,314	64,435	64,435
Held for cash flow hedging	-	-	22,670	-	22,670	22,670
Derivative financial assets	29,120	-	22,670	35,314	87,105	87,105
Investments belonging to unit-linked insurance contracts	377,778	-	-	64,378	442,156	442,156
Total	15,104,471	(45,478)	2,225,725	106,755	17,391,472	17,478,222

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
Designated at fair value through profit or loss	943	-	-	150	1,093	1,093
Investment funds	30,604	(1,216)	4,681	150	34,219	34,219
Available for sale	12,172,695	(6,701)	1,647,229	-	13,813,223	13,813,223
Designated at fair value through profit or loss	1,186,691	-	-	(18,469)	1,168,222	1,168,222
Unlisted on an active market	16,500	(10,000)	-	-	6,500	7,352
Bonds and equivalent securities	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.

10.3.2 Evolution of financial investments

In thousands of EUR	31 March 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	629,509	42,571	2,954	3,611	19,775	4,963	703,383
Reclassifications between categories	-	-	-	4	-	-	4
Disposals and reimbursements	(640,657)	(448,315)	(16,408)	(36,493)	-	(6,459)	(1,148,333)
Foreign currency translation differences on monetary assets	(447)	-	-	-	-	-	(447)
Adjustment at fair value	429,669	24,310	-	-	52,235	27,141	533,355
Amortizations	(7,715)	1,224	-	-	-	159	(6,332)
Impairments	(14)	-	-	7	-	-	(7)
Change in scope	27	-	-	-	-	-	27
Other changes	-	-	-	-	-	-	-
Net book value on 31 March	14,920,649	1,029,052	40	912,471	87,105	442,156	17,391,472

In thousands of EUR	31 December 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 not listed on an active market are recognized within loans, deposits and other financial investments.

10.3.3 Evolution of impairments on investments

10.3.3.1 Impairments on available-for-sale investments

In thousands of EUR	31 March 2015	31 December 2014
Balance on 1 January	(30,572)	(31,345)
Provision for impairments	(601)	(6,951)
Reversals of impairments	587	2,169
Reversals due to disposals	5,072	6,813
Change in scope	-	-
Reclassifications	-	(1,258)
Other changes	-	-
Balance on 31 March/31 December	(25,514)	(30,572)

10.3.3.2 Impairments on loans, deposits and other financial investments

In thousands of EUR	31 March 2015	31 December 2014
Balance on 1 January	(20,002)	(34,803)
Provision for impairments	(23)	(13,342)
Reversals of impairments	29	-
Reversals due to disposals	31	33,616
Change in scope	-	-
Reclassifications	-	(5,473)
Other changes	-	-
Balance on 31 March/31 December	(19,965)	(20,002)

10.3.4 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 March 2015			Net book value
	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	
Financial assets				
Available for sale	-	100	240,202	240,302
Share interests	-	100	240,202	240,302
Available for sale	401,185	-	448	401,633
Designated at fair value through profit or loss	182,572	-	8,306	190,878
Held for trading	40	-	-	40
Shares	583,796	-	8,754	592,551
Available for sale	20,242	16,501	-	36,743
Designated at fair value through profit or loss	1,093	-	-	1,093
Held for trading	-	-	-	-
Investment funds	21,335	16,501	-	37,836
Available for sale	12,865,344	1,376,627	-	14,241,971
Designated at fair value through profit or loss	24,324	518,335	294,422	837,081
Held for trading	-	-	-	-
Bonds	12,889,668	1,894,962	294,422	15,079,052
Held for trading	-	64,435	-	64,435
Held for cash flow hedging	-	22,670	-	22,670
	-	87,105	-	87,105
Derivative financial assets				
Investments belonging to unit-linked insurance contracts	193,699	248,457	-	442,156
Total financial assets	13,688,498	2,247,124	543,378	16,479,001
Financial liabilities				
Investment contracts hedged by assets at fair value	205,371	240,858	-	446,229
Derivative financial liabilities	-	-	-	-
Total financial liabilities	205,371	240,858	-	446,229

31 December 2014

In thousands of EUR	Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
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
	-	15,094	-	15,094
Derivative financial assets				
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 financial 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.

10.3.5 Distribution between the various hierarchical levels

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

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

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

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

This category includes, inter alia, all sovereign debt securities directly 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 March 2015, this concerns a portfolio that is limited to two private issues for a total of EUR 9,990 thousand.

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

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

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

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

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

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

Level 2: Valuation methods based on observable market data

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

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

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

Level 3: Valuation methods not based on observable market data

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

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

The use of pricing models implies that the fair value applied exceeds the prices observed on the limited market of subordinated bonds by EUR 11,050 thousand on 31 March 2015 as well as on 31 December 2014.

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.

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

In thousands of EUR	31 March 2015		31 December 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	-	-	(114,260)	(39,661)
Designated at fair value through profit or loss	-	-	-	-
Held for trading	-	-	-	-
Bonds	-	-	(114,260)	(39,661)
Held for trading	-	-	-	-
Held for cash flow hedging	-	-	-	-
Derivative financial assets	-	-	-	-
Investments belonging to unit-linked insurance contracts	-	-	-	-
Total financial assets	-	-	(114,260)	(39,661)
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.

For the first quarter of 2015, there has been no transfer between levels.

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

10.3.7 Evolution of investments estimated at fair value in level 3

In thousands of EUR	31 March 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	2,981	-	2,981
Reclassifications between categories	27	-	27
Reclassification to level 3	-	-	-
Exit from level 3	-	-	-
Disposals and reimbursements	(4,589)	(34,459)	(39,047)
Adjustment at fair value through equity	2,643	-	2,643
Adjustment at fair value through profit or loss	-	4,914	4,914
Impairments through profit or loss	-	-	-
Other changes	-	-	-
Closing balance on 31 March	240,650	302,728	543,378

In thousands of EUR	31 December 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

10.4 Tangible fixed assets and investment properties

In thousands of EUR	31 March 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	3,428	846	558	4,832
Disposals and withdrawals	-	-	(180)	(180)
Properties available for sale	-	-	-	-
Change in the consolidation scope	18,268	464	1,115	19,847
Reclassifications from one heading to another	(453)	453	-	-
Other changes	-	-	-	-
Gross value on 31 March	459,001	180,420	157,727	797,148
Depreciations and accumulated impairments on 1 January	(46,413)	(74,942)	(127,506)	(248,862)
Depreciations	(1,548)	(569)	(715)	(2,832)
Impairments	-	-	-	-
Reversals	-	-	-	-
Disposals and withdrawals	-	-	-	-
Reversals following disposals	-	-	147	147
Impairment and reversal on investment properties available for sale	-	-	-	-
Change in the consolidation scope	(872)	(183)	(934)	(1,988)
Reclassifications from one heading to another	208	(208)	-	-
Other changes	-	-	-	-
Depreciations and accumulated impairments on 31 March	(48,624)	(75,903)	(129,008)	(253,535)
Net book value on 31 March	410,377	104,517	28,719	543,613
Fair value on 31 March	437,210	26,298	28,720	492,228

In thousands of EUR	31 December 2014			Total
	Investment properties	Operational buildings	Other tangible fixed assets	
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	(10,171)	(4,523)	(8,290)	(22,984)
Impairments	(1,260)	-	-	(1,260)
Reversals	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 on investments* while depreciations with regard to operational buildings and tangible fixed assets are recognized in *Expenses of other activities* through profit or loss.

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

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

10.5 Receivables

10.5.1 Breakdown of receivables by nature

In thousands of EUR	31 March 2015		
	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,472,969	(15,719)	1,457,250
Receivables arising from ceded reinsurance operations	68,989	(4,023)	64,966
Receivables arising from other operations	46,470	(518)	45,952
Tax receivables	2,234	-	2,234
Other receivables	544,070	(69)	544,001
Total	2,134,732	(20,329)	2,114,404

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.

The evolution of the receivables arising from insurance operations is due to the fact that a major part of the premiums is issued during the first quarter of the year.

The increase in other receivables is mainly explained by the recognition of financial operations not yet settled.

10.5.2 Evolution of impairments on receivables

In thousands of EUR	31 March 2015	31 December 2014
Impairments on receivables on 1 January	(18,561)	(17,267)
Provisions	(5,295)	(10,076)
Expenditures	383	595
Reversals	3,281	8,444
Change in the consolidation scope	(136)	(257)
Other changes	-	-
Impairments on receivables on 31 March/31 December	(20,329)	(18,561)

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

10.5.3 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 overrunning of the maturity of the past due, but not yet depreciated, financial assets.

In thousands of EUR	31 March 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 past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,472,969	(15,719)	1,457,250	-	1,247,063	193,137	8,544	8,506
Receivables arising from ceded reinsurance operations	68,989	(4,023)	64,966	-	64,966	-	-	-
Other receivables	592,774	(587)	592,187	-	583,592	6,682	1,349	565
Total	2,134,732	(20,329)	2,114,404	-	1,895,621	199,819	9,893	9,071

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 past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,283,102	(14,087)	1,269,015	-	1,159,617	90,887	9,422	9,088
Receivables arising from ceded reinsurance operations	65,726	(4,023)	61,703	-	61,703	-	-	-
Other receivables	210,599	(450)	210,148	-	183,358	25,429	1,242	120
Total	1,559,426	(18,561)	1,540,866	-	1,404,677	116,316	10,664	9,208

Impaired receivables are reduced up to their book value amount.

10.6 Deferred tax assets and liabilities

10.6.1 Breakdown of deferred tax assets and liabilities

In thousands of EUR	31 March 2015		
	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	-	-	-
Available-for-sale investments in other items of comprehensive income	-	687,318	(687,318)
Financial assets designated at fair value through profit or loss	-	35,690	(35,690)
Insurance and investment liabilities in other items of comprehensive income	632,049	-	632,049
Insurance and investment liabilities through profit or loss	306,536	-	306,536
Employee benefits in other items of comprehensive income	49,609	2,008	47,600
Employee benefits through profit or loss	46,604	358	46,246
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	1,035,088	738,025	297,063
Compensation through taxable entity	(734,288)	(734,288)	-
Deferred tax assets and liabilities	300,800	3,737	297,063

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

10.6.2 Evolution of deferred tax assets and liabilities

In thousands of EUR	31 March 2015			31 December 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	20,519	-	20,519	172,813	254	172,560
Change in other items of comprehensive income	1,020	(295)	1,314	(19,569)	(428)	(19,141)
Change in scope	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net book value on 31 March/31 December	300,800	3,737	297,063	279,261	4,032	275,230

10.6.3 Deferred taxes

In thousands of EUR	31 March 2015	31 December 2014
Deferred taxes for which a deferred tax asset was allocated		
Intended use within the year	24,692	42,950
Intended use between 1 and 2 years	68,568	52,920
Intended use between 2 and 3 years	78,454	65,619
Intended use after 3 years	125,349	113,741
Debt with maturity after 3 years	-	-
Subtotal	297,063	275,230
Deferred taxes for which no deferred tax asset was allocated		
Limited recoverability	-	-
Unlimited recoverability	303,392	300,392
Subtotal	303,392	300,392
Total of the allocated and non-allocated deferred taxes	601,025	575,622

10.7 Liabilities related to insurance and investment contracts

10.7.1 Summary table of insurance and investments contract liabilities

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

10.7.1.1 Liabilities related to Non-Life insurance contracts

In thousands of EUR	31 March 2015	31 December 2014
Mathematical provisions	749,876	731,620
Provisions for unearned premiums	580,971	266,484
Provisions for claims	2,292,384	2,311,145
Shadow accounting	-	-
Other provisions	218,804	211,269
Total insurance contract liabilities (gross)	3,842,034	3,520,518
Reinsurers' share in liabilities related to Non-Life insurance contracts	122,687	112,390
Total insurance contract liabilities (after deduction of the reinsurers' share)	3,719,347	3,408,128

10.7.1.2 Liabilities related to Life insurance contracts

In thousands of EUR	31 March 2015	31 December 2014
Mathematical provisions	4,713,765	4,399,697
Provisions for claims	2,246	2,251
Shadow accounting	774,936	607,437
Other provisions	4,876	-
Insurance contract liabilities	5,495,822	5,009,385
Liabilities related to unit-linked insurance contracts	30,522	29,524
Total insurance contract liabilities (gross)	5,526,344	5,038,909
Reinsurers' share in liabilities related to Life insurance contracts	1,522	1,500
Total insurance contract liabilities (after deduction of the reinsurers' share)	5,524,822	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.

10.7.1.3 Investment contract liabilities

In thousands of EUR	31 March 2015	31 December 2014
Mathematical provisions	7,234,611	9,351,879
Provisions for claims	-	-
Shadow accounting	1,115,430	927,519
Other provisions	2,101	-
Investment contract liabilities with discretionary participation features	8,352,141	10,279,399
Liabilities related to unit-linked investment contracts with discretionary participation features	192,762	172,450
Mathematical provisions	4,072	4,036
Investment contract liabilities without discretionary participation features	4,072	4,036
Liabilities related to unit-linked investment contracts without discretionary participation features	218,872	214,379
Total investment contract liabilities (gross)	8,767,848	10,670,263
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total insurance contract liabilities (after deduction of the reinsurers' share)	8,767,848	10,670,263

10.7.1.4 Profit sharing liabilities

In thousands of EUR	31 March 2015	31 December 2014
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	5,508	9,110
Profit sharing related to investment contracts	-	11,598
Liabilities for profit sharing of policyholders	5,508	20,708

10.8 Financial debts

10.8.1 Breakdown by nature

In thousands of EUR	31 March 2015		31 December 2014	
	Balance value	Fair value	Balance value	Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	321,500	276,533	321,500	310,203
Subordinated debts	321,500	276,533	321,500	310,203
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Cash credits	58	58	25	25
Debts arising from repurchase operations (repo)	1,073,651	1,073,651	11,250	11,250
Collateral received as guarantee	41,400	41,400	13,400	13,400
Others	25,200	25,200	21,800	21,800
Other financial debts	1,140,309	1,140,309	46,474	46,474
Total of the financial debts	1,461,809	1,416,842	367,974	356,677

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

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

The evolution of the fair value of non-convertible subordinated bond loans over the year 2014 is due to the decrease in interest rates, the stress decrease on the credit markets and the positive situation of the Ethias Group following the rating upgrade to BBB+

by Fitch in June 2014. This rating was confirmed by the end of 2014 after the decision regarding the tax dispute. These three elements have a positive impact on the valuation of these elements.

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

Are not recognized in level 2, for an amount of EUR 201,533 thousand, the loan without fixed term provided that the theoretical term required for the v is fixed on advice of an expert based on non-observable information.

The evolution of debts arising from repurchase operations (Repo) observed in 2015 is explained by the need for liquidities necessary for the realization of the "Switch IV" operation. The repo maturities are spread from 22 April 2015 to 30 June 2015 for rates ranging from -0.13% to 0.02%.

The collateral received as guarantee amounts to EUR 41,400 thousand in March 2015 (against EUR 13,400 thousand for the year 2014), resulting from the implementation of hedging operations of the OLO forward type in 2014.

10.9 Employee benefits

10.9.1 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 March 2015	31 December 2014
Post-employment benefits	589,631	573,216
Long-term employee benefits	1,646	1,583
Termination benefits	28,115	28,549
Total	619,392	603,348

10.9.2 Description of the employee benefits

10.9.2.1 Post-employment benefits

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

Pension benefit obligations

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

- Defined benefit plans, according to which a predetermined amount shall be paid to an employee at the moment of his pension retirement, or during his retirement. Generally, this amount depends on 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.

10.9.2.2 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.

10.9.2.3 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.

10.10 Trade and other payables

10.10.1 Breakdown by nature

In thousands of EUR	31 March 2015	31 December 2014
Liabilities arising from direct insurance operations and accepted reinsurance	479,059	133,275
Liabilities arising from ceded reinsurance operations	91,393	74,759
Liabilities from operating activities	570,453	208,034
Tax on current result	6,029	5,984
Other contributions and taxes	94,499	33,415
Tax payables	100,528	39,399
Social security payables	56,584	60,994
Payables to associates	-	-
Payables from finance leases	2,687	2,143
Trade payables	48,239	38,760
Other payables	109,898	99,704
Other payables	217,407	201,602
Accruals for liabilities	19,151	12,634
Total other payables	907,539	461,669

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.

The significant increase in liabilities arising from insurance operations is explained by non-paid benefits due to the "Switch IV" operation.

11. Explanatory notes to the consolidated income statement

11.1 Revenues from insurance activities

In thousands of EUR	31 March 2015			Total
	Insurance contracts Life	Non-Life	Investments contracts with discretionary participation features Life	
Gross premiums	120,207	630,570	237,576	988,353
Premiums ceded to reinsurers	(897)	(33,385)	-	(34,282)
Change in provision for unearned premiums and current risks (net of reinsurance)	-	(290,875)	-	(290,875)
Other revenues from insurance activities	11	21	753	786
Revenues of insurance activities (net of reinsurance)	119,321	306,331	238,329	663,981

In thousands of EUR	31 March 2014			Total
	Insurance contracts Non-Life	Life	Investments contracts with discretionary participation features Life	
Gross premiums	103,033	641,666	194,655	939,354
Premiums ceded to reinsurers	(2,686)	(36,247)	-	(38,933)
Change in provision for unearned premiums and current risks (net of reinsurance)	-	(301,081)	-	(301,081)
Other revenues from insurance activities	-	848	624	1,472
Revenues of insurance activities (net of reinsurance)	100,351	305,186	195,279	600,816

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

11.2 Technical expenses for insurance activities

In thousands of EUR	31 March 2015			Total
	Insurance contracts Life	Non-Life	Investments contracts with discretionary participation features Life	
Expenses for insurance payments	380,156	230,443	314,875	925,473
Net expenses or revenues ceded to reinsurers	(565)	(9,444)	-	(10,010)
Management costs	10,029	60,320	8,941	79,291
Technical expenses for insurance activities	389,620	281,319	323,816	994,755

In thousands of EUR	31 March 2014			Total
	Insurance contracts Life	Non-Life	Investment contracts with discretionary participation features Life	
Expenses for insurance payments	101,876	217,545	390,595	710,016
Net expenses or revenues ceded to reinsurers	(529)	144	-	(385)
Management costs	7,353	60,687	11,345	79,384
Technical expenses for insurance activities	108,699	278,376	401,939	789,014

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.

The cost of the "Switch IV" operation (EUR 224 million at end March 2015) is included in the "Expenses for insurance payments."

11.3 Net financial result without finance costs

In thousands of EUR	31 March 2015					Total
	Revenues of investments	Net realised gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	
Investment properties	2,664	-	-	(1,547)	-	1,116
Available for sale	874	(1,107)	-	617	-	384
Share interests	874	(1,107)	-	617	-	384
Available for sale	1,234	26,434	(434)	3,749	-	30,984
At fair value through profit or loss	396	4,851	24,775	-	-	30,022
Held for trading	-	775	-	-	-	775
Shares and investment funds	1,631	32,061	24,341	3,749	-	61,782
Available for sale	107,247	5,222	-	692	-	113,161
At fair value through profit or loss	8,569	2,473	(465)	-	-	10,576
Held for trading	-	-	-	-	-	-
Unlisted at amortized cost price	179	-	-	-	-	179
Bonds	115,995	7,694	(465)	692	-	123,916
Loans, deposits and other financial investments	6,868	-	-	36	-	6,905
Held for trading	248	-	43,232	-	-	43,480
Held for cash flow hedging	-	-	-	-	-	-

Derivative financial instruments	248	-	43,232	-	-	43,480
Investments belonging to unit-linked insurance contracts	(6,113)	209	27,141	-	-	21,237
Cash and cash equivalents	1,411	-	40	-	-	1,451
Others	9,356	-	-	-	25,351	34,706
Net financial result without finance costs	132,935	38,857	94,290	3,547	25,351	294,979

31 March 2014

In thousands of EUR	Revenues of investments	Net realised gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	2,445	-	-	(2,407)	(559)	(521)
Available for sale	-	170	-	(20)	2,678	2,828
Share interests	-	170	-	(20)	2,678	2,828
Available for sale	1,093	9,339	(80)	(195)	-	10,157
At fair value through profit or loss	549	1,692	7,326	-	-	9,567
Held for trading	-	1,734	(462)	-	-	1,273
Shares and investment funds	1,641	12,766	6,784	(195)	-	20,996
Available for sale	108,369	(280)	-	1,081	7,638	116,808
At fair value through profit or loss	13,863	673	20,974	-	-	35,510
Held for trading	-	-	-	-	-	-
Unlisted at amortized cost price	179	(47)	-	-	-	132
Bonds	122,412	346	20,974	1,081	7,638	152,450
Loans, deposits and other financial investments	8,927	-	-	(79)	-	8,848
Derivative financial instruments	81	-	(1,310)	-	-	(1,229)
Investments belonging to unit-linked insurance contracts	(6,811)	228	11,068	-	-	4,485
Cash and cash equivalents	512	-	15	-	-	527
Others	7,460	-	-	-	(15,803)	(8,343)
Net financial result without finance costs	136,667	13,509	37,531	(1,621)	(6,046)	180,040

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

11.4 Employee benefit expenses

In thousands of EUR	31 March 2015	31 March 2014
Wages	35,818	36,082
Social security expenses	11,587	11,529
Post-employment benefits	231	134
Defined benefit schemes	7,945	8,825
Other long-term benefits	168	31
Other benefits	(6,407)	(6,726)
Others	448	812
Total of the employee benefit expenses	49,791	50,688

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 7,945 thousand in the first quarter of 2015 (against EUR 8,825 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. Other notes to the consolidated financial statements

12.1 Related parties

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

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

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

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

12.1.1 Transactions related to the balance sheet

In thousands of EUR	31 March 2015	31 December 2014
Receivables	1,102,502	1,009,670
Other assets	-	-
Total assets with related parties	1,102,502	1,009,670
Liabilities related to insurance and investment contracts	1,061,520	965,087
Financial debts	-	-
Trade and other payables	(43,911)	-
Total liabilities with related parties	1,017,609	965,087

12.1.2 Transactions related to revenues and expenses

In thousands of EUR	31 March 2015	31 March 2014
Revenues	110,416	144,158
Operating expenses	(121,737)	(138,092)
Financial revenues	8,633	37,603
Total of the revenues and expenses with related parties	(2,688)	43,669

12.1.3 Other transactions with related parties

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

12.1.4 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 includes the following elements:

In thousands of EUR	31 March 2015	31 March 2014
Short-term benefits	613	663
Post-employment benefits	196	210
Termination benefits	-	-
Other long-term benefits	-	-
Remunerations and other benefits to members of management and directors	809	873

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.

12.2 Commitments

12.2.1 Received commitments

In thousands of EUR	31 March 2015	31 December 2014
Guarantee commitments	889,098	914,357
Finance commitment	-	-
Other received commitments	-	-
Total	889,098	914,357

Guarantee commitments mainly include guarantees linked to mortgage loans granted by the Group. They are mainly composed of mortgage loans taken over by Ethias SA after the disposal of Ethias Bank in 2011. On 31 March 2015, this portfolio amounts to EUR 832,671 thousand (against EUR 858,680 thousand on 31 December 2014). One counts:

- mortgage loans (Stater management) for EUR 731,138 thousand on 31 March 2015 (against EUR 750,563 thousand on 31 December 2014).
- mortgage loans for EUR 98,066 thousand on 31 March 2015 (against EUR 104,650 thousand on 31 December 2014).
- public body loans for EUR 2,467 thousand on 31 March 2015 as on 31 December 2014.
- real estate loans for EUR 1,000 thousand on 31 March 2015 as on 31 December 2014.

The guarantees received from the reinsurers amount to EUR 51,896 thousand on 31 March 2015 (against EUR 51,146 thousand on 31 December 2014).

12.2.2 Given commitments

In thousands of EUR	31 March 2015	31 December 2014
Guarantee commitments with regard to financing	83,400	104,250
Other guarantee commitments	47,807	56,735
Commitments on securities	1,080,724	18,473
Other given commitments	115,457	116,732
Total	1,327,389	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 March 2015 (against EUR 104,250 thousand on 31 December 2014).

The other guarantee commitments mainly include:

- Personal guarantees given for an amount of EUR 41,901 thousand on 31 March 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 repurchase operations (repo), with a maximum maturity of 3 months. The collateral securities within the framework of these operations are mainly Belgian government bonds. The strong increase of the amount in March 2015 is justified by the need for cash to face the success of the "Switch IV" operation.

The other guarantees given include:

- purchase commitments for properties, i.e. EUR 60,434 thousand on 31 March 2015 (against EUR 60,768 thousand on 31 December 2014). These commitments relate to investment properties "Air Properties" (for EUR 36,595 thousand on 31 March 2015 as on 31 December 2014), "Real Property Invest" (for EUR 10,893 thousand in March 2015 against 13,227 thousand on 31 December 2014), "Jala / Sire" (for EUR 2 million in March 2015) as well as social buildings (for EUR 10,946 thousand on 31 March 2015 as on 31 December 2014);

- lending commitments and/or participations for EUR 55,024 thousand on 31 March 2015 (against EUR 55,964 thousand on 31 December 2014). This total is composed of EUR 21,964 thousand for lending commitments for infrastructures (against EUR 22,598 thousand on 31 December 2014), EUR 7,575 thousand for financial lending commitments (against EUR 7,559 thousand on 31 December 2014), and EUR 25,485 thousand for commitments towards non-consolidated financial participations (against 25,807 thousand on 31 December 2014).

12.3 Contingent liabilities

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

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

"Switch IV" operation:

Ethias launched in February 2015 an offer to holders of the First A product an incentive to close their contract, in all or in part, before 31 March 2015 ("Switch IV"): the premium offered to policyholders represented 4 years of guaranteed interests. As a result of this offer, policyholders have withdrawn 1.7 billion EUR inventory reserves during the first quarter of 2015. Therefore, P&L of the first quarter was negatively impacted by 224 million EUR (interest cost of 4 years) included in the line "Expenses for insurance payments" (see annex 11.2).

At 31 March 2015, the positive effects of the actual lapse rate of Switch IV being higher than the estimated lapse rate at the end of 2014 were offset by negative effects from the decline in market rates that required an additional provision generating a non-significant impact of the LAT on the income statement of the first quarter of 2015.

12.4 Events after the reporting period

None.

13. Statutory auditor's report on the review of consolidated financial statements for the three month period ended March 31, 2015

FREE TRANSLATION

Introduction

We have reviewed the accompanying consolidated balance sheet of Ethias SA and its subsidiaries as of March 31, 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 three- month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

The explanatory notes of the accompanying consolidated condensed financial information does not include segmental information.

Conclusion

Based on our review, except for the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Sint-Stevens-Woluwe, 19 June 2015

The statutory auditor
PwC Reviseurs d'Entreprises scrl / Bedrijfsrevisoren bcvba
Represented by

Kurt Cappoen
Reviseur d'Entreprises