Ethias SA

(Incorporated with limited liability in Belgium)

EUR 170,800,000 5.00% Dated Subordinated Notes due 2026

(to be consolidated and form a single series with the EUR 231,900,000 5.00% Dated Subordinated Notes due 2026 issued on 14 July 2015)

Issue price: 80.00% (plus 114 days of accrued interest)

This prospectus (the "**Prospectus**") constitutes a prospectus in relation to the issue of EUR 170,800,000 5.00% Dated Subordinated Notes due 2026 (the "**Notes**", which expression when used in the Conditions, includes the Original Notes (as defined below) and unless the context otherwise requires, any further notes issued pursuant to Condition 15 and forming a single series with the Original Notes and the Notes) by Ethias SA (the "**Issuer**" or "**Ethias**") on or about 5 November 2015 (the "**Issue Date**"). The Notes will from the Issue Date be consolidated and form a single series with the existing EUR 231,900,000 5.00% Dated Subordinated Notes due 2026 (the "**Original Notes**") of the Issuer issued on 14 July 2015 (the "**Original Issue Date**"). Upon consolidation, the aggregate principal amount of the Original Notes and the Notes will be EUR 402,700,000.

The terms and conditions of the Notes (the "**Conditions**", and references herein to a numbered Condition shall be construed accordingly) provide that the Notes constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves, as described in Condition 2.

The Notes will bear interest from (and including) the Original Issue Date to (but excluding) the Scheduled Maturity Date (as defined below) at a rate of 5.00% per annum. Save in relation to the first short Interest Period, interest is scheduled to be paid annually in arrear on 14 January in each year (each, an "**Interest Payment Date**"), commencing on 14 January 2016 (subject to deferral as described below). The Issuer must defer payment of interest in certain specified circumstances as described in Condition 4. Any deferred interest payments shall, for so long as the same remain unpaid, constitute "**Arrears of Interest**". Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 4.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 14 January 2026 (the "**Scheduled Maturity Date**") and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Event (as defined herein) having occurred, be redeemed in whole but not in part on the Scheduled Maturity Date. The holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date (which may be deferred as described above). If a Deductibility Event, Gross-up Event or Regulatory Event occurs at any time, the Issuer may also elect to redeem the Notes in whole but not in part at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, all as more fully described in and subject to the conditions to redemption set out in Condition 5. The Issuer shall be required to defer redemption of the Notes in certain circumstances as set out in Condition 5.

The payment obligations of the Issuer under or arising from the Notes and the Trust Deed will constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of a Winding-up, claims in respect thereof will, subject to any obligations which are mandatorily preferred by law, rank (i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (ii) *pari passu* and without any preference among themselves, (iii) at least equally and rateably with claims in respect of any other existing (including, without limitation, the Fixed-to-Floating Rate Callable Subordinated Notes due 2023 issued by the Issuer for so long as they remain outstanding) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital of the Issuer as at their respective issue dates (for the avoidance of doubt, other than obligations in respect of Junior Securities) and (iv) in priority to the claims of Junior Creditors (as such terms are defined in the Conditions). In the event of a Winding-up, no payments will be made under the Notes until the claims of holders of unsubordinated indebtedness and payment obligations shall first have been satisfied in full.

An investment in the Notes involves certain risks. Investors should ensure that they understand the nature of the Notes and the extent of their exposure to risks and they should review and consider these risk factors carefully before purchasing any Notes. For a discussion of these risks see the section headed "*Risk Factors*" in this Prospectus.

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"), for the approval of this prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This approval cannot be considered as a judgment on, or as any comment on, the merits of the transaction, nor on the situation of the Issuer and the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer, in line with the provisions of Article 7 (7) of the Luxembourg Prospectus Law. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to listing on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Notes will be issued in denominations of EUR 100,000 and integral multiples thereof. The Notes will be issued in dematerialised form under the Belgian Companies Code (*Wetboek van Vennootschappen/Code des Sociétés*) and cannot be physically delivered. The dematerialised Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**Securities Settlement System**").

The Notes shall be governed by, and construed in accordance with, English law, save that the provisions contained in Conditions 1, 2 and 13(a) and (c) and any non-contractual obligations arising out of the same shall be governed by, and construed in accordance with, Belgian law.

Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.

The Notes are expected to be rated BB by Fitch Ratings Limited ("**Fitch**"). Fitch is established in the European Economic Area (the "**EEA**") and registered under the Regulation (EC) No 1060/2009 on credit rating agencies ("**CRA Regulation**"), as amended, and is included in the list of registered credit rating agencies published by European Securities and Markets Authority ("**ESMA**") on its website in accordance with CRA Regulation (the information contained on this website does not form part of this Prospectus unless otherwise specifically incorporated by reference hereto).

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States (see "*Subscription and Sale*").

Joint Bookrunners

ABN AMRO **BNP PARIBAS** **J.P. MORGAN**

Prospectus dated 3 November 2015.

IMPORTANT INFORMATION

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries taken as a whole (the "**Ethias Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

Market data and other statistical information used in this Prospectus has been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an "**Independent Source**"). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, ABN AMRO Bank N.V., BNP Paribas and J.P. Morgan Securities plc (the "**Managers**") to subscribe or purchase any of the Notes. The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Managers and BNP Paribas Trust Corporation UK Limited (the "**Trustee**") to inform themselves about and to observe any such restrictions. For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is or has been authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee or the Manager.

Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to its attention.

Save for the Issuer no other person has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager, the Trustee or any third party or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection thereto. To the fullest extent permitted by law, the Managers and the Trustee accept no liability whatsoever in relation to the information contained or incorporated in this

Prospectus or any other information provided by the Issuer in connection thereto or for any other statement made or purported to be made by each of the Managers or by the Trustee or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Managers and the Trustee accordingly disclaim any and all liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

Neither this Prospectus nor any other information supplied in connection with this Prospectus or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation or a statement of opinion (or a report on either of those things) by the Issuer, the Trustee or the Managers that any recipient of this Prospectus or any other information supplied in connection with the Prospectus or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Managers to any person to subscribe for, or purchase, any Notes.

References in this Section "*Important Information*" to the "Managers" shall include each of such entity in its capacities as Manager and Joint Bookrunner.

This Prospectus contains or incorporates by reference certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's business strategies, trends in its business, competition and competitive advantage, regulatory changes, and restructuring plans.

Words such as **believes**, **expects**, **projects**, **anticipates**, **seeks**, **estimates, intends, plans** or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Issuer does not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer conducts operations; (iv) the potential impact of sovereign risk in certain European Union countries; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial regulation and currency fluctuations; (viii) the possibility of the imposition of foreign exchange controls by government and monetary authorities; (ix) operational factors, such as systems failure, human error, or the failure to implement procedures properly; (x) actions taken by regulators with respect to the Issuer's business and practices in one or more of the countries in which the Issuer conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's success at managing the risks involved in the foregoing.

The foregoing list of important factors is not exclusive; when evaluating forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Prospectus.

This Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are added up, they may not total.

References in this Prospectus to "euro" or "EUR" are references to the currency introduced at the start of the third stage of European monetary union and references to "USD" or "U.S.$" are to the lawful currency of the United States of America.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFER OF SECURITIES GENERALLY

This Prospectus has been approved for the purposes of the listing and admission to trading of the Notes on the regulated market of the Luxembourg Stock Exchange and does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Trustee or the Managers represents that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Managers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the United Kingdom (see "*Subscription and Sale"* below).

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States (see "*Subscription and Sale*").

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and/or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

STABILISATION

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "Stabilising Manager") (or any person acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Original Notes and/or the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on its behalf) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on its behalf) in accordance with all applicable laws, regulations and rules.

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OVERVIEW OF THE NOTES

This overview should be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this description. Reference to "Conditions" or "Terms and Conditions" in this Prospectus are to the Terms and Conditions of the Notes.

The Issuer	Ethias SA
Description of the Notes	EUR 170,800,000 5.00% Dated Subordinated Notes due 2026 (the "**Notes**") to be issued by the Issuer on 5 November 2015 (the "**Issue Date**"). The Notes will from the Issue Date be consolidated and form a single series with the existing EUR 231,900,000 5.00% Dated Subordinated Notes due 2026 (the "**Original Notes**") of the Issuer issued on 14 July 2015 (the "**Original Issue Date**"). Upon consolidation, the aggregate principal amount of the Original Notes and the Notes will be EUR 402,700,000.
Issue Price	80.00% of the principal amount of the Notes plus accrued interest from (and including) the Original Issue Date to (but excluding) the Issue Date.
Denomination	EUR 100,000
Form of the Notes	The Notes will be in dematerialised form in accordance with Article 468 *et seq.* of the Belgian Companies Code via a book-entry system maintained in the records of the NBB as operator of the Securities Settlement System.
Managers	ABN AMRO Bank N.V., BNP Paribas and J.P. Morgan Securities plc
Trustee	BNP Paribas Trust Corporation UK Limited
Principal Paying Agent, Domiciliary Agent and Agent Bank	BNP Paribas Securities Services, Belgium Branch
Status and subordination of the Notes	The payment obligations of the Issuer under or arising from the Notes and the Trust Deed will constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of a Winding-up, claims in respect thereof will, subject to any obligations which are mandatorily preferred by law, rank (i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (ii) *pari passu* and without any preference among themselves, (iii) at least equally and rateably with claims in respect of any other existing (including, without limitation, the Fixed-to-Floating Rate Callable Subordinated Notes due 2023 issued by the Issuer for so long as they remain outstanding) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or

constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital of the Issuer as at their respective issue dates (for the avoidance of doubt, other than obligations in respect of Junior Securities) and (iv) in priority to the claims of Junior Creditors (as such terms are defined in the Conditions). In the event of a Winding-up, no payments will be made under the Notes until the claims of holders of unsubordinated indebtedness and payment obligations shall first have been satisfied in full.

Solvency Condition

Except in a Winding-up of the Issuer, all payments in respect of the Notes (including any damages awarded for breach of any obligations thereunder) shall be conditional upon the Issuer being solvent at the time for payment by the Issuer, and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

The Issuer will be considered to be solvent if (i) it is able to pay its debts owed to creditors (ignoring for these purposes only the claims of Junior Creditors) as they fall due, (ii) its credit has not been imperilled within the meaning of Article 2 of the Belgian Law of 8 August 1997 on bankruptcy and (iii) its Assets exceed its Liabilities.

In a Winding-up of the Issuer the amount payable in respect of the Notes shall be an amount equal to the principal amount of such Notes, together with Arrears of Interest (if any) and any other unpaid interest which has accrued up to (but excluding) the date of payment of such amounts and the claims for such amounts will be subordinated in the manner described above.

Redemption

Unless previously redeemed or purchased and cancelled, the Notes will mature on 14 January 2026 (the "**Scheduled Maturity Date**") and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Event (as defined herein) having occurred, be redeemed on the Scheduled Maturity Date (which may be deferred as described above). The holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date. Subject to as provided under "*Deferral of Redemption*" below and to the provisions of Condition 7, the Issuer may also elect to redeem, in whole but not in part, the Notes upon the occurrence of a Deductibility Event, Gross-up Event or Regulatory Event at any time at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, provided that if any such redemption occurs prior to 14 January 2021, the Issuer shall fund such redemption out of the proceeds of a new issue of basic own-funds items of at least the same quality as the Notes.

The consent of the Relevant Supervisory Authority to any redemption of the Notes may be required pursuant to the Applicable Regulations.

Deferral of Redemption

<u>Deferral of Redemption following a Regulatory Deficiency Event</u>

If:

(i) a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or on the date specified in the notice of redemption by the Issuer pursuant to the Conditions, as the case may be; or

(ii) a redemption on such date would itself cause a Regulatory Deficiency Event to occur,

the redemption of the Notes shall be deferred.

Notwithstanding the above, but always subject to the satisfaction of the Solvency Condition, the Issuer may redeem or repay the Notes upon the occurrence of a Regulatory Deficiency Event if:

(i) the Relevant Supervisory Authority has exceptionally waived the suspension of the redemption or purchase,

(ii) the Notes have been exchanged for or converted into another basic own-fund item of at least the same quality; and

(iii) the Minimum Capital Requirement is complied with at the time of and immediately after the redemption or purchase.

In such event, subject (except in the case of (iii) below) to the Solvency Condition, such Notes shall instead become due for redemption at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earliest of:

(i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (provided that if on such 10th Business Day a further Regulatory Deficiency Event has occurred and is continuing or a redemption would itself cause a Regulatory Deficiency Event to occur, the provisions of this paragraph shall apply *mutatis mutandis* to determine the subsequent date for redemption of the Notes); or

(ii) the date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the redemption of the Notes; or

(iii) the Winding-up of the Issuer.

Deferral of Redemption relating only to the Solvency Condition

If a Regulatory Deficiency Event has not occurred but the Issuer is required to defer redemption of the Notes on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer, as the case may be, only as a result of the Solvency Condition not being satisfied at such time or following such payment, such Notes shall instead become due for redemption, at their principal amount together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earlier of (i) the date falling 10 Business Days immediately following the day that the Solvency Condition is met provided that it continues to be met and a Regulatory Deficiency Event has not occurred at such deferred date for payment or (ii) the Winding-up of the Issuer.

The deferral of the redemption of the Notes in accordance with the Conditions will not constitute a default by the Issuer and will not give Holders or the Trustee any right to accelerate the Notes such that amounts of principal, interest or Arrears of Interest would become due and payable on the Notes earlier than otherwise scheduled pursuant to the Conditions or the Trust Deed.

Conditions to redemption

Any redemption or purchase of the Notes is subject (if and to the extent required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time) to the Issuer having complied with the regulatory rules on notification to or consent or non-objection from, the Relevant Supervisory Authority (in each case, as contained within, referred to in or imposed on the Issuer, the Group or the Notes directly or indirectly by virtue of the Applicable Regulations). The consent of the Relevant Supervisory Authority to any redemption of the Notes may be required pursuant to the Applicable Regulations.

Interest

The Notes will bear interest from (and including) the Original Issue Date to (but excluding) the Scheduled Maturity Date at a rate of 5.00% per annum.

Payment of interest is subject to mandatory deferral as described below.

Interest Payment Dates

Save in respect of the first short Interest Period, interest is scheduled to be paid annually on 14 January in each year, commencing on (and including) 14 January 2016. The first Interest Period shall be a short interest period from (and including) the Original Issue Date to (but excluding) 14 January 2016.

Interest Deferral

An Interest Payment scheduled to be paid on an Interest Payment Date shall be deferred mandatorily on such Interest Payment Date (a "**Mandatory Interest Deferral Date**") if:

(i) a Regulatory Deficiency Event has occurred and is continuing at the relevant Interest Payment Date;

(ii) the Solvency Condition is not met as at such Interest Payment Date;

(iii) payment of such Interest Payment would cause a Regulatory Deficiency Event; or

(iv) payment of such Interest Payment would cause the Solvency Condition not to be met,

(each a "**Mandatory Interest Deferral Event**"), provided, however, that in the case of (i) and (iii) above, the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such Interest Payment (or part thereof) if and to the extent:

(i) the Relevant Supervisory Authority has exceptionally waived the deferral of such Interest Payment or part thereof (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Applicable Regulations);

(ii) paying such Interest Payment (or part thereof) does not further weaken the solvency position of the Issuer and/or the Group as determined in accordance with the Applicable Regulations; and

(iii) (with effect from the implementation of the relevant part of the Solvency II Directive) the Minimum Capital Requirement will be complied with at the time of and immediately after the Interest Payment (or part thereof) is made.

Arrears of Interest

If the Issuer is required to defer any Interest Payment (or part thereof), such deferred payment shall, for so long as the same remains unpaid, constitute "**Arrears of Interest**".

Subject to a Mandatory Interest Deferral Event not having occurred and being continuing and to such payment not causing a Mandatory Interest Deferral Event, Arrears of Interest may be settled at the option of the Issuer in whole (or in part) at any time upon notice to the Holders and the Trustee and, in the case of interest deferred pursuant to a Regulatory Deficiency Event, subject to regulatory approval, and all Arrears of Interest will in any event become due for payment on the first to occur of the following dates:

(i) the next succeeding Interest Payment Date which is not a Mandatory Interest Deferral Date;

(ii) the date on which the Notes are redeemed or repaid in accordance with the Conditions; or

(iii) upon a Winding-up of the Issuer.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such payment is required in accordance with the Conditions.

Enforcement Events

If the Issuer defaults (i) for a period of 7 days or more in the payment of any interest due in respect of the Notes or any of them or (ii) for a period of 14 days or more in payment of the principal due in respect of the Notes or any of them, the Trustee may sue for payment when due and prove or claim in the Winding-up of the Issuer for such payment but may take no further or other action to enforce, prove or claim for any such payment.

The Trustee and the Holders shall have no right to petition for or

	institute proceedings for the bankruptcy of the Issuer in Belgium or to institute equivalent insolvency proceedings (including those equivalent to a Winding-up) pursuant to any laws in any country in respect of any default of the Issuer under the Notes or the Trust Deed.
Variation	If a Deductibility Event, Gross-up Event or Regulatory Event has occurred and is continuing, the Issuer (subject to the prior approval of the Relevant Supervisory Authority (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time)) may with the prior agreement of the Trustee modify the terms and conditions of the Notes (without the consent of the Holders) so that such Deductibility Event, Gross-up Event or Regulatory Event no longer exists after such modification. Any such modification to the Notes is conditional on certain matters set out in the Conditions being satisfied.
Taxation	All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes (as defined in Condition 10) of the Kingdom of Belgium, unless such withholding or deduction is required by law. If any such withholding or deduction is made, additional amounts will be payable by the Issuer subject to certain exceptions as are more fully described in the Conditions.
Listing and Admission to Trading	Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.
Clearing Systems	The dematerialised Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of Belgium (the "**NBB**") or any successor thereto (the "**Securities Settlement System**"). Access to the Securities Settlement System is available through those of its Securities Settlement System participants whose membership extends to securities such as the Notes. Securities Settlement System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream Luxembourg**"). Accordingly, the dematerialised Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream Luxembourg, and investors can hold their dematerialised Notes within securities accounts in Euroclear and Clearstream Luxembourg.
Statutory Auditors	PricewaterhouseCoopers bcvba.
Rating	The Notes are expected to be rated BB by Fitch Ratings Limited A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save that the provisions

	contained in Conditions 1 and 2 and Conditions 13(a) and (c) and any non-contractual obligations arising out of the same shall be governed by, and construed in accordance with, Belgian law.
Selling Restrictions	See "*Subscription and Sale*".
Use of Proceeds	The net proceeds from the issue of Notes will be used by the Issuer for general corporate purposes and to strengthen the Issuer's capital base.
ISIN	BE6279619330
Common Code	125777929

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on the information currently available to it or which it may not currently be able to anticipate. The sequence in which the risk factors are listed is not an indication of their likelihood to occur or of the extent of their consequences. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the documents incorporated by reference) and reach their own views prior to making any investment decision and consult with their own professional advisors.

The term "Ethias Group" refers to Ethias SA and its subsidiaries from time to time.

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in "Terms and Conditions of the Notes" below.

1 Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes

Financial risks

The level of and volatility in interest rates may adversely affect the Issuer's business

To be able to meet their future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. Interest rate volatility can adversely affect insurance businesses by reducing the returns earned and by reducing the market value of such portfolios. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and internal economic and political considerations, inflation, governmental debt, regulatory environment and any other factors that are beyond Ethias Group's control.

In particular, the insurance sector can be adversely impacted by sustained low interest rates. In times of low interest rates - as experienced since 2005 - bond yields typically decrease. Consequently, when the bonds mature the sums realised are reinvested in bonds with lower yields, which in turn decreases the investment income of the insurer. A protracted period of low interest rates has a negative impact, especially on life insurers with substantial interest rate guarantees on a traditional book of business where the portfolio yield approximates the guaranteed interest rate on the policies written (see also "*Description of the Issuer – Key financial figures*"). Persistently low interest rates not only render delivering the necessary return for clients or offering competitive profit sharing more difficult, but also hamper efforts to maintain the required profitability to remunerate shareholders. Low interest rates also make it difficult to continue to offer to clients attractive life investment and savings insurance products, which may lead to a reduction in new business and hence have a negative impact on Ethias Group's results of operations.

Although to a lesser extent, Ethias Group's non-life insurance business is also impacted by interest rate volatility, as its long tail business (such as disability insurance and workmen's compensation) is heavily dependent on investment returns, thereby displaying direct sensitivity to interest rate movements.

As cash flows can be (re-)invested at higher rates, the earnings of an insurer will typically be positively impacted by an increase in interest rates, though only over a protracted period of time. The largest beneficiaries will be life insurers with large traditional books of participating business. Surrenders or lapses could, however, increase as higher investment returns may be available elsewhere and policyholders would have an incentive to switch. This is particularly the case if surrender penalties are relatively low.

To reduce the interest rate sensitivity of its business Ethias Group attempts to match its liabilities with assets whose sensitivity to interest rates is the same as, or similar to, that of the liabilities, thereby compensating the interest rate risk. However, to the extent that such asset liability matching ("**ALM**", which includes hedging strategies) or other risk mitigating actions (such as profit sharing policies) (See "*Description of the Issuer — Risk management*") are not practicable or fully achieved, there still may be fluctuations in the value of assets and liabilities as interest rates change, which may have a negative effect on Ethias Group's financial condition or results of operations (See "*Description of the Issuer – Key financial figures*").

Ethias Group also uses derivative instruments such as interest rate swaps to mitigate its exposure to interest rate volatility. Any mismatch between the interest rate used for discounting the liabilities and the hedged interest rate could render the hedge unsuccessful and expose Ethias Group to unexpected losses and volatility and have an adverse effect on its financial condition or results of operations.

The Issuer is vulnerable to spread risk with respect to its fixed income portfolio

Like most insurance companies, the Issuer has a significant fixed income portfolio in which assets are matched against its insurance liabilities. The exposure to (credit) spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A spread widening will reduce the value of fixed income securities held and increase the investment income associated with the purchase of new fixed income securities in the investment portfolio. Conversely, spread tightening will generally increase the value of fixed income securities in the portfolio and will reduce the investment income associated with new purchases of fixed income securities. A number of factors can cause an individual asset or a whole class of assets to decrease in market value, including a perception or fear in the market that there is an increase in the likelihood of defaults.

Although the Issuer has developed the necessary tools and risk metrics to closely monitor and manage its spread risk, a residual risk may still exist and spread widening could have a material adverse effect on its results and financial condition.

The Issuer is exposed to counterparty default risk, which could have a material adverse effect on its results and financial condition

The Issuer is exposed to default risk, which is the risk that third parties owing money, securities or other assets to the Issuer do not pay or fulfil their obligations when due. These parties include trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, reinsurers, bond issuers and financial intermediaries. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, fraud or other reasons.

Although the Issuer has the necessary tools in place to closely monitor default risk (including by way of periodic reviews of the financial statements and reputation of counterparties), a residual risk exists and could negatively impact Ethias Group's results and financial condition.

Ethias Group is subject to the risk of potential sovereign debt credit deterioration because of its substantial exposure to sovereign debt obligations in its investment portfolio

Ethias Group holds a large proportion of sovereign bonds in its investment portfolio. On 31 December 2014, the exposure of Ethias Group to sovereign bonds (including bonds issued by public sectors and guaranteed by the Belgian State) represents 55% of its total position in notes and equivalents and 57% as at 30 June 2015. As a consequence, Ethias Group is subject to the risk of potential sovereign debt credit deterioration and default. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments) and to the creditworthiness of the sovereign. The risk exists that the debt issuer may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt and Ethias Group may have limited recourse to enforce payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by different factors (such as the relative size of the debt service burden to the economy as a whole) that are beyond Ethias Group's control. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. If a sovereign were to default on its obligations, this could have a material adverse impact on the Issuer's financial condition and results.

Concerns about the quality of certain European sovereign debts and the sustainability of some sovereign credit ratings were pronounced following the European Stability Fund and International Monetary Fund "bailouts" of Greece, Ireland and Portugal. This also raised questions about the continued viability of the Euro as a common currency and whether certain Euro zone countries may withdraw from the currency union. Euro zone leaders took a number of steps following the 21 July 2011 summit to provide further financing for Greece, improve debt sustainability and stem contagion. Although the package marked a significant step in containing the sovereign debt crisis, solving the structural and governance problems with respect to sovereign debt will take years. As a result of this turbulence within the Euro zone, the government bond market for certain jurisdictions has experienced increased spreads and price volatility, credit downgrade events and increased probability of default. While Ethias Group reduced a major part of its exposure to the Euro zone periphery in 2010 and 2011, a default or debt restructuring by a sovereign issuer, with possible "knock-on" effects on other sovereign issuers and on the financial markets in general, could still have a potentially material adverse effect on Ethias Group's results or financial condition. As at 31 December 2014, the accumulated exposure of the Issuer towards the PIIGS countries represented 18.09% of its sovereign debt exposure (with no exposure towards Greece) and 7.7% of its total assets (market value) as at 31 December 2014. As at 30 June 2015, the accumulated exposure of the Issuer towards the PIIGS countries represented 17.54% of its sovereign debt exposure (with no exposure towards Greece) and 8.24% of its total investment portfolio (fair value) as at 30 June 2015.

As Ethias Group mainly operates its insurance activities and business in Belgium, it has a substantial exposure towards Belgium in its government bonds portfolio (57.98% as at 31 December 2014 and 59.19% as at 30 June 2015). Hence, Ethias Group is largely exposed to the risks associated with the Belgian political and economic situation, which could have a significant impact on the value of Ethias Group's investment portfolio. The European sovereign debt crisis persists to this day and credit spreads have not yet fully returned to pre-global economic and financial crisis levels. A sovereign debt default or restructuring by a government (or government-backed) issuer in the Euro zone or elsewhere could have potentially significant negative consequences both for the holders of such debt and for the stability of the broader financial markets and the insurance sector. Although Ethias Group monitors its sovereign debt exposure closely, any of these events, depending on their specific nature and magnitude, could have a material adverse effect on the results and financial condition of Ethias Group.

The Issuer is subject to market risk

The most significant market risks Ethias Group faces are interest rate, spread, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the margin realised between the return on its investment portfolio and the guaranteed interest rate on the policies written (see also "*Description of the Issuer – Key financial figures*"). Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of Ethias Group's investment portfolio.

Ethias Group uses a range of instruments and strategies to partly hedge against certain market risks. If these instruments and strategies prove ineffective or only partially effective, Ethias Group may suffer losses. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by Ethias Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by Ethias Group and could therefore have a material adverse effect on Ethias Group's business, results of operations and financial condition.

Stock market volatility or downturns can adversely affect the activities of the Issuer

Stock market volatility and overall declines in stock market indices can negatively affect Ethias Group's activities. Volatility and declines in market indices can reduce unrealised capital gains in its investment portfolio and hence impact Ethias Group's solvency margin. Volatility can also negatively affect the demand for certain insurance products such as unit linked products. Stock market downturns and high volatility can occur not only as a result of the economic cycle, but also as a result of war, acts of terrorism, natural disasters or other similar events outside Ethias Group's control.

While Ethias Group has the necessary tools and risk management strategies in place to closely monitor and manage its share portfolio, residual risks persist and a durable decline in the market values of its share portfolio could have a material adverse effect on Ethias Group's results and financial condition.

Fluctuations in currency exchange rates may affect Ethias Group's results of operations and solvency

Ethias Group is exposed to foreign currency fluctuations, in particular Danish Krone, through its investments. While Ethias Group seeks to manage its exposure to foreign currency fluctuations through hedging, fluctuations in exchange rates may have a significant impact on Ethias Group's results of operations and cash flows. For example, a strengthening or weakening of the euro against the Danish Krone may adversely affect Ethias Group's results of operations. While Ethias Group uses a range of instruments and strategies to hedge against currency risk, these instruments and strategies may prove ineffective or only partially effective and as a result Ethias Group may suffer losses.

Ethias Group's exposure to fluctuations in the property markets could adversely affect its returns on invested assets, the value of its investment portfolio or its solvency position

Ethias Group has real estate holdings in its investment portfolio and hence it is exposed to property risk. Its real estate portfolio is well-diversified and includes investments in office and rest homes.

The value of the property portfolio of Ethias Patrimoine, the Issuer's real estate subsidiary, is subject to risks related to, amongst others, rent levels, property prices, occupancy levels, consumer spending and interest rates. Due to the financial crisis and the related economic downturn, the property market, especially the office market, faces deteriorating occupancy levels. Occupancy levels, mainly in the office market, suffer from this gloomy economic environment. For instance, short term contracts or provisions entitling customers to terminate contracts early could reduce occupancy. The economic downturn has an impact on the real estate market and clearly split it into core and non-core properties. The liquidity of non-core properties is under pressure, while the desirability of core properties increases their values.

Although Ethias Group has the necessary tools in place to closely monitor the real estate risk to which it is exposed by way of its subsidiary Ethias Patrimoine, residual risks exist and a durable decline in the market values of its property investments could have a material adverse effect on its business, revenues, results and financial condition.

Asset illiquidity can adversely affect the Issuer's business

Market liquidity risk in Ethias Group's business stems from the liquidity characteristics of the assets purchased and the liabilities sold. Non-life liabilities are considered to be illiquid by nature. Some liabilities arising from life insurance products can be surrendered while others, such as liabilities arising from pension insurance, term insurance and annuities are highly illiquid. The illiquidity of some life insurance products is strengthened by tax regulation and built-in penalties in case of surrender.

Assets are characterised by a different degree of liquidity, going from a highly liquid (cash) to a low degree of liquidity (real estate). Additionally, protracted market declines can reduce the liquidity of markets that are typically liquid.

Funding liquidity risk is the inability to meet the expected and unexpected cash demands of policyholders or other contract holders without suffering unacceptable losses or without endangering the business franchise.

While Ethias Group has the necessary tools and risk management strategies in place to closely monitor and manage its liquidity risk, the risk that it would not be able to fund its liabilities, including in respect of the run-down of its 'First A Products'-portfolio, could have a material adverse effect on Ethias' results and financial condition.

A sustained increase in inflation rates may negatively affect Ethias Group's business, solvency position and results of operations

Inflation, as measured by consumer price indices or other means, is a continuing risk. A sustained increase in the inflation rate in the markets where Ethias Group or its subsidiaries operate would have multiple impacts on Ethias Group and may negatively affect its business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates which may in turn (i) decrease the estimated fair value of certain fixed income securities Ethias Group holds in its investment portfolio, resulting in reduced levels of unrealised capital gains available to Ethias Group and which could negatively impact its solvency margin position and net income, and (ii) result in increased surrenders of certain life and savings products, particularly those with fixed rates below market rates. This may also require Ethias Group to pay higher interest rates on debt securities that it might issue in the financial markets from time to time.

A significant and sustained increase in inflation has historically also been associated with sluggish performance of equity markets generally. A sustained decline in equity markets may (i) result in impairment charges to equity securities that Ethias Group holds in its investment portfolio and reduce levels of unrealised capital gains available to Ethias Group, which would in turn reduce net income and negatively impact Ethias Group's solvency position, (ii) negatively impact performance, future sales and surrenders of unit linked products where the underlying investments are often allocated to equity funds, (iii) negatively impact the ability of Ethias Group's asset management to retain and attract assets under management, as well as the value of assets that are managed, all of which may negatively impact Ethias Group's results of operations. In addition, in the context of certain property & casualty risks underwritten by the Issuer (particularly "long-tail" risks), a sustained increase in inflation may result in (i) claims inflation (i.e. an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (ii) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (iii) actual claims payments significantly exceeding associated insurance reserves. In addition, a failure to accurately anticipate higher inflation and factor it into the product pricing assumptions may result in a systemic mispricing of products, resulting in underwriting losses which would negatively impact Ethias Group's results of operations.

A sustained deflationary environment may affect Ethias Group's business in different ways

In a deflation period, consumption delays (resulting from consumption postponement due to price decrease) will cause a drop in the level of aggregate demand which may lead to a drop in the level of inflows, a slack in capacity if the economy is in recession and a higher profits pressure as selling prices would drop below costs. As far as Non-Life insurance business is concerned, a protracted period of deflation can have a positive impact through lower claim severity and margins are expected to be higher. Claims reserves may develop beneficially and may show higher prudence. The life insurance industry may be more (negatively) affected by sustained deflationary pressures. Since many products provide for a minimum rate of return guarantee, any scenario that leads to deflation or sustained periods of very low inflation, may pose challenges to Ethias Group to earn at least the promised rate guarantees, especially in respect of "long-tail" life insurance products.

Insurance liability risks

Experience in the Issuer's life and non-life businesses could be inconsistent with the assumptions the Issuer uses to price its products, which could adversely affect its results

The results of Ethias Group's non-life and life businesses depend significantly upon the extent to which its actual claim experience remains consistent with the assumptions used in the pricing of its products. In non-life insurance, claim frequency, claim severity and expense assumptions are used to set prices. Life insurance premiums are calculated using assumptions as to mortality, interest rates and expenses used to project future liabilities. Although experience (i.e. the claims and expenses as actually experienced) is closely monitored, there is no guarantee that actual experience will match the assumptions that were used in initially establishing the future policyholder benefits and related premium levels. To the extent that actual experience differs significantly from the assumptions used, Ethias Group may be faced with unforeseen losses that negatively impact its results.

Furthermore, among the life products marketed by Ethias Group, a subset of these products were related to contracts with guaranteed investment returns (life insurance products). If interest rates should remain at current low levels, and despite reductions in guaranteed rates and discontinuation of underwriting of certain products with guaranteed rates, Ethias Group could potentially be required to provide additional funds to its life business to support its obligations in respect of products with higher guaranteed returns or increase reserves in respect of products with higher guaranteed returns, which could in turn have a material adverse effect on Ethias' financial condition and results of operations.

The Issuer is subject to risks concerning the adequacy of its technical provisions, which could have a negative impact on the Issuer's results in case these provisions prove to be insufficient

The technical provisions of the Issuer serve to cover the current and future liabilities towards its policyholders. Technical provisions are established with respect to both the Issuer's non-life and life businesses and include, *inter alia*, mathematical provisions, claims provisions (for reported and unreported claims), unearned premium provisions and ageing provisions. These technical provisions and the assets backing them represent the major part of the Issuer's and Ethias Group's balance sheet. Depending on the actual realisation of the future liabilities (i.e. the claims as actually experienced), the current technical provisions may prove to be inadequate. For example, the Issuer's property-casualty reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made both on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported

("**IBNR**") by the Issuer. These reserves represent the estimated ultimate cost necessary to bring all pending reported and IBNR claims to final settlement.

Reserves, including IBNR reserves, are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, changes in medical costs and costs of repairs. Reserving inadequacy can also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes. Ethias Group's results of operations depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations. Although Ethias Group has the necessary actuarial tools (such as liability adequacy testing) in place to closely monitor and manage reserve risk, a residual risk still exists and to the extent that technical provisions are insufficient to cover Ethias Group's actual insurance losses, expenses or future policy benefits, Ethias Group would have to add to these technical provisions and incur a charge to its earnings, which could adversely impact its results and financial condition.

The Issuer's operating results may be materially adversely affected by the occurrence of natural or man-made disasters or pandemics and by the consequences of emerging risks that are unpredictable by nature

Pandemics, natural catastrophic events (such as hurricanes, windstorms, hailstorms and earthquakes) and man-made disasters such as acts of terrorism each have the potential to affect the operating results of Ethias Group adversely. In particular, assessing weather-related risk in a rapidly changing environment has become increasingly difficult, with knowledge of past weather events becoming an unreliable guide for future weather events. While Ethias Group generally seeks to manage its exposure to any of these risks through reinsurance and through limiting total risk accumulation and even though Ethias Group has not incurred any meaningful losses arising from disasters in the past, it cannot be excluded that Ethias Group could experience material losses from these types of risks in the future and losses caused by the occurrence of such risks could have a material adverse effect on its results or financial position.

Reinsurance may not be adequate to protect the Issuer against losses and it may incur losses due to the inability of its reinsurers to meet their obligations

In the normal course of its business, the Issuer transfers exposure to certain risks in its non-life and life insurance business to others through reinsurance arrangements. Under these arrangements, reinsurers assume a portion of the Issuer's losses and expenses associated with reported and unreported losses in exchange for a portion of the premiums. The availability, amount and cost of reinsurance depends on general market conditions and may vary significantly. If reinsurance is not available at commercially attractive rates and if the resulting additional costs are not compensated by premiums paid to the Issuer, this could adversely affect the Issuer and Ethias Group's results. Also, increasing concentration in the reinsurance market reduces the number of major reinsurance providers and therefore could hamper the Issuer's efforts to diversify in its reinsurance risk.

Any decrease in the amount of the Issuer's reinsurance cover relative to its primary insurance liability could increase its risk of loss. Reinsurance arrangements do not eliminate the Issuer's obligation to pay claims and introduce credit risk with respect to the Issuer's ability to recover amounts due from the reinsurers. While the Issuer monitors the solvency of its reinsurers through a periodic review of their financial statements and reputation and by requiring letters of credit, deposits or other financial measures, as appropriate, to further minimise the Issuer's exposure, the risk of default by a reinsurer cannot be excluded. Any inability of its reinsurers to meet their financial obligations could materially adversely affect the Issuer's and Ethias Group's results and financial condition.

Operational risks

While Ethias Group manages its operational risks, these risks remain an inherent part of its business

Ethias Group's business is dependent on the processing of a large number of complex transactions across numerous and diverse products, and is subject to a complex and changing legal and regulatory regime. Additionally, because of the long term nature of much of the business, accurate records have to be maintained for significant periods. This inherently generates operational risks which relate to the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud and cyber crime. These events can potentially result in the irrecoverable loss of essential data, financial loss and harm to Ethias Group's reputation.

While Ethias Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environment in which it operates, these control measures may not mitigate operational risks sufficiently and cannot eliminate them.

Insurance fraud may adversely affect the Issuer's financial results

Fraudulent insurance claims may be made from time to time which the Issuer is unable to detect, despite having extensive fraud prevention systems and processes in place. The volume, value and frequency of fraudulent claims may increase from time to time for various reasons and if not detected and inadvertently paid, can impact on anticipated claims volumes and matching reserves resulting in adverse effects on the profits and results of operations of the Issuer.

The Issuer is at risk from customers who misrepresent or fail to provide full disclosure in relation to the risk against which they are seeking cover before such cover is purchased and from policyholders who fabricate claims and/or inflate the value of their claims. The Issuer is also at risk from members of its staff who undertake, or fail to follow procedures to prevent, fraudulent activities.

In order to mitigate the risk of fraudulent practice, the Issuer continues to make material investments in staff and systems to work on the identification and prevention of claims fraud and these measures are regularly reviewed.

The risk management framework in place may leave the Issuer exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities

The Issuer devotes significant resources to the development and implementation of an effective risk management framework consisting of policies, procedures and assessment methods appropriate to its risk profile and risk appetite. To this effect, the governance structure of the Issuer includes several independent control functions such as Internal Audit, Compliance, Risk Management and Actuarial Control. Sophisticated risk modelling, duration analysis, and stress testing as well as other risk assessment methods are in place. Nonetheless, these risk management techniques and strategies may not be fully effective in mitigating the Issuer's risk exposure in all economic market environments or against all types of risk, including the risks that the risk management fails to identify or anticipate. The Issuer applies statistical and other tools to arrive at quantifications of risk exposures. These tools and metrics may fail to quantify future risk exposures adequately. In addition, the quantified modelling does not take all risks into account and although it is complemented by a more qualitative approach that takes into account a broader set of risks, this could prove to be insufficient. Unanticipated or incorrectly assessed risk exposures could result in material losses in the Issuer's and Ethias Group's business.

Strategic risks

The Issuer may be unable to maintain a competitive distribution network which could adversely impact its future business and results

The Issuer offers insurance products mainly through a direct distribution model (See "*Description of the Issuer — Distribution channels*"), pursuant to which the insurance products of the Issuer are directly distributed through essentially a large network of regional offices, contact centres and online services. As a result, the Issuer's successful distribution through these channels depends on the preferences of its clients (whether private, professional or public entities) for the products and services of the Issuer. Clients' preferences are determined in part by product features, quality and price, the services offered to them, the support services and the financial attractiveness of the insurance company. The Issuer may not succeed in continuing to provide incentives to their current and prospective clients to buy its products and services successfully, which failure could adversely impact the Issuer's and Ethias Group's results.

The credit rating of the Issuer was recently downgraded in anticipation of the issuance of the Notes. Furthermore, the Issuer is exposed to the risk of a further downgrade of any of its credit ratings.

On 14 October 2015, Fitch downgraded Ethias' IFS (Insurer Financial Strength) rating to "BBB" (stable) from "BBB+" (stable) and long term IDR (Issuer Default Rating) to "BBB-" (stable) from "BBB" (stable). The downgrade of Ethias' ratings by Fitch was made solely in anticipation of the expected increase in the financial leverage ratio (FLR) of Ethias which will result from the issuance of the Notes (See "*Description of the Issuer — Credit ratings of Ethias*").

A downgrade of the Issuer's credit ratings (for any reason whatsoever) could have a variety of negative effects, including higher funding and refinancing costs in the capital markets, a weakened competitive position, some of its brokers no longer being able to work with the Issuer, increased surrenders or termination of policies, increased costs of reinsurance and damage to the Issuer's reputation and image, all of which could have an adverse effect on the Issuer's and Ethias Group's financial condition and results of operations.

Ethias Group's activities are highly concentrated in its home country Belgium and hence vulnerable to Belgian sovereign exposure

The vast majority of Ethias Group's insurance activities and business are carried out in Belgium. The Issuer is a general multi-product insurer providing insurance products to retail clients, public entities and corporates in Belgium. Ethias is and has been the main insurer of public entities for over ninety years. Ethias Group is thus directly exposed to Belgium specific risks and does not benefit from geographical diversification to mitigate such concentration risk. Specific conditions in Belgium, including in relation to regulation, political stability, act of God or any other negative event that could affect the country, may have a direct, disproportionate and materially adverse impact on the Issuer's and Ethias Group's activities and profitability.

Business risks

The Issuer's performance is subject to substantial competitive pressure that could adversely affect its results

There is substantial competition in Belgium for the type of insurance products that the Issuer offers in both the non-life and life business.

The financial crisis and solvency capital requirements have strongly impacted the Belgian financial landscape as they put both non-life and life insurers under pressure to generate profitability in a mature environment. To avoid high capital requirements imposed by future Solvency II rules insurers have invested more in safe haven investments and tried to shift product offerings from high capital consuming savings products to unit linked and risk offerings. This challenge led to guaranteed interest rate decreases in life insurance to Public

Sectors and Corporates and Retail life products, tariff increases and adapted product features in non-life products.

In addition, industry consolidation continued in order to diversify risks and realise economies of scale. When the financial crisis erupted in 2008, due to its exposure to liquidity and financial risks stemming from its Retail life insurance policies (the First Products) and its significant exposure to Dexia shares, the Issuer was faced with significant solvency and liquidity concerns. In October 2008, the Belgian State, the Flemish Region and the Walloon Region injected EUR 1,5 billion of capital into the Issuer in order to address with these concerns (see also the risk factor "*Risks associated with the government support and the associated EU plan*").

In addition to consolidations and partnerships, insurers are also exploring different approaches in distribution as an alternative response to the challenges they have encountered or they expect to encounter in the future. Online aggregators have also introduced a new platform to consumers allowing them to compare insurance premiums.

Consumer demand and awareness also affect competition, in particular as a result of technological advances and the impact of (social) media. Consumers have become more knowledgeable, price conscious and risk averse, demanding more convenience and transparency.

Ethias Group therefore operates in a concentrated and mature market that is subject to continuing consolidation and that constantly seeks to develop new products and distribution channels. If Ethias Group is unable to offer competitive and attractive products profitably, it may lose market share and/or incur losses on some of its activities. Competitive pressure could further result in increased pricing pressure, particularly as competitors seek to win market share, which may impair the ability of Ethias Group to maintain or increase profitability.

Continuing difficult market conditions and business cycles in which Ethias Group operates may adversely affect its business and its profitability

Ethias Group's business is affected by changing general market conditions, which can cause its results to fluctuate from year to year, as well as on a more long term basis. These conditions include economic cycles such as insurance industry cycles and financial market cycles, including volatile movements in market prices for securities. In particular, cycles in the non-life insurance industry are characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather-related and other losses. Fluctuations in interest rates, credit spreads, consumer and business spending, demographics and other factors also influence the performance of Ethias Group's business.

Market conditions continue to be volatile and there can be no assurance as to the effect of this volatility, particularly if it is prolonged, on the results of the Issuer's and Ethias Group's activities. Although the Issuer has a well-balanced business mix of life and non-life products allowing for a partial mitigation of such volatility, it may experience the negative effects of changing market conditions on its results and financial condition.

Risks associated with the government support and the associated EU Plan

When the financial crisis erupted in 2008, due to its exposure to liquidity and financial risks stemming from its Retail life insurance policies (the First Products) and its significant exposure to Dexia shares, the Issuer was faced with significant solvency and liquidity concerns. In October 2008, the Belgian State, the Flemish Region and the Walloon Region injected EUR 1,5 billion of capital into the Issuer in order to address these concerns. To this effect, the Issuer had to change its corporate structure from a mutual to a limited liability company.

The above capital injection was approved by the EU Commission in its decision of 20 May 2010 as consistent with the EU legislation on state aid, subject to various commitments by Ethias, including, among others, the discontinuing of its Retail life businesses, the divesting of several businesses, and cost-cutting initiatives, which had to be achieved by the end of December 2013.

At the end of December 2013 Ethias had implemented all of its commitments, except for its commitments to (i) divest its Retail life insurance portfolio through the complete sale or wind-down of all existing retail reserves and (ii) remunerate its public shareholders.

(i) In relation to the disengagement from its Retail life insurance portfolio, Ethias undertook several initiatives to encourage policyholders to terminate their contracts (such as reducing guaranteed interest rate to zero when possible). However, reserves remained as at 31 December 2013 for an amount of EUR 6 billion[1]; and

(ii) In relation to the remuneration of public shareholders, Ethias (and the State of Belgium) had committed pursuant to the decision of the EU Commission of 20 May 2010 that Ethias would distribute to its public shareholders, in each year in which Ethias's solvency ratio was not lower than 150%, as dividend its after-tax profit up to the level set forth in the shareholders' agreement of 13 February 2009 between Vitrufin, the public shareholders, Ethias Droit Commun and Ethias (i.e. 10% of the initial investment of Vitrufin, i.e. EUR 150 million). However, Ethias was only able to partially comply with such commitment as it had to retain a large part of its yearly profits in view of the forthcoming entry of the Solvency II rules (which are more demanding than the Solvency I rules).

In March 2014 a formal request was made by the Belgian authorities to the EU Commission to amend the restructuring plan and associated commitments, notably in respect of the abovementioned commitments. On 12 June 2014, a new decision of the EU Commission amended the original commitments set out in its decision of 20 May 2010 and prolonged, amongst other, the deadline for the commitments regarding Retail life insurance reserves and the remuneration to the public shareholders to the end of December 2016, albeit in modified form. Subject to certain conditions, this deadline may be shortened or extended by the European Commission.

The new decision of the EU Commission of 12 June 2014[2] constrains Ethias to continue its disengagement from its Retail life insurance portfolio, but without a target threshold to be attained by 31 December 2016. Ethias will do so by continuing its incentive policy in order to accelerate the run-down of the Retail life portfolio and testing the market on the sale of the portfolio consisting of the products "First A", "First Fiscal" and "Epargne Pension".

Further to this, the Issuer launched, in February 2015, to holders of First A Product (dating back from before September 2003) an incentive to close their contract, in all or in part, before 31 March 2015. In addition to the capital and interests accrued, the Issuer would pay an exit premium equivalent to 4 years of interest (for 2014), subject to, in case of a partial acceptance by a holder, the submission of a minimum amount of EUR 100,000. Around 50,000 holders were eligible to participate in this offer, for an aggregate amount of

[1] EUR 5,8 billion based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the year ended 31 December 2013. The valuation of the reserves in IFRS differs from the valuation of the reserves in Belgian GAAP as the IFRS valuation is made from a fair market-value perspective based on discounted future cash flows and on the assumption that all reinvestments will be made against the same interest rate that is applicable at the closing date.

[2] The EU Commission noted that Ethias implemented adequate policies to accelerate the run down of the portfolio as soon as it realised that a sale would not be possible and decided to move to the internal run-down option. When contractually possible, it put the interest rate paid to policyholders to zero. The prevailing market conditions prevented Ethias from achieving a rapid run-down of the insurance contracts which guarantee a significant interest rate during the entire life of the policyholders, namely the First A Products. Customers had little interest in ending such contracts since they would probably not find an alternative investment product offering such a high interest rate

EUR 4.3 billion[3] of reserves. Further to such offer, the reserves related to First A products have decreased by EUR 2.4 billion[4], which will have a positive impact on the solvency II profile of the Issuer (see "*Description of the Issuer – Recent developments*").

In relation to the remuneration of public shareholders, Ethias has committed pursuant to the modified commitment set forth in the EU Commission's decision of 12 June 2014, as implemented in the shareholders' agreement of 20 June 2014 between Vitrufin, the public shareholders, Ethias Droit Commun and Ethias and replacing the shareholders' agreement of 13 February 2009, to:

- under the prudential regime Solvency I, distribute each year to Vitrufin a dividend equal to 10% of its initial investment (i.e. EUR 150 million), subject to a solvency ratio of 150% and a coverage ratio of its technical reserves of 100% being observed;
- from the application of the prudential regime Solvency II onwards (which is expected to come into effect on 1 January 2016), distribute each year to Vitrufin a dividend equal to 10% of its initial investment subject to a solvency ratio of 100% being observed;
- not to reduce the remuneration expectations of Vitrufin through the issuance of new capital instruments. Any such issuance shall be subject to approval by the EU Commission;
- if prudential authorities object to the payment of such dividend, demonstrate this to the European Commission by submitting a letter from the prudential authorities;
- cause that no dividend be up-streamed to Ethias Droit Commun until December 2016.

Certain of the other original commitments set out in the decision of the EU Commission of 20 May 2010, were, even though Ethias was in compliance with them, including, for instance, in terms of risk management principles, profitability ratio of the non-life business, management of the financial asset portfolio, the ban on acquisitions which restricts Ethias' ability to grow externally, advertising restriction, in general, extended (some of them in a modified way) until December 2016.

Although as at the date of this Prospectus the Issuer has complied with all its commitments towards the European Commission (see also "*Description of the Issuer – EU Commission requirements*"), the Issuer's ability to successfully execute the requirements of the European Commission is not assured.

There are continuing uncertainties regarding the final implementing measures that will be adopted under the Solvency II regime and that could have potentially adverse impacts on the insurance sector as a whole and on the Issuer in particular

The European Union is currently developing a new solvency framework for insurance and reinsurance companies operating in the European Union, referred to as "Solvency II". The adoption of European Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009, as amended by Directive 2013/58/EU of 11 December 2013 as regards the date for its transposition and the date of its application and by Directive 2014/51/EU of 16 April 2014 (the "**Solvency II Directive**") marked an important step in this major reform. Implementation of the Solvency II Directive by the EU Member States and its entry into force had originally been scheduled for 1 January 2014. However, on 11 December 2013, the European Parliament adopted a directive amending the Solvency II Directive and pursuant to which the deadline for transposition of Solvency II into national law was scheduled for 31 March 2015 and the

[3] EUR 3.3 billion based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the year ended 31 December 2014.

[4] EUR 1.8 billion based on the unaudited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the six month period ended 30 June 2015.

application of Solvency II for 1 January 2016. However, a number of uncertainties remain, including in relation to the implementing measures and the overall timing.

The new approach to solvency will consist of three pillars: minimum capital requirements, supervisory review of the company's assessment of risk and enhanced disclosure requirements. A key aspect of Solvency II is that capital requirements will be risk-based assessed and that under this new regime companies will be permitted to use a (partial) self-developed internal model (as opposed to the standard approach or model) for the calculation of the required capital, provided the relevant regulatory authority approves such internal model.

Directive 2014/51/EU of 16 April 2014 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority) (the "**Omnibus II Directive**") amended Directive 2009/138/EC to bring it in line with the EU Lisbon Treaty and to take account of the EU's new supervisory structure introduced in EU Regulation No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority) of 24 November 2010.

On 10 October 2014, the European Commission adopted a Delegated Act containing Level 2 implementing measures supplementing the high level principles embedded in the Level 1 Solvency II Directive. Following its approval by the European Parliament and Council, this Delegated Act was published on 17 January 2015, as Commission Delegated Regulation 2015/35, and entered into force on the following day.

The effect of the new solvency rules may impact adversely the Issuer's and Ethias Group's solvency ratio, which could potentially entail a significant increase in the capital that the Issuer and the Ethias Group is required to hold to support its business or some of its business lines (see also the risk factor "*Implementation of the capital plan*" below).

Furthermore, prospective investors should note that changes in Applicable Regulations (as defined in the Conditions) may result in the Notes not qualifying as at least Tier Two own funds regulatory capital (See "*Terms and conditions of the Notes — Definitions — Regulatory Event*"). In such case, the Issuer may elect to redeem the Notes due to the occurrence of a Regulatory Event (See *"Factors which are material for the purpose of assessing the market risks associated with the Notes — Risks related to the structure of the Notes — The Notes will be subject to optional redemption by the Issuer including upon the occurrence of certain events, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes*") or to modify the terms of the Notes (See *"Factors which are material for the purpose of assessing the market risks associated with the Notes — Risks related to the structure of the Notes — Variation of the terms of the Notes upon the occurrence of a Gross-up Event, Deductibility Event or Regulatory Event*").

The business of the Issuer is subject to extensive laws and regulations and changes in the legal and/or regulatory environment may have an adverse effect on its business, financial condition, reputation or image in the market

The Issuer and Ethias Group conducts its business subject to ongoing regulation and associated regulation risks, including the effects of changes in the laws, regulations, policies and interpretation thereof in those jurisdictions in which Ethias or its subsidiaries conduct business. The timing and form of future changes in regulation are unpredictable and beyond the Issuer's and Ethias Group's control. Changes made could materially and adversely affect the Issuer's business products, services offering, the value of its assets or the extent of its liabilities.

In particular the Issuer is subject to the so called "Twin Peaks" supervisory structure in Belgium aimed at simpler and more transparent insurance products and at reinforcing consumer protection rights. The supervision of insurance products is entrusted to the Belgian Financial Services and Markets Authority

(*Autorité des services et marchés financiers/Autoriteit voor Financiële Diensten en Markten*) (the "**FSMA**"). Heightened regulatory scrutiny could, for example, prohibit certain types of segmentation and adversely impact the Issuer's and Ethias Group's profitability.

As part of the so-called Twin Peaks II reform, the Belgian parliament on 30 and 31 July 2013 passed two laws. Implementing these laws, three Royal Decrees were published on 21 February 2014. This legislation aims to improve the protection of Belgian investors and to strengthen the supervisory powers of the FSMA ("**Twin Peaks II**"). A number of measures in Twin Peaks II are highly relevant for insurance companies doing business in Belgium. In particular, Twin Peaks II extends the MiFID conduct of business rules, which formerly only applied to credit institutions, investment firms and their agents, to insurance companies and insurance intermediaries. Furthermore, Twin Peaks II strengthens the FSMA's special investigative powers, among others authorising the FSMA to engage in "mystery shopping" (i.e. to approach regulated entities as a client, without mentioning its capacity as a regulator) and to request permanent remote access to internet websites on which information or offers are made available to clients. Finally, Twin Peaks II extends the existing powers of the FSMA to issue injunctions, public warnings and administrative fines to insurance companies and insurance intermediaries. The level of administrative fines for insurance companies is set at a maximum of EUR 2,500,000. Fines must be published, disclosing the name of the concerned person(s), unless such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the parties concerned. It follows that, as a consequence of Twin Peaks II, the Issuer and Ethias Group is subject to new regulatory requirements, increased regulatory scrutiny and a reinforced administrative sanctioning regime, all of which may negatively impact its business.

On 3 July 2012 the European Commission adopted, among others, the following proposals to improve consumer protection in financial services: a proposal for a revision of the Insurance Mediation Directive ("**IMD II Proposal**") and a proposal for a regulation on key information documents for investment products ("**PRIIPs**"). On 9 December 2014, the Regulation (EU) N° 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (the "**PRIIPS Regulation**") was published in the Official Journal of the European Union and will be directly applicable as of 31 December 2016. The IMD II Proposal and the PRIIPs Regulation are closely linked. The IMD II Proposal and the PRIIPs regulation introduce rules aimed at levelling the playing field for the sale and disclosure of insurance and retail investment products to strengthen consumer protection. The IMD II Proposal addresses sales and disclosure rules for insurance products, including additional sales rules for insurance investment products. PRIIPs addresses disclosure rules for retail investment products and introduces a new standard for product information called a "Key Information Document" or "KID". The main issues for the Issuer are transparency of remuneration in life as well as in non-life insurance (with a transitional regime of five years for non-life), a ban on commissions on life insurance investment products sold on the basis of independent advice, the introduction of investment profiles and suitability/appropriateness tests in life invest products and the implementation of the key information document. Most of these issues were already covered by the Belgian MIFID/Twin Peaks legislation.

On 25 April 2014 a new Royal Decree regarding certain information obligations for the marketing of financial products to retail clients (the "**Transversal Royal Decree**") was published which introduces rules on (i) pre-contractual information (key information document) and (ii) marketing documents for financial products (including insurance products) marketed to retail clients in Belgium. These Belgian rules to a large extent anticipate the PRIIPs Regulation but also go further on some points. In summary, the new regime creates a double obligation: (i) an obligation to produce a KID and (ii) an obligation regarding the content and presentation of marketing documents. The Transversal Royal Decree entered into force on 12 June 2015. However, due to the overlap with the PRIIPs Regulation, the entry into force of some parts of the Transversal Royal Decree have be postponed until further notice pursuant to an amending Royal Decree dated 2 June 2015.

On 4 July 2012 the European Market Infrastructure Regulation ("**EMIR**") was adopted. EMIR addresses the risks involved in OTC trading by imposing new requirements on counterparties entering into OTC derivative contracts. In particular, it imposes (i) central clearing obligations (standardised derivative contracts entered into by financial counterparties such as insurance companies should be cleared through central counterparties in order to reduce the risk in the financial system), (ii) risk management obligations (counterparties entering into non-centrally cleared OTC derivative contracts must apply appropriate risk measures, including – as far as financial counterparties are concerned – the exchange of collateral), and (iii) reporting obligations (all OTC derivative contracts should be reported to trade repositories). EMIR entered into force gradually in 2013. As of 13 February 2014, following the adoption of regulatory technical standards for the Regulation on OTC derivatives, central counterparties and trade repositories, all EU derivatives market participants are required to report data relating to OTC derivatives and their counterparties to a trade repository. The introduction of EMIR has given rise to new challenges for the Issuer such as, amongst others, an adaptation of its collateral management infrastructure and organisation, the determination of OTC derivatives valuation methodologies and their documentation and an update of existing processes and IT applications in order to correctly identify and provide required information and build a daily reporting file. ESMA recently published four reports on EMIR. These reports relate to the functioning of EMIR and provide for recommendations to the EU Commission in the framework of EMIR's review. The most important changes are related to on-site inspections and the significant increase in the amount of fines that ESMA can impose on trade repositories.

If the Issuer fails, or appears to fail, to address regulatory changes, the Issuer's and Ethias Group's reputation could be harmed and the Issuer could be subject to additional legal risk, including enforcement actions, fines and penalties. Despite its best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. The Issuer and Ethias Group also face increasing compliance costs in view of the continuously changing regulatory landscape in which it operates, which could impact its results and financial condition.

Implementation of the capital plan

The Issuer has recently been discussing its capital plan with the NBB. The capital plan of the Issuer contemplates, amongst others, cost-reducing measures, the Exchange Offer (as defined below) and the issuance of capital instruments in an aggregate amount of approximately EUR 150-200 million which is intended to be achieved (in whole or in part) by the issuance of the Notes. By letter of 24 June 2015, the NBB confirmed that it has no objection to the Issuer conducting the Exchange Offer and issuing new capital instruments as part of its capital plan.

No assurances can, however, be given in that respect, nor can it be excluded that the Issuer may be required to hold more capital in the future, including as a result of forward-looking stress-testing by the supervisory authority in the future. Furthermore, no assurances can be given as to whether the Issuer will raise the additional amounts of capital instruments within the proposed timescale, as set out in its capital plan, or otherwise meet the requirements of its capital plan. This may, amongst others, depend on the markets and macroeconomic situation at the relevant time. Accordingly, it cannot be excluded that the Issuer may need to submit to the NBB additional measures that it would have to take in order to maintain or strengthen its capital base and/or reduce its costs or risks profile.

Any failure by the Issuer to appropriately address the objectives set forth in its capital plan, could lead to regulatory measures being taken against the Issuer and could materially and adversely impact the Issuer's and Ethias Group's business, results of operation and financial position.

Changes to IFRS which affect insurance companies may adversely affect Ethias Group's financial results

Ethias Group's financial results may be adversely affected by changes to the International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union ("**IFRS**") which may result in negative effects on the accounting treatment and valuation of the Issuer's insurance and reinsurance contracts.

Changes to IFRS for insurance companies have been proposed in recent years and further changes may be proposed in the future. The International Accounting Standards Board published proposals as part of its IFRS 4 Insurance Contracts Phase II for Insurers Exposure Draft and its IFRS 9 accounting standard for financial instruments that would make significant changes to the financial reporting landscape of insurance entities. These proposals could be in force by 2018 and could affect the way in which Ethias Group presents its financial information, including the effect of technical reserves and reinsurance on the value of insurance contracts. It is uncertain whether and how the proposals in the exposure draft will affect Ethias Group should they become definitive international financial reporting standards but there is potential for them to adversely affect Ethias Group's financial position. Ethias Group may also have to devote resources to adapt its organisation, processes and systems to reflect these changes. On the currently envisaged timetable, any changes may also need to be considered alongside other regulatory changes which may come into effect, and in particular Solvency II.

Reputational risks

Litigation or other proceedings or actions may adversely affect the Issuer's business and hence its financial condition and results of operations

The Issuer's business is subject to the risk of litigation by customers, employees or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation or similar proceedings or actions is difficult to assess or quantify. Plaintiffs in these types of actions may seek recovery of large or indeterminate amounts or other remedies that may affect the Issuer's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. The cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer ultimately is found liable. As a result, litigation may adversely affect the Issuer's and Ethias Group's business, financial condition and results.

Systemic risk

The Issuer is considered to be a "systemically important financial institution" and could itself be exposed to systemic risk that could adversely impact its results and financial condition

Systemic risk is generally understood to be the risk of an economic disruption that stems from the financial sector and seriously impairs the economy. Concerns about, or a default by, one financial institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related. This interdependence means that the failure of a sufficiently large and influential financial institution could materially disrupt the financial market, which could cause severe market declines or volatility. Such a failure could also cause a chain of defaults of counterparties. This systemic risk could adversely impact future product sales of the Issuer as a result of reduced confidence in the financial sector. This could also reduce its results because of market decline and write-downs of assets and claims on third parties.

The prudential control on insurance companies and on "systemically important financial institutions" (SIFIs) is the responsibility of the NBB. The Issuer is monitored by the NBB both in its capacity as a SIFI and as an insurance company. Under the Royal Decree of 3 March 2011 on the evolution of the supervision architecture for the financial sector the notion of SIFI is no longer defined, but the Issuer was designated as a SIFI by the predecessor entity to the NBB in relation to SIFIs.

As a SIFI, the Issuer falls under the specific supervision of the NBB for all its "strategic decisions". The NBB has the right to oppose intended strategic decisions by the Issuer if they are deemed to be in breach of the sound and prudent management of the SIFI or if they create a material risk for the stability of the financial sector. The NBB can also impose additional specific measures upon the Issuer, including in relation to liquidity, solvency, risk concentration and risk positions, if the NBB determines that as a SIFI the Issuer has an inadequate risk profile or if its policy can have a negative impact on the stability of the financial system.

As an insurance company, the Issuer is also supervised by the NBB in relation to its capital, liquidity and solvency requirements, internal governance and organisation and fit and proper assessment of management and shareholders (See "*Description of the Issuer — Insurance supervision and regulation*").

Finally, the Belgian Law of 2 June 2010 on the expansion of rescue measures for undertakings in the banking and financial sector, as amended by the above mentioned Belgian Royal Decree of 3 March 2011, introduced the possibility of an expropriation by Royal Decree (upon the initiative or advice of the NBB) if the NBB is of the opinion that an insurance company is in breach of the provisions of the Belgian Law of 9 July 1975 on the control of insurance companies and its implementing measures, that the insurance company's policy or financial position do not provide sufficient guarantees for the due performance of its obligations or that the administrative or accounting organisation or internal control show significant shortcomings. Expropriation measures can only be taken if the insurance company is systemically important in accordance with the meaning of the Law of 2 June 2010, i.e. if the above mentioned shortcomings are likely to affect the stability of the Belgian or international financial system in view of the extent of the insurance company's obligations or its role in the financial system. Expropriation can consist of a transfer, sale or contribution of the insurance company's assets or liabilities or of the shares in such insurance company. The beneficiary of the expropriation can be the Belgian State or any Belgian or foreign public or private entity. These specific expropriation rules set aside more general Belgian law principles: the traditional bankruptcy rules allowing the avoidance of transactions entered into during the so called "suspect period" (i.e. claw back) do not apply, nor do limitations on the transferability of shares contained in legal or contractual provisions (such as approval rights or rights of first refusal).

The foregoing is in addition to the powers the NBB has, vis-à-vis any insurance company, to suspend or prohibit the exercise of all or part of the activities or to wholly or partially suspend the performance of ongoing agreements.

This regulatory regime, its implementation and further interpretation by the regulatory bodies and the courts may have a material and adverse impact on the Issuer's functioning and operations and hence could materially and adversely impact the Issuer's and Ethias Group's results and financial position.

2 Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. The Notes are complex financial instruments. Sophisticated institutional investors generally purchase complex financial instruments as part of a wider portfolio strategy rather than as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to their overall portfolios, and only after performing an intensive analysis of all involved risks. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact the investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of the Notes

The Issuer's obligations under the Notes are subordinated, and on a Winding-up of the Issuer investors may lose some or all of their investment in the Notes

The Issuer's obligations under the Notes will be direct, unsecured and subordinated and will rank *pari passu* and without preference among themselves. In the event of a Winding-up (as defined in the Conditions) of the Issuer under Belgian law, the claims of the Holders in respect of the Notes will, subject to any obligations which are mandatorily preferred by law, rank (i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (ii) *pari passu* and without any preference among themselves, (iii) at least equally and rateably with claims in respect of any other existing (including, without limitation, the Fixed-to-Floating Rate Callable Subordinated Notes due 2023 issued by the Issuer for so long as they remain outstanding) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for an applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital of the Issuer as at their respective issue dates (for the avoidance of doubt, other than obligations in respect of Junior Securities) and (iv) in priority to the claims of Junior Creditors (as such terms are defined in the Conditions).

By virtue of such subordination, in a Winding-up of the Issuer, the assets of the Issuer would be applied first in satisfying all senior-ranking claims in full, and payments would be made to Holders of the Notes, *pro rata* and proportionately with payments made to holders of any other *pari passu* instruments (if any), only if and to the extent that there are any assets remaining after satisfaction in full of all such senior-ranking claims. A Holder may therefore recover a smaller proportion of its claim than the holders of unsubordinated liabilities of the Issuer, and may not recover any part of its investment in the Notes.

Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue

Date. The incurrence of any such liabilities may reduce the amount (if any) recoverable by Holders on a Winding-up of the Issuer. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes and each Holder shall, by virtue of its holding, be deemed to have waived all such rights of set-off, compensation or retention.

In addition, notwithstanding the stated ranking, the Belgian Bankruptcy Law of 8 August 1997 does not prevent distributions being made while a Winding-up decision is not final and pending an appeal. Therefore it is possible that distributions may be made to more deeply subordinated creditors before distributions are made to the Holders of the Notes. Condition 2 of the Conditions on the status of the Notes should be read taking into account this risk. However, given the current practice of bankruptcy trustees and their potential liability this risk seems remote.

Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in the Notes will lose some or all of its investment should the Issuer become insolvent.

Furthermore, if the Issuer's financial condition deteriorates such that there is an increased risk that the Issuer may be wound up, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes, whether or not the Issuer is wound up.

Payments of interest and principal relating to the Notes are subject to a Solvency Condition except in a Winding-up of the Issuer

Except where the Issuer is in Winding-up, all payments in respect of the Notes (including any damages awarded for breach of any obligations under the Notes) are conditional upon the Issuer being solvent (as defined in the Conditions) at the time for payment by the Issuer and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (see Condition 2 of the Conditions). If the Issuer is unable to make payments on the Notes due to the operation of the Solvency Condition (as defined in the Conditions) and such circumstances continue to exist, the Issuer may be required to defer payments of interest and/or principal on the Notes for an extended or indefinite period of time whilst continuing to make payments on certain of its other obligations, and there is a risk that the amounts so deferred may only become payable in a Winding-up of the Issuer (in which case the risks described under "*The Issuer's obligations under the Notes are subordinated, and on a Winding-up of the Issuer investors may lose some or all of their investment in the Notes*" above shall apply).

If the Issuer is unable, or the market anticipates that the Issuer may be unable, to pay any interest or principal as a result of the operation of the Solvency Condition, such circumstances can be expected to have a material adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes.

The Issuer may redeem the Notes in certain circumstances but has no obligation to redeem the Notes prior to the Scheduled Maturity Date.

The Scheduled Maturity Date of the Notes is 14 January 2026 and, although the Issuer may redeem or purchase the Notes in certain special circumstances described herein prior to that date, the Issuer is under no obligation to do so. In addition, the Holders of the Notes have no right to require the Issuer to redeem the

Notes. Therefore, prospective investors should be aware that they may be required to bear the financial risks associated with an investment in long term securities.

The Notes may, subject to certain conditions to redemption set out in the Conditions, at the option of the Issuer be redeemed before the Scheduled Maturity Date, in whole but not in part, upon the occurrence of a Deductibility Event, Gross-up Event or Regulatory Event (each as defined in the Conditions) at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date.

An investor may not be able to reinvest the redemption proceeds at an effective interest rate which is as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, the Issuer's ability to redeem the Notes at its option in certain limited circumstances may affect the market value of the Notes. In particular, during any period when the Issuer has the right to elect to redeem the Notes, the market value of the Notes generally would not be expected to rise substantially above the redemption price because of the optional redemption feature. This may also be true prior to any redemption period.

See also "*Redemption payments under the Notes must be deferred by the Issuer in certain circumstances*" below.

The Notes provide Holders with limited rights and remedies

The only enforcement events in the Conditions relate to non-payment of an amount when due. Any amounts of principal, interest and/or other amounts in respect of the Notes which are deferred on a scheduled payment date in accordance with the Conditions which permit or require deferral shall not fall due on such scheduled payment date, and accordingly non-payment on such date of the amounts so deferred shall not entitle the Holders or the Trustee to take enforcement action against the Issuer.

Upon any default, the sole remedy available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Conditions) any Noteholder for recovery of amounts which have become due in respect of the Notes is to sue for payment of principal or interest when the same are due and to prove or claim in the Winding-up of the Issuer. Investors in the Notes should note that the Trustee and the Holders have no right to petition for the Winding-up of the Issuer. A deferral of payment of interest and/or principal as described under "*Payments of interest on, and redemption of, the Notes must in certain circumstances be deferred by the Issuer*" shall not constitute a default under the Notes or the Trust Deed for any purpose, including enforcement action against the Issuer.

In a Winding-up, the risks described under "*The Issuer's obligations under the Notes are subordinated, and on a Winding-up of the Issuer investors may lose some or all of their investment in the Notes*" above shall apply, and the Trustee and Holders will have only limited ability to influence the conduct of such Winding-up.

The Holders have no rights to proceed directly against the Issuer or prove or claim in a Winding-up of the Issuer, save in the very limited circumstances set out in the Conditions.

Set-off risk

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Holder shall, by virtue of being a Holder, be deemed to have waived all such rights of set-off.

Interest payments under the Notes must be deferred by the Issuer in certain circumstances

The Issuer is required to defer any payment of interest on the Notes (i) in the event that it cannot make such payment in compliance with the Solvency Condition or (ii) on each Interest Payment Date in respect of which a Regulatory Deficiency Event has occurred and is continuing or would occur if payment of interest was made by the Issuer on such Interest Payment Date. The deferral of interest as described above will not constitute a default under the Notes for any purpose, including enforcement action against the Issuer. Any interest so deferred shall, for so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest do not themselves bear interest. Arrears of Interest may, subject to certain conditions, be paid by the Issuer at any time, but in any event shall be payable by the Issuer (subject to satisfaction of the Solvency Condition) on the earliest to occur of (a) the next Interest Payment Date on which payment of interest in respect of the Notes is made, (b) a Winding-up or (c) any redemption or repurchase of the Notes as described in the Conditions. The holders of the Notes have no right to require payment of Arrears of Interest.

Any actual or anticipated deferral of interest will be likely to have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such deferral and may be more sensitive generally to adverse changes in the financial condition of the Issuer. Investors should be aware that any announcement relating to the future deferral of interest payments or any actual deferral of interest payments may have an adverse effect on the market price of the Notes. Investors in the Notes may find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes.

The Notes do not contain a “dividend stopper” provision. Therefore, while the deferral of interest payments continues, the Issuer is not prohibited by the Conditions from making payments on other securities ranking senior, equally with or more junior to the Notes.

Redemption payments under the Notes must be deferred by the Issuer in certain circumstances

Notwithstanding the scheduled maturity of the Notes on the Scheduled Maturity Date, the Issuer must defer redemption of the Notes on the Scheduled Maturity Date or on any other date set for redemption of the Notes pursuant to the Conditions in the event that (i) it cannot make the redemption payments in compliance with the Solvency Condition or (ii) if a Regulatory Deficiency Event has occurred and is continuing or would occur if the Notes were redeemed by the Issuer on such date.

Any such deferral of redemption of the Notes will not constitute a default under the Notes. Where redemption of the Notes is deferred, subject to certain conditions, the Notes will be redeemed by the Issuer on the earliest of (a) the date falling 10 Business Days following the date the Regulatory Deficiency Event has ceased (and provided that no Regulatory Deficiency Event has occurred since then or a redemption would itself cause a Regulatory Deficiency Event to occur), (b) the date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the repayment or redemption of the Notes or (c) the date on which a Winding-up occurs. Therefore, the Holders may receive their investment back at a later point in time than initially expected or not at all.

If the Notes are not redeemed for the reasons set out above, Holders will not receive any additional compensation for the postponement of such redemption.

Any actual or anticipated deferral of redemption of the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the redemption deferral provision of the Notes, including with respect to deferring redemption on the scheduled Maturity Date, the market price of the Notes may be more volatile than the market prices of other debt securities without such deferral feature, including dated securities where redemption on the scheduled maturity date cannot be deferred, and the Notes may accordingly be more sensitive generally to adverse changes in the Issuer's financial condition. Investors in the Notes may also find it difficult to sell their Notes in such circumstances, or may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes. In such event, investors may lose some or substantially all of their investment in the Notes.

Variation of the terms of the Notes upon the occurrence of a Gross-up Event, Deductibility Event or Regulatory Event

Subject to Condition 6, if a Gross-up Event, Deductibility Event or Regulatory Event has occurred and is continuing, then the Issuer may, at its option and without any consent or approval of the Holders, elect at any time to vary the terms of the Notes so that the relevant event no longer exists after such modification. Whilst the modified Notes must have terms not materially less favourable to Holders than the terms of the Notes, there can be no assurance that, due to the particular circumstances of each Holder, such modified Notes will be as favourable to each Holder in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as the whether the terms of the modified Notes are not materially less favourable to holders than the terms of the Notes.

Change of law

The Conditions of the Notes are governed by and to be construed in accordance with English law and, in respect of Conditions 1 and 2 and Conditions 13(a) and (c) and any non-contractual obligations arising out of the same are governed by, and construed in accordance with, Belgian law, in each case in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, the laws of the Kingdom of Belgium, the official application, interpretation or the administrative practice after the date of this Prospectus.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Majority decisions bind all Holders

The Conditions contain provisions for calling meetings of Holders to consider certain matters affecting their interests generally. These provisions will permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meetings and Holders who voted in a manner contrary to the majority.

Change of tax law and practice

The statements in relation to taxation set out in this Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase of the Notes may change at any time (including during the term of the Notes). Any such change may have an adverse effect on a Holder, including that the liquidity of the Notes may decrease and/or the amounts payable to or receivable by an affected Holder may be less than otherwise expected by such Noteholder.

The Notes are being issued at an issue price of 80.00 % (plus 114 days of accrued interest) and will from the Issue Date be consolidated and form a single series with the Original Notes.

Potential investors who are in any doubt as to their tax position should consult their own independent tax advisers.

EU Savings Directive – Common Reporting Standard

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), member states of the European Economic Union (the "**EU Member States**" and each an "**EU Member State**") are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

According to the Luxembourg law dated 25 November 2014, the Luxembourg government has abolished the withholding tax system with effect from 1 January 2015 in favour of automatic information exchange under the EU Savings Directive. Furthermore, in October 2014, Austria reportedly agreed to a proposal amending Directive 2011/16/EU which aims at reinforcing the current EU legislation in the field of automatic exchange of information and which may ultimately lead to Austria abolishing the withholding system provided for in the EU Savings Directive. This proposal was finally adopted on 9 December 2014 as Directive 2014/107/EU on administrative cooperation in direct taxation which is further described in the section "EU Directive on the taxation of savings income – Exchange of information" hereinafter.

The Council of the European Union has adopted a Directive (the "**EU Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the EU Savings Directive described above. The EU Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. The EU Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through a EU Member State which at that time applies a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor the relevant Paying Agent nor any other person would be obliged to pay additional amounts to the Holders or to otherwise compensate Holders for the reductions in the amounts that they will receive as a result of the imposition of such withholding tax. Furthermore, once the EU Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

On 18 March 2015, the European Commission has however proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU). The new regime under Council Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the EU Amending Directive.

The exchange of information is, in the near future, expected to be governed by the broader Common Reporting Standard ("**CRS**"). At present, more than 40 countries, including Belgium, have committed to implement the information reporting according to CRS as from 2017. For further information regarding the CRS, please refer to the section "EU Directive on the taxation of savings income – Exchange of information" below.

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State. The Issuer is a financial institution incorporated in Belgium and therefore financial institutions worldwide would be subject to the FTT when dealing in the Notes.

A joint statement issued in May 2014 by ten of the eleven Participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such taxation is uncertain. Additional EU Member States may decide to participate.

Prospective Noteholders are strongly advised to seek their own professional advice in relation to the FTT.

Belgian withholding tax

Currently, no Belgian withholding tax will be applicable to the interest on the Notes held by an Eligible Investor in an exempt securities account (an **X Account**) in the Securities Settlement System, as further described in section "Taxation".

If the Issuer, the NBB, the Paying Agents or any other person is required to make any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature in respect of any payment in respect of the Notes, the Issuer, the NBB, the relevant Paying Agent or that other person shall make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted.

Potential investors should be aware that none of the Issuer, the NBB, an Agent or any other person will be liable for or otherwise obliged to pay, and the relevant Noteholders will be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer and/or any payment in respect of the Notes, except as provided for in Condition 10 (*Taxation*). In particular, potential investors should be aware that pursuant to Condition 10 (*Taxation*), the Issuer will, among others, not be obliged to pay any Additional Amounts with respect to any Note to a Holder, who at the time of issue of the Notes, was not an Eligible Investor or to a Holder who was such an Eligible Investor at the time of issue of the Notes but, for reasons within the Holder's control, either ceased to be an Eligible Investor or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian Law of 6 August 1993 on transactions in certain securities.

Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time. Any such change may have an adverse effect on a Noteholder, including that the liquidity of the Notes may decrease and/or the amounts payable to or receivable by an affected Noteholder may be less than otherwise expected by such Noteholder. Potential investors who are in any doubt as to their tax position should consult their own independent tax advisers.

U.S. Foreign Account Tax Compliance Withholding ("FATCA")

Whilst the Notes are in dematerialised form and maintained by the Securities Settlement System, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Securities Settlement System (See "*Taxation — FATCA Withholding*"). However, FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any IGA legislation, if applicable) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, the NBB, any Paying Agent or any other person would, pursuant to the Conditions be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred, where the investors are resident for tax purposes and/or other jurisdictions. In addition, potential investors should note that the Notes are being issued at an issue price of 80.00 % (plus 114 days of accrued interest) and will from the Issue Date be consolidated and form a single series with the Original Notes. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and credit risk:

The secondary market generally

Although application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing and trading on its regulated market, the Notes have no established trading market and one may never develop. Furthermore, if a market does develop, no assurances can be given that it will continue or that it will be or remain liquid. In an illiquid market, an investor might not be able to sell its Notes easily or at prices that will provide it with a yield comparable to similar investments that have a developed secondary market. The possibility to sell the Notes might additionally be restricted by country specific reasons. Illiquidity may have a severely adverse effect on the market value of the Notes.

***Fixed rate notes are exposed to specific market risks*.**

The Notes will bear a fixed interest rate per annum. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes.

Inflation risk

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes.

Credit ratings may not reflect all risks

Credit ratings may not reflect all risks and the methodologies of determining credit ratings may be changed from time to time leading to potential downgrades. Fitch has assigned a credit rating to the Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There is no assurance that the rating will remain for any given period of time or that the rating will not be lowered or withdrawn if, in the judgement of Fitch, circumstances in the future so warrant. Such change may, among other factors, be due to a change in the methodology applied by Fitch to rating securities with similar structures to the Notes, as well as, or as opposed to, any revaluation of the Issuer's financial strength or other factors such as conditions affecting the financial services industry generally.

In the event a rating assigned to the Notes or the Issuer is subsequently lowered for any reason, the market value of the Notes is likely to be adversely affected, but no person or entity will be obliged to provide any additional support or credit enhancement with respect to the Notes (see also the risk factor "*The credit rating of the Issuer was recently downgraded in anticipation of the issuance of the Notes. Furthermore, the Issuer is exposed to the risk of a further downgrade of any of its credit ratings"*).

Credit ratings do not imply that interest will be paid

A credit rating is not a statement as to the likelihood of non-deferral of interest on the Notes. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

Relationship with the Issuer

All notices and payments to be delivered to the Holders will be distributed by the Issuer to such Holders in accordance with the Conditions. In the event that a Holder does not receive such notices or payments, its rights may be prejudiced but it may not have a direct claim against the Issuer therefor.

Reliance on the procedures of the Securities Settlement System and its participants

The Notes will be issued in dematerialised form under the Belgian Code of Companies and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the Securities Settlement System.

Access to the Securities Settlement System is available through its participants whose membership extends to securities such as the Notes. Securities Settlement System participants include certain banks, stockbrokers (*sociétés de bourse/beursvennootschappen*), and Euroclear and Clearstream, Luxembourg. Transfers of interests in the Notes will be effected between the Securities Settlement System participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System participants through which they hold their Notes.

The Issuer, the Trustee and the Paying Agents will have no responsibility for the proper performance by the Securities Settlement System or its participants of their obligations under their respective rules and operating procedures.

A Holder must rely on the procedures of the Securities Settlement System, Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer will have no responsibility or liability for the records relating to the Notes within the Securities Settlement System.

Further, for so long as the Notes are held in the Securities Settlement System, payments in respect of the Notes shall be made to each Holder who is a direct participant in the Securities Settlement System. Any payment so made will be a good discharge for the Issuer. Each of the persons shown in records of a direct participant, sub-participant or the operator of the Securities Settlement System as the beneficial holder of a particular nominal amount of Notes must look solely to the relevant direct participant or sub-participant, as the case may be, for its share of each payment so made by the Issuer on the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Potential investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Potential conflicts of interest

The Issuer may from time to time be engaged in transactions which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Holders.

The Paying Agents and the Managers might have conflicts of interests which could have an adverse effect to the interests of the Holders. Potential investors should be aware that the Issuer is involved in a general business relation or/and in specific transactions with the Paying Agents and the Managers and that they might have conflicts of interests which could have an adverse effect to the interests of the Holders. Potential investors should also be aware that the Paying Agents and the Managers may hold from time to time debt securities, shares or/and other financial instruments of the Issuer or its parent companies or subsidiaries.

The Principal Paying Agent and the Agent Bank do not assume any fiduciary duties or other obligations to Holders and, in particular, are not obliged to make determinations which protect or further their interests

BNP Paribas Securities Services, Belgium Branch will act as the Issuer's Principal Paying Agent, Domiciliary Agent and Agent Bank (the "**Agent**"). In its respective capacities as Agent, it will act in accordance with the Conditions in good faith and endeavour at all times to make determinations in a commercially reasonable manner. However, Holders should be aware that the Agent does not assume any fiduciary or other obligations to the Holders and, in particular, is not obliged to make determinations which protect or further the interests of the Holders.

The Agent may rely on any information to which it should properly have regard that is reasonably believed by it to be genuine and to have been originated by the proper parties. The Agent shall not be liable for the consequences to any person (including Holders) of any errors or omissions in (i) any determination made by the Agent in relation to the Notes or interests in the Notes, in each case in the absence of fraud or wilful default. Without prejudice to the generality of the foregoing, the Agent shall not be liable for the consequences to any person (including Holders) of any such errors or omissions arising as a result of (i) any information provided to the Agent proving to have been incorrect or incomplete or (ii) any relevant information not being provided to the Agent on a timely basis.

Notes may be held only by Eligible Investors

Notes may be held only by, and transferred only to, Eligible Investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax holding their Notes in an exempt account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF, shall be incorporated by reference in, and form part of, this Prospectus:

(a) the French version of the audited consolidated annual financial statements of the Issuer, prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014, together with the related auditors' reports thereon; and

(b) the French version of the unaudited condensed consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the six month period ended 30 June 2015, together with the related auditors' review report.

Copies of this Prospectus and any documents incorporated by reference in this Prospectus are available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Specific items contained in "Documents Incorporated by Reference"

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* *Page references are to the French language PDF version of the relevant documents incorporated by reference.*

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes, save for the paragraphs in italics that shall not form part of the terms and conditions of the Notes.

The issue of the € 170,800,000 5.00% Dated Subordinated Notes due 2026 (the "**Notes**", which expression shall in these Conditions include the Original Notes (as defined below) and, unless the context otherwise requires, any further notes issued pursuant to Condition 15 and forming a single series with the Original Notes and the Notes) was (save in respect of any Further Notes) authorised by the resolutions of the board of directors of Ethias SA (the "**Issuer**") passed on 4 June 2015, 19 June 2015, 24 June 2015 and 18 September 2015. The Notes are consolidated and form a single series with the EUR 231,900,000 5.00% Dated Subordinated Notes due 2026 (the "**Original Notes**") issued by the Issuer on 14 July 2015 (the "**Original Issue Date**"). The Notes are constituted by a first supplemental trust deed dated 5 November 2015 (the "**First Supplemental Trust Deed**") between the Issuer and BNP Paribas Trust Corporation UK Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders of the Notes which is supplemental to a trust deed dated 14 July 2015 (together with the First Supplemental Trust Deed and as further modified and/or supplemented from time to time, the "**Trust Deed**") between the same parties.

The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of (i) the Trust Deed and (ii) the paying agency agreement (the "**Principal Paying Agency Agreement**") dated 14 July 2015 as supplemented by a first supplementary agency agreement dated 5 November 2015 (together with the Principal Paying Agency Agreement and as further modified and/or supplemented from time to time, the "**Paying Agency Agreement**") relating to the Notes between the Issuer, BNP Paribas Securities Services, Belgium Branch as the initial principal paying agent and domiciliary agent (the "**Principal Paying Agent**" and the "**Domiciliary Agent**", which expressions shall include any successors thereto), the other paying agents appointed from time to time (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include the Paying Agents for the time being) and the Trustee, are available for inspection during usual business hours at the principal office of the Trustee (presently at 55 Moorgate, London EC2R 6PA, United Kingdom) and at the specified offices of each of the Paying Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Paying Agency Agreement. In particular, under the Trust Deed the Trustee is entitled to rely on information provided to it by the NBB System (as defined below) and its participants as to the identity of the Holders and the holding of Notes and to rely on information contained in Block Voting Instructions and Voting Certificates (each as defined below) issued by the NBB System or its participants for meetings of Holders, and any such information relied on by the Trustee shall be conclusive and binding on the Trustee and Holders.

1 Form, Denomination and Title

The Notes are in dematerialised form in accordance with Article 468 *et seq.* of the Belgian Code of Companies (as defined below). The Notes will be represented by book entry in the records of the clearing system (the "**NBB System**") operated by the National Bank of Belgium (*Banque Nationale de Belgique/Nationale Bank van België*) (the "**NBB**") or any successor thereto. The Notes can be held through participants in the NBB System, including Euroclear and Clearstream, Luxembourg and through other financial intermediaries which in turn hold the Notes through Euroclear and Clearstream, Luxembourg or other participants in the NBB System. The Notes are accepted for clearance through the NBB System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian Law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14

June 1994 and the rules of the NBB System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition 1 being referred to herein as the "**NBB System Regulations**"). Title to the Notes will pass by account transfer in accordance with the NBB System Regulations. The Notes shall neither be physically delivered nor converted into bearer securities (*titres au porteur/effecten aan toonder*). The Holders will not be entitled to exchange the Notes for securities in bearer form.

Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax, holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the NBB System operated by the NBB.

For so long as the Notes are held by or on behalf of the NBB System, each person (each an "**Accountholder**") being shown in the records of a participant or sub-participant in the NBB System as the holder of a particular principal amount of the Notes (in which regard any certificates or other documents issued by the NBB System or a participant or sub-participant therein as to the principal amount of such Notes standing to the account of any Accountholder (together with any notification from the NBB System or the operator thereof as to the identity of a relevant participant with whom the Accountholder holds its Notes) shall be conclusive and binding for all purposes) shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of that principal amount for the purpose of any quorum, voting, the right to demand a poll or for any other associative rights (as defined in Article 474 of the Belgian Code of Companies). With respect to the payment of principal or interest on the Notes, such payment will be made to participants in the NBB System and with respect to the delivery of any notice to be given to or by a Holder in respect of the Notes pursuant to these Conditions, such notice must be given in accordance with the standard procedures of the NBB System and, in the case of notice by a Holder, may only be given by a participant in the NBB System (whether acting on its own behalf or on behalf of other subscribers holding through such participant) in respect of the relevant Notes held by or through it, and the expressions "**Holder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

The Notes are in the principal amount of €100,000 each and may only be settled through the NBB System in principal amounts equal to that denomination or an integral multiple thereof.

2 Winding-up

(a) General

The Notes constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank *pari passu* without any preference among themselves. The payment obligations of the Issuer under or arising from the Notes and the Trust Deed in respect of principal, interest and other amounts (including, without limitation, Arrears of Interest) in respect of the Notes, constitute direct, unsecured and subordinated obligations of the Issuer subordinated in the manner set out below and claims in respect thereof shall, subject to any obligations which are mandatorily preferred by law, at all times rank in the event of a Winding-up:

(i) behind claims in respect of any unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer);

(ii) *pari passu* and without any preference among themselves;

(iii) at least equally and rateably with claims in respect of any other existing (including, without limitation, the Fixed-to-Floating Rate Callable Subordinated Notes due 2023 issued by the Issuer) or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital as at their respective issue dates (for the avoidance of doubt, other than obligations in respect of Junior Securities); and

(iv) in priority to the claims of Junior Creditors.

(b) *Condition to Payment*

Except in a Winding-up of the Issuer, all payments in respect of the Notes (including any damages awarded for breach of any obligations thereunder) are, in addition to the obligation of the Issuer to defer payments pursuant to these Conditions, conditional upon the Issuer being solvent at the time for payment by the Issuer and no amount shall be payable in respect of the Notes unless and until such time as the Issuer could make such payment and still be solvent immediately thereafter (the "**Solvency Condition**").

In these Conditions the Issuer will be considered to be solvent if (i) it is able to pay its debts owed to its creditors (ignoring for these purposes only the claims of Junior Creditors) as they fall due, (ii) its credit has not been imperilled within the meaning of Article 2 of the Belgian Law of 8 August 1997 on bankruptcy and (iii) its Assets exceed its Liabilities.

The Trustee may at any time request the delivery of a certificate as to the satisfaction or non-satisfaction of the Solvency Condition signed by two directors of the Issuer, and such certificate shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee, the Holders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely conclusively on such certificate without liability to any person.

(c) *Amount due on a Winding-up*

In a Winding-up of the Issuer the amount payable in respect of the Notes shall be an amount equal to the principal amount of such Notes, together with Arrears of Interest (if any) and any other unpaid interest which has accrued up to (but excluding) the date of payment of such amounts and the claims for such amounts will be subordinated in the manner described in Condition 2(*a*) above.

(d) *Set-off*

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed and each Holder shall, by virtue of its holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Notes or the Trust Deed is discharged by set-off, such Holder shall, unless such payment is prohibited by applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-up the liquidator or, as appropriate, such relevant insolvency practitioner as is appointed to the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or relevant insolvency practitioner appointed to the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

3 Interest

(a) Interest Rate

The Notes bear interest on their outstanding principal amount at the rate of 5.00% per annum from (and including) the Original Issue Date in accordance with the provisions of this Condition 3. Subject to the provisions of this Condition 3 and Conditions 2(*b*) and 4, interest shall be payable annually in arrear on 14 January in each year (each, an "**Interest Payment Date**"), commencing on 14 January 2016.

Accordingly, the amount of interest payable (subject to Conditions 2(*b*) and 4 and subject as set out below in respect of the first Interest Period) on each Interest Payment Date shall be € 5,000 per Calculation Amount (as defined below).

The first Interest Period shall be a short first Interest Period for the period from (and including) the Original Issue Date to (but excluding) the first Interest Payment Date and the amount of interest payable (subject to Conditions 2(*b*) and 4) on the first Interest Payment Date shall be € 2,520.55 per Calculation Amount.

(b) Accrual of Interest

The Notes will cease to bear interest from (and including) (i) the date of redemption thereof pursuant to Condition 5 or (ii) from (and including) the date on which the Notes become repayable in a Winding-up of the Issuer in accordance with Conditions 2 and 11(*b*), as the case may be, unless payment of all amounts due in respect of the Notes is not made, in which event interest shall continue to accrue at the Interest Rate in respect of unpaid amounts on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as set out in Condition 3(*a*), where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Interest in respect of any Note shall be calculated per €100,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Interest Rate, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4 Interest Deferral

(a) Mandatory Deferral of Interest Payments

An Interest Payment scheduled to be paid on an Interest Payment Date shall be deferred mandatorily on such Interest Payment Date (a "**Mandatory Interest Deferral Date**") if:

(i) a Regulatory Deficiency Event has occurred and is continuing at the relevant Interest Payment Date; or

(ii) the Solvency Condition is not met as at such Interest Payment Date; or

(iii) payment of such Interest Payment would cause a Regulatory Deficiency Event to occur; or

(iv) payment of such Interest Payment would cause the Solvency Condition not to be met,

(each of (i) to (iv) above being referred to in these Conditions as a "**Mandatory Interest Deferral Event**"),

provided, however, that in the case of (i) and (iii) above, the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such Interest Payment (or part thereof) if and to the extent:

(i) the Relevant Supervisory Authority has exceptionally waived the deferral of such Interest Payment or part thereof (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Applicable Regulations);

(ii) paying such Interest Payment (or part thereof) does not further weaken the solvency position of the Issuer and/or the Group as determined in accordance with the Applicable Regulations; and

(iii) (with effect from the implementation of the relevant part of the Solvency II Directive) the Minimum Capital Requirement will be complied with at the time of and immediately after the Interest Payment (or part thereof) is made.

If the Issuer is required to defer any Interest Payment (in whole or in part) pursuant to this Condition 4(*a*), it shall give notice to the Holders and the Trustee in accordance with Condition 4(*e*).

The foregoing provisions of this Condition 4(*a*) shall apply *mutatis mutandis* to any payment of Arrears of Interest pursuant to Condition 4(*d*) on the basis that references in this Condition 4(*a*) to: (i) "Interest Payment" shall be construed therein to mean the relevant payment of Arrears of Interest and (ii) "Interest Payment Date" shall be construed therein to mean the scheduled date for payment of such Arrears of Interest.

(b) *Deferral not default*

If the Issuer is required to defer any payment of interest (in whole or in part) pursuant to Conditions 2(*b*) or 4(*a*), the amount of interest so deferred shall not fall due on the scheduled payment date, the Issuer shall not have any obligations to make such payment on such date, and any such deferral and non-payment shall not constitute a default by the Issuer under the Notes or the Trust Deed or for any other purpose.

(c) *Arrears of Interest*

Any Interest Payment, or any part thereof, deferred as a result of the obligations on the Issuer to defer payments pursuant to Condition 2(*b*) or 4(*a*) are referred to in these Conditions as "**Arrears of Interest**". Such Arrears of Interest shall not themselves bear interest.

(d) *Payment of Arrears of Interest*

Subject to a Mandatory Interest Deferral Event not having occurred and being continuing and to such payment not causing a Mandatory Interest Deferral Event, Arrears of Interest may be settled at the option of the Issuer in whole (or in part) at any time following delivery of a notice to such effect given by the Issuer to the Holders and the Trustee in accordance with Condition 4(*e*).

If a Regulatory Deficiency Event occurs, then (save for any payment to be made in accordance with Condition 2(*c*) on a Winding-up of the Issuer) the prior approval of the Relevant Supervisory Authority shall be required in relation to any payment of Arrears of Interest which accrued prior to the occurrence of, or during the continuance of, a Mandatory Interest Deferral Event.

The Issuer, having given (except in the case of (iii) below) any notifications to, or received any consent from the Relevant Supervisory Authority (in either case if and to the extent required by Applicable Regulations), shall pay any Arrears of Interest, in whole but not in part, on the first to occur of the following dates:

(i) the next succeeding Interest Payment Date which is not a Mandatory Interest Deferral Date;

(ii) the date on which the Notes are redeemed or repaid in accordance with Condition 5; or

(iii) upon the Winding-up of the Issuer.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or the Trust Deed or for any other purpose, unless such payment is required in accordance with this Condition 4(*d*).

For the avoidance of doubt, in the case of Notes varied in accordance with Condition 6, interest, Arrears of Interest and any other amounts accrued on the Notes originally issued will continue to accrue on such varied Notes.

(e) *Notices and Certificates*

The Issuer shall give not less than 5 nor more than 30 Business Days' prior notice to the Holders, in accordance with Condition 14, and to the Trustee:

(i) of any Mandatory Interest Deferral Date, which notice shall specify (A) the amount of interest that will be deferred (and thus not paid) on such Mandatory Interest Deferral Date and (B) whether such deferral is due to a Regulatory Deficiency Event or non-satisfaction of the Solvency Condition (provided that if a Mandatory Interest Deferral Event occurs less than 5 Business Days before such Interest Payment Date, the Issuer shall give such notice as soon as practicable under the circumstances on or before such Mandatory Interest Deferral Date); and

(ii) of any date upon which amounts in respect of Arrears of Interest are to be paid, which notice shall specify the Business Day on which such Arrears of Interest (or part thereof) will (subject to no Mandatory Interest Deferral Event having occurred and continuing as at such Business Day) be settled.

Prior to the publication of any notice pursuant to (i) above, the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating either that (A) a Regulatory Deficiency Event has occurred and is continuing or that payment of the relevant Interest Payment (or part thereof) would cause a Regulatory Deficiency Event or (B) that the Solvency Condition is not satisfied or payment of the relevant Interest Payment (or part thereof) could not be made in compliance with the Solvency Condition, on the relevant Interest Payment Date, whichever is applicable. The Trustee shall be entitled to accept such certificate as sufficient evidence of the events and circumstances described therein without liability to any person, in which case such certificate shall be conclusive and binding on the Trustee and Holders.

5 Redemption

(a) *Scheduled Maturity Date*

Subject to Conditions 2(*b*) and 5(*d*), unless previously redeemed or purchased and cancelled, the Notes will be redeemed in whole but not in part at their principal amount together with accrued interest up to (but excluding) 14 January 2026 (the "**Scheduled Maturity Date**") and Arrears of Interest (if any).

The Issuer shall only have the right to redeem, vary or purchase the Notes in accordance with this Condition 5, Condition 6 or Condition 7, as applicable, and Condition 8.

(b) *Redemption for Taxation Reasons*

Subject to Conditions 2(*b*), 5(*d*) and 8, if a Deductibility Event or a Gross-up Event occurs and is continuing as at the date on which notice is given to Holders pursuant to this Condition 5(*b*), then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Holders, in accordance with Condition 14, and to the Trustee (which notice shall, subject as aforesaid, be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall (subject as aforesaid) redeem the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 5(*b*), the Issuer shall deliver to the Trustee (and make available to Holders a copy of) an opinion of an independent law firm or other tax adviser in the Kingdom of Belgium (in either case being nationally recognised and experienced in such matters) that a Deductibility Event or a Gross-up Event (as the case may be) has occurred and is continuing or will apply to payments to be made on the next succeeding Interest Payment Date. The Trustee shall be entitled to accept such opinion as sufficient evidence of the Deductibility Event or Gross-up Event having occurred and being continuing or as occurring as at the next Interest Payment Date (without liability to any person), in which case it shall be conclusive and binding on the Trustee and Holders.

(c) *Redemption following a Regulatory Event*

Subject to Conditions 2(*b*), 5(*d*) and 8, if a Regulatory Event occurs and is continuing as at the date on which notice is given to Holders pursuant to this Condition 5(*c*), then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Holders, in accordance with Condition 14, and to the Trustee (which notice shall, subject as aforesaid, be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date. Upon the expiry of such notice, the Issuer shall (subject as aforesaid) redeem the Notes.

Prior to the publication of any notice of redemption pursuant to this Condition 5(*c*), the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating that a Regulatory Event has occurred and is continuing. The Trustee shall be entitled to accept such certificate as sufficient evidence of the Regulatory Event having occurred and being continuing (without liability to any person), in which case it shall be conclusive and binding on the Trustee and Holders.

(d) *Deferral of Redemption relating to a Regulatory Deficiency Event*

If a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer under Condition 5(*b*) or (*c*), as the case may be, or a redemption would itself cause a Regulatory Deficiency Event to occur, the Issuer shall give notice to the Holders in accordance with Condition 5(*h*) and to the Trustee that redemption of the Notes shall be deferred, and no redemption pursuant to Condition 5 will fall due or be permitted other than as set out below in this Condition 5(*d*) and in accordance with Condition 8.

In such event, subject (except in the case of (iii) below) to the Solvency Condition in Condition 2(*b*), such Notes shall instead become due for redemption at their principal amount, together with Arrears of

Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earliest of:

(i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (provided that if on such 10th Business Day a further Regulatory Deficiency Event has occurred and is continuing or a redemption would itself cause a Regulatory Deficiency Event to occur, the Notes shall not fall due for redemption on such date and the Issuer shall give further notice thereof to the Holders in accordance with Condition 5(*h*) and to the Trustee, and the provisions of this Condition 5(*d*) shall apply *mutatis mutandis* to determine the subsequent date for redemption of the Notes); or

(ii) the date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the redemption of the Notes; or

(iii) the Winding-up of the Issuer.

(e) Deferral of Redemption relating only to Solvency Condition

If Condition 5(*d*) does not apply, but the Issuer is required to defer redemption of the Notes on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer under Condition 5(*b*) or (*c*), as the case may be, only as a result of the Solvency Condition not being satisfied at such time or following such payment, the Issuer shall give notice to the Holders in accordance with Condition 5(*h*) and to the Trustee that redemption of the Notes shall be deferred, and no redemption pursuant to Condition 5 will fall due or be permitted other than as set out below in this Condition 5(*e*) and in accordance with Condition 8.

In such event, such Notes shall instead become due for redemption at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earlier of (i) the date falling 10 Business Days immediately following the day that the Solvency Condition is met, provided that if on such 10th Business Day the Solvency Condition is not met or a Regulatory Deficiency Event has occurred and is continuing, or would not be met or would occur (as applicable) if the Notes were to be redeemed, then the Issuer shall give further notice to the Holders in accordance with Condition 5(*h*) and to the Trustee that redemption of the Notes will again be deferred, the Notes shall not fall due for redemption on such date and Condition 5(*d*) (in the case of deferral due to a Regulatory Deficiency Event) or this Condition 5(*e*) (in the case of deferral only due to the Solvency Condition) shall apply *mutatis mutandis* to determine the subsequent date for the redemption of the Notes or (ii) the Winding-up of the Issuer.

(f) No default or acceleration

Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of the redemption of the Notes in accordance with Condition 2(*b*) or this Condition 5 will not constitute a default by the Issuer under the Notes or the Trust Deed or for any other purpose and will not give Holders or the Trustee any right to accelerate the Notes such that amounts of principal, interest or Arrears of Interest would become due and payable on the Notes earlier than otherwise scheduled pursuant to these Conditions or the Trust Deed.

(g) Trustee Not Obliged to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to Holders for any loss arising from any failure by the Trustee to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 5, it shall be entitled to assume that no such event or circumstance exists.

(h) *Notices and Certificates*

The Issuer shall give such prior notice to the Holders as is practicable in the circumstances, in accordance with Condition 14, and to the Trustee of:

(i) each deferral of redemption pursuant to Condition 5(*d*) or 5(*e*), which notice shall specify whether the relevant deferral is due to a Regulatory Deficiency Event or non-satisfaction of the Solvency Condition; and

(ii) any subsequent date of redemption of the Notes pursuant to Condition 5(*d*) or 5(*e*).

Prior to the publication of any notice pursuant to (i) above, the Issuer shall deliver to the Trustee (and make available to Holders a copy of) a certificate signed by two directors of the Issuer stating either that (A) a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or the relevant scheduled redemption date, as the case may be, or that redemption of the Notes would cause a Regulatory Deficiency Event to occur or (B) that the Solvency Condition is not satisfied or redemption of the Notes on the Scheduled Maturity Date or the relevant scheduled redemption date, as the case may be, could not be effected in compliance with the Solvency Condition, whichever is applicable. The Trustee shall be entitled to accept such certificate as sufficient evidence of the events and circumstances described therein without liability to any person, in which case such certificate shall be conclusive and binding on the Trustee and Holders.

6 Variation

Subject to Condition 8, if a Deductibility Event, a Gross-up Event or a Regulatory Event has occurred and is continuing, the Issuer (subject to the prior approval of the Relevant Supervisory Authority (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time)) may with the prior agreement of the Trustee modify the terms and conditions of the Notes (without the consent of the Holders) so that such Deductibility Event, Gross-up Event or Regulatory Event no longer exists after such modification.

Any such modification to the Notes is conditional on the modified Notes having terms that (i) are not materially less favourable to the Holders than the terms of the Notes and (ii) are, except for the modification required to avoid the relevant Deductibility Event, Gross-up Event or Regulatory Event, substantially identical to the terms of the Notes (including, without limitation, the Interest Rate and Interest Payment Dates).

The terms and conditions of the Notes may only be modified if (i) all rights to accrued but unpaid interest and Arrears of Interest (if any) are retained following such variation, (ii) the modification itself does not give rise to (y) a detrimental change in the published rating of the Notes or of the Issuer ascribed to them or it by any rating agency that has given a rating solicited by the Issuer in the period of twelve months prior to the modification or (z) a Deductibility Event, a Gross-up Event or a Regulatory Event, (iii) the Notes remain listed on the regulated market of the Luxembourg Stock Exchange or such other internationally recognised EEA regulated market as selected by the Issuer and (iv) the Notes remain admitted to, and traded in, the same clearing system (or systems) as they were prior to such modification.

Prior to any such modification, the Issuer shall deliver to the Trustee (and make available to Holders a copy of) an opinion or a certificate, as the case may be, in the form required by Condition 5(*b*) or (*c*), as appropriate, and also confirming the matters detailed in the paragraph above (including, without limitation, that the Issuer has itself received confirmation from any rating agency that has given a rating, solicited by the

Issuer, in the period of twelve months prior to the modification that the modification will not cause a detrimental change in the relevant published rating of the Notes). The Trustee shall be entitled to accept the delivery by the Issuer to it of any such opinion or certificate as sufficient evidence that (i) the matters set out in the opinion or certificate have occurred and are continuing and (ii) the conditions to modification set out in this Condition 6 have been or will be met or satisfied, in which event it shall be conclusive and binding on the Trustee and the Holders.

In connection with any variation in accordance with this Condition 6, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading. The Issuer shall give notice of any such variation to the Holders, in accordance with Condition 14, and to the Trustee as soon as reasonably practicable after such variation.

7 Purchases and Cancellation

(a) *Purchases*

Subject to Condition 8, the Issuer or any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. All Notes so purchased may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Principal Paying Agent.

The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall be deemed not to be outstanding for the purposes of calculating quorums at meetings of the Holders and for the purposes of Condition 13.

(b) *Cancellation*

All Notes redeemed by the Issuer pursuant to Condition 5, and all Notes purchased by the Issuer or any of its Subsidiaries and surrendered for cancellation, shall be cancelled forthwith and may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8 Preconditions to Redemption, Variation and Purchase

Any redemption, variation or purchase of the Notes is subject (if and to the extent required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time) to:

(a) the Issuer having complied with the regulatory rules on notification to or consent or non-objection from, the Relevant Supervisory Authority (in each case, as contained within, referred to in or imposed on the Issuer, the Group or the Notes directly or indirectly by virtue of the Applicable Regulations);

(b) in relation to any redemption pursuant to Condition 5(b) or (c) and any purchase pursuant to Condition 7 occurring prior to 14 January 2021, such redemption or purchase being funded out of the proceeds of a new issue of one or more basic own-funds items of at least the same quality as the Notes; and

(c) a Regulatory Deficiency Event not continuing, the Solvency Condition being satisfied and such actions not causing a Regulatory Deficiency Event or the Solvency Condition not to be met.

Notwithstanding the above sub-paragraph (*c*), but always subject to the satisfaction of the Solvency Condition, the Issuer may redeem or purchase Notes following the occurrence of a Regulatory Deficiency Event if:

(a) the Relevant Supervisory Authority has exceptionally waived the suspension of the redemption or purchase;

(b) the Notes have been exchanged for or converted into another basic own-funds item of at least the same quality as the Notes; and

(c) the Minimum Capital Requirement is complied with at the time of and immediately after the redemption or purchase.

Notwithstanding the above requirements of this Condition 8, if, at the time of any redemption, variation or purchase, the Applicable Regulations permit the redemption, variation or purchase only after compliance with one or more other or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

A certificate from any two directors of the Issuer delivered to the Trustee confirming that the Issuer is in compliance with the matters detailed above (or such other or additional pre-conditions) shall be conclusive evidence thereof. The Trustee shall be entitled to accept the certificate as sufficient evidence that the requirements of, or circumstances required by, this Condition 8 have been or will be met or satisfied, in which event it shall be conclusive and binding on the Trustee and the Holders.

9 Payments

(a) *Principal and Interest*

Without prejudice to Article 474 of the Belgian Code of Companies, all payments of principal and interest in respect of the Notes shall be made through the Domiciliary Agent and the NBB System in accordance with the NBB System Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB System in respect of each amount so paid. Each of the persons shown in records of a direct participant, sub-participant or the operator of the NBB System as the beneficial holder of a particular nominal amount of Notes must look solely to the relevant direct participant or sub-participant, as the case may be, for its share of each payment so made by the Issuer on the Notes.

(b) *Payments*

Each payment in respect of the Notes pursuant to Condition 9(*a*) will be made by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(c) *Payments only on business days*

If the date for payment of any amount in respect of any Note is not a business day then the holder thereof shall not be entitled to payment of the amount payable until the next following business day and shall not be entitled to any further interest or payment in respect of any such delay. In this Condition 9(*c*), "**business day**" means a TARGET Business Day on which commercial banks are also open in the relevant place of payment.

(d) *Payments subject to laws*

Save as provided in Condition 10, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or its Paying Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

The Paying Agents shall not make or impose on a Holder any charge or commission in relation to any payment in respect of the Notes.

(e) *Agents, etc.*

The Issuer reserves the right under the Paying Agency Agreement at any time, without the prior approval of the relevant Paying Agent or the Principal Paying Agent, to vary or terminate the appointment of any of the Paying Agents and appoint additional or other paying agents, provided that it will (i) maintain a principal paying agent in relation to the Notes and (ii) maintain a domiciliary agent in relation to the Notes, which domiciliary agent will at all times be a participant in the NBB System. Notice of any change in Paying Agent or their specified offices will promptly be given by the Issuer to the Holders in accordance with Condition 14.

(f) *Fractions*

When making payments to Holders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down such that the amount is a whole multiple of the smallest unit of the relevant currency.

10 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

(a) **Other connection:** to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Note by reason of its having some connection with the Kingdom of Belgium other than a mere holding of such Note; or

(b) **Payment to individuals:** where such withholding or deduction is imposed on a payment to or for an individual or a certain other person and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or any agreement between the EU and any other country or territory providing for similar measures; or

(c) **Non-Eligible Investor:** to a Holder, who at the time of issue of the Notes, was not an eligible investor within the meaning of Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax or to a Holder who was such an eligible investor at the time of issue of the Notes but, for reasons within the Holder's control, either ceased to be an eligible investor or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Belgian Law of 6 August 1993 on transactions in certain securities; or

(d) **Conversion into registered securities:** to a Holder who is liable to such Taxes because the Notes were upon its request converted into registered Notes and could no longer be cleared through the NBB System.

References in these Conditions to principal, Interest Payments, Arrears of Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions.

11 Enforcement Events

Notwithstanding any of the provisions below in Condition 11, the right to sue for payment is limited to circumstances where payment has become due. No principal, interest or any other amount will be due where payment of the same has been deferred pursuant to, and in accordance with the provisions of, Condition 2(b), 4 and/or 5, as the case may be.

The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.

(a) No right to institute bankruptcy and other similar proceedings

The Trustee and the Holders shall have no right to petition for or institute proceedings for the bankruptcy of the Issuer in Belgium or to institute equivalent insolvency proceedings (including those equivalent to a Winding-up) pursuant to any laws in any country in respect of any default of the Issuer under the Notes or the Trust Deed.

The right to sue for payment in respect of the Notes is limited to circumstances where payment has become due. Pursuant to Condition 2(*b*) and save as set out in Condition 2(*c*) and 11(*b*), no principal, interest or any other amount will be due on the relevant payment date if the Solvency Condition is not satisfied, at the time of and immediately after any such payment. In the case of any payment of interest in respect of the Notes, such payment will be deferred and not be due if Condition 4(*a*) applies and in the case of payment of principal, such payment will be deferred and will not be due if a Regulatory Deficiency Event has occurred and is continuing or the Solvency Condition would not be met as set out in Condition 5(*d*) and 5(*e*).

If the Issuer defaults (i) for a period of 7 days or more in the payment of any interest due in respect of the Notes or any of them or (ii) for a period of 14 days or more in payment of the principal due in respect of the Notes or any of them, the Trustee may sue for payment when due and prove or claim in the Winding-up of the Issuer for such payment but may take no further or other action to enforce, prove or claim for any such payment.

No payment in respect of the Notes or the Trust Deed may be made by the Issuer pursuant to this Condition 11(*a*), nor will the Trustee accept the same, other than during or after a Winding-up of the Issuer, unless the Issuer has given prior written notice (with a copy to the Trustee) to, and received consent (if required) from, the Relevant Supervisory Authority which the Issuer shall confirm in writing to the Trustee.

(b) Amounts to become due and payable on Winding-up

If an order is made by the competent court or resolution passed for the Winding-up of the Issuer, the provisions of Condition 2(*c*) shall apply.

(c) Enforcement

Without prejudice to Conditions 11(*a*) and (*b*) above, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or the Notes (other than any payment obligation of the Issuer under or arising from the Notes or the Trust Deed including, without limitation, payment of any principal or interest in respect of the Notes and any damages awarded for breach of any obligations in respect of the Notes) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums (in cash or otherwise) sooner than the same would otherwise have been payable by it.

Nothing in this Condition 11(*c*) shall, subject to Condition 11(*a*), prevent the Trustee from proving or claiming in any Winding-up of the Issuer in respect of any payment obligations of the Issuer arising from the Notes or the Trust Deed (including without limitation, payment of any principal or interest in respect of the Notes and any damages awarded for any breach of any obligations in respect of the Notes).

(d) *Entitlement of the Trustee*

The Trustee shall not be bound to take any of the actions referred to in Conditions 11(*a*) or (*c*) above to enforce the obligations of the Issuer under the Trust Deed or the Notes or any other steps or action unless (i) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(e) *Right of Holders*

No Holder shall be entitled to proceed directly against the Issuer or prove or claim in a Winding-up of the Issuer unless the Trustee, having become so bound to proceed or prove or claim in such Winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 11.

(f) *Extent of Holders' remedy*

No remedy against the Issuer, other than as referred to in this Condition 11, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed in respect thereof. For the avoidance of doubt, the Holders waive, to the fullest extent permitted by law, (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*résoudre/ontbinden*), or demand in legal proceedings the rescission (*résolution/ontbinding*) of, the Notes and (ii) to the extent applicable, all their rights whatsoever in respect of the Notes pursuant to Article 487 of the Belgian Code of Companies (right to rescind (*résolution/ontbinding*)). Furthermore, to the fullest extent permitted by law, the Trustee and the Holders hereby waive their rights under Article 1117 of the Belgian Civil Code to nullify, or demand in legal proceedings the nullification of, the Notes on the ground of error (*erreur/dwaling*).

12 Prescription

Claims against the Issuer for payment of principal and interest in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment.

13 Meetings of Holders, Modification and Waiver

(a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions.

All meetings of Holders will be held in accordance with the provisions of Article 568 et seq. of the Belgian Code of Companies with respect to bondholders meetings; provided however that the Issuer, in accordance with the provisions of Article 569 of the Belgian Code of Companies, shall, at its own expense, promptly convene a meeting of Holders upon the request in writing of Holders holding not less than one-fifth of the aggregate principal amount of the outstanding Notes. Subject to the quorum and majority requirements set out in Article 574 of the Belgian Code of Companies, and if required thereunder subject to validation by the court of appeal of Brussels, the meeting of Holders shall (with the assent of the Issuer) be entitled to exercise the powers set out in Article 568 of the Belgian Code of Companies and to modify or waive any provision of these Conditions upon the proposal of the Issuer to do so, provided however that the following matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum: (i) any proposal of the Issuer to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or the date for any such payment; (ii) subject to Condition 6, any proposal of the Issuer to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iii) any proposal of the Issuer to change the currency in which amounts due in respect of the Notes are payable; (iv) any proposal of the Issuer to change the provisions regarding subordination referred to in Condition 2 and/or the Trust Deed; or (v) any proposal of the Issuer to change the quorum required at any meeting of Holders or the majority required to pass an Extraordinary Resolution.

Resolutions duly passed in accordance with these provisions shall be binding on all Holders, whether or not they are present or represented at the meeting and whether or not they vote in favour of such a resolution.

For the avoidance of doubt, any modification to be made to the Conditions pursuant to this Condition 13 and the Trust Deed shall require the consent of the Issuer and will be subject to any notifications or approvals (if and to the extent required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time) of the Relevant Supervisory Authority.

Convening notices for meetings of Holders shall be made in accordance with Article 570 of the Belgian Code of Companies, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (*Moniteur Belge/Belgisch Staatsblad*) and in a newspaper of national distribution in Belgium. The Trust Deed provides that, subject to the Issuer's consent, a resolution in writing signed by or on behalf of the Holders of not less than 75 % in aggregate nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, provided that the terms of the proposed resolution have been notified in advance to the Holders through the relevant settlement system(s). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

(b) *Modification and Waiver*

Subject to the prior approval of the Relevant Supervisory Authority (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time), the Trustee may agree with the Issuer, without the consent of the Holders, to (i) any modification of any of the provisions of the Trust Deed, any agreement supplemental to the Trust Deed (including, without limitation, the Conditions) or the Paying Agency Agreement which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, (ii) any modification of the Conditions in accordance with Condition 6 and (iii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach, or proposed breach, of any of these Conditions and of the provisions of the Trust Deed or any agreement supplemental to the Trust Deed (including, without limitation, the Conditions) or the Paying Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders.

(c) *Meetings of Shareholders and Right to Information*

The Holders shall be entitled to attend all general meetings of shareholders of the Issuer, in accordance with Article 537 of the Belgian Code of Companies, and they shall be entitled to receive or examine any documents that are to be remitted or disclosed to them in accordance with the Belgian Code of Companies. The Holders who attend any general meeting of shareholders of the Issuer shall be entitled only to a consultative vote.

14 Notices

All notices regarding the Notes will be valid if published either in a leading daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer shall also ensure that all notices are duly published in a manner which complies (i) with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading and (ii) with all legal requirements relating thereto (including, without limitation, Article 570 of the Belgian Code of Companies as and when applicable pursuant to and in accordance with Condition 13(*a*)). Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or in each required manner. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

For so long as the Notes are held by or on behalf of the NBB System, notices to Holders may also be delivered to the NBB System for onward communication to the participants of the NBB System in substitution for such publication (provided that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require they are also published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*)). Any such notice shall be deemed to have been given to Holders on the date and at the time it is given to the NBB System.

15 Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions in all respects as the Notes or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the Notes or upon such terms as to interest, redemption and otherwise as the Issuer may determine at the time of their issue. The Trust Deed contains provisions for convening a single meeting of the Holders.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law and Jurisdiction

(a) *Governing Law*

The Trust Deed, the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England, save that the provisions of Conditions 1, 2 and Conditions 13(*a*) and (*c*) (and related provisions of the Trust Deed) and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, Belgian law.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of the Trustee and each of the Holders (provided that the Holders are entitled to proceed directly under Condition 11(*e*)) and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Agent for Service of Process*

The Issuer has in the Trust Deed irrevocably appointed Hackwood Secretaries Limited, at its registered office for the time being (being at the date hereof at One Silk Street, London EC2Y 8HQ), as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

18 Definitions

In these Conditions:

"**Accountholder**" has the meaning provided in Condition 1.

"**Additional Amounts**" has the meaning provided in Condition 10.

"**Applicable Regulations**" means any solvency margin, capital adequacy or regulatory capital legislation, regulations or rules (whether having the force of law or otherwise) then in effect which are applicable to the Issuer and/or the Group as applied and construed by the Relevant Supervisory Authority (including, without limitation, the Future Applicable Capital Instruments Regulations once implemented);

"**Arrears of Interest**" has the meaning provided in Condition 4(*c*).

“**Assets**” means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the board of directors of the Issuer may determine.

“**Belgian Code of Companies**” means the Belgian *Code des Sociétés/Wetboek van Vennootschappen*.

“**Block Voting Instruction**” has the meaning ascribed to it in Schedule 2 of the Trust Deed.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business in Brussels.

“**Calculation Amount**” has the meaning provided in Condition 3(*b*).

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*.

“**Conditions**” means these terms and conditions of the Notes, as amended from time to time.

“**Deductibility Event**” means that at any time, by reason of a Tax Law Change, in making any payment of interest on the Notes, the Issuer will no longer be entitled to claim a deduction in respect of computing its taxation liabilities in the Kingdom of Belgium, or such entitlement is reduced (so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time).

“**Domiciliary Agent**” has the meaning provided in the preamble to these Conditions.

“**euro**” or “**€**” means the currency introduced at the start of the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

“**Euroclear**” means Euroclear Bank SA/NV.

“**Extraordinary Resolution**” has the meaning provided in the Trust Deed.

“**First Supplemental Trust Deed**” has the meaning provided in the preamble to these Conditions.

“**Further Notes**” means any further Notes issued pursuant to Condition 15 and consolidated and forming a single series with the then outstanding Notes.

“**Future Applicable Capital Instruments Regulations**” means the solvency margin or capital adequacy regulations or any other regulatory capital rules which may be introduced by the Relevant Supervisory Authority or enter into force on or after the Original Issue Date and which are applicable to the Issuer and/or the Group as applied and construed by the Relevant Supervisory Authority, which lay down the requirements to be fulfilled by financial instruments for inclusion in ‘own funds regulatory capital’ (or whatever terminology is employed by such rules or regulations).

“**Gross-up Event**” means that at any time, by reason of a Tax Law Change, the Issuer has paid or would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay Additional Amounts (so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time).

“**Group**” means the Issuer and each of its Subsidiaries from time to time.

“**Holder**” means, in respect of any Note, the person entitled thereto in accordance with the NBB System Regulations, subject as provided in Condition 1.

“**Interest Payment**” means in respect of an interest payment on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Condition 3.

“**Interest Payment Date**” has the meaning provided in Condition 3.

"**Interest Period**" means the period from (and including) the Original Issue Date to (but excluding) the first Interest Payment Date and thereafter each successive period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date.

"**Interest Rate**" means the rate of interest payable on the Notes as set out in Condition 3(*a*).

"**Issuer**" means Ethias S.A.

"**Issue Date**" means 5 November 2015.

"**Junior Creditors**" means all holders of securities and other creditors (if any) of the Issuer whose claims rank, or are expressed to rank, junior to the claims of the Holders (including, without limitation, holders of Junior Securities).

"**Junior Securities**" means (a) any class of share capital of the Issuer, (b) any payment obligations of the Issuer which rank, or are expressed to rank, junior to the Notes and/or *pari passu* with any class of share capital of the Issuer, (c) any payment obligations in respect of undated subordinated indebtedness, (d) any obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including by virtue of the operation of any grandfathering provisions) or are expressed to rank *pari passu* therewith (including, without limitation, the €250,000,000 Fixed/Floating Rate Subordinated Undated Bonds issued by the Issuer) and (e) any guarantee or support agreement entered into by the Issuer in respect of any obligations of any person or entity, which guarantee or support agreement ranks, or is expressed to rank, junior to the Notes and/or *pari passu* with any class of share capital of the Issuer.

"**Liabilities**" means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the board of directors of the Issuer may determine.

"**Mandatory Interest Deferral Date**" has the meaning provided in Condition 4(*a*).

"**Mandatory Interest Deferral Event**" has the meaning provided in Condition 4(*a*).

"**Minimum Capital Requirement**" has the meaning set out in the Applicable Regulations (and, if and to the extent required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time, includes any minimum for the Solvency Capital Requirement applicable to the Group in accordance with the Applicable Regulations).

"**NBB**" has the meaning provided in Condition 1.

"**NBB System**" has the meaning provided in Condition 1.

"**NBB System Regulations**" has the meaning provided in Condition 1.

"**Notes**" has the meaning provided in the preamble to these Conditions.

"**Original Issue Date**" has the meaning provided in the preamble to these Conditions.

"**Original Notes**" has the meaning provided in the preamble to these Conditions.

"**Paying Agency Agreement**" has the meaning provided in the preamble to these Conditions.

"**Paying Agents**" has the meaning provided in the preamble to these Conditions.

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

"**Principal Paying Agent**" has the meaning provided in the preamble to these Conditions.

"**Proceedings**" has the meaning set out in Condition 17(*b*).

"**Regulatory Deficiency Event**" means any of the following events:

(i) before the implementation of the relevant parts of the Solvency II Directive, the consolidated solvency margin of the Issuer falls below 100 % of the required consolidated solvency margin or any applicable solvency margin or capital adequacy levels as applicable under Applicable Regulations; or

(ii) following the implementation of the relevant parts of the Solvency II Directive, the amount of 'own fund-items' (or whatever the terminology is employed by the Applicable Regulations from time to time) of the Issuer eligible to cover the Solvency Capital Requirement or the Minimum Capital Requirement of the Issuer or the Group (as the case may be) is not sufficient to cover such Solvency Capital Requirement or Minimum Capital Requirement; or

(iii) (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the Group under the Applicable Regulations from time to time) the Relevant Supervisory Authority notifying the Issuer that it has determined, in view of the financial and/or solvency condition of the Issuer and/or the Group, that in accordance with Applicable Regulations at such time the Issuer must take specified action in relation to deferral of payments of principal and/or interest under the Notes.

"**Regulatory Event**" means that, at any time while any of the Notes are outstanding, the Issuer (a) remains subject to consolidated regulatory supervision by the Relevant Supervisory Authority and (b) has received notice in writing from the Relevant Supervisory Authority that under the Applicable Regulations (including, without limitation, by reason of the introduction of the Future Applicable Capital Instruments Regulations) or an official application or interpretation of those rules and regulations including, without limitation, a decision of any court or tribunal, the Notes no longer fulfil the requirements of the Applicable Regulations such that they are to be fully excluded from being counted as:

(i) (prior to the implementation of the Future Applicable Capital Instruments Regulations) dated subordinated securities constituting part of the available solvency margin of the Issuer and/or (if the Notes previously constituted part of the available solvency margin of the Group) the Group; or

(ii) (following implementation of the Future Applicable Capital Instruments Regulations) Tier 2 Capital (or whatever equivalent terminology is employed by the Future Applicable Capital Instruments Regulations) of the Issuer and/or (if the Notes constitute part of the Tier 2 Capital (or whatever equivalent terminology is employed by the Future Applicable Capital Instruments Regulations) of the Group at any time following the implementation of the Future Applicable Capital Instruments Regulations) the Group,

in either case, for the purposes of the determination of its regulatory capital, except, in any case, where such exclusion results from the application of any regulatory limits on the inclusion of such securities in (prior to the implementation of the Future Applicable Capital Instruments Regulations) the available solvency margin or (following the implementation of the Future Applicable Capital Instruments Regulations) Tier 2 Capital (or whatever equivalent terminology is employed by the Future Applicable Capital Instruments Regulations).

"**Relevant Date**" means (i) in respect of any payment other than a sum to be paid by the Issuer upon a Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders, in accordance with Condition 14, and to the Trustee and (ii) in respect of a sum to be paid by the Issuer on a Winding-up, the date which is one day prior to the date of such Winding-up.

“**Relevant Supervisory Authority**” means the NBB or such other authority having primary supervisory authority regarding capital or solvency with respect to the Issuer and/or the Group.

“**Scheduled Maturity Date**” has the meaning provided in Condition 5 (a) .

“**Solvency II Directive**” means Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business of insurance and re-insurance (Solvency II), as amended.

“**Solvency Capital Requirement**” has the meaning set out in the Applicable Regulations.

“**Solvency Condition**” has the meaning set out in Condition 2 (*b*).

“**Subsidiary**” means, at any particular time, a company or other entity which is then directly or indirectly controlled or whose issued share capital (or equivalent) is then more than 50 % beneficially owned by the Issuer. For this purpose, for a company or other entity to be “**controlled**” by the Issuer means that the Issuer (whether directly or indirectly and whether by ownership of shares or equivalent or by the possession of voting power, contract or otherwise) has the power to appoint or remove all or the majority of the board of directors or other governing body of that other company or entity or has the power to control the affairs and policies of that other company or entity.

“**TARGET Business Day**” means a day (other than a Saturday or Sunday) on which the TARGET System is operating for the settlement of payments in euro.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system, or any successor thereto.

“**Taxes**” has the meaning set out in Condition 10.

“**Tax Law Change**” means a change or officially announced proposed change in, amendment or officially announced proposed amendment to, or clarification of, the laws or regulations of the Kingdom of Belgium or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the Kingdom of Belgium is or becomes a party, or any change in the official application or official interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or clarification becomes, or would become, effective on or after 10 July 2015.

“**Tier 1 Capital**” has the meaning set out in the Applicable Regulations.

“**Tier 2 Capital**” has the meaning set out in the Applicable Regulations.

“**Trust Deed**” has the meaning provided in the preamble to these Conditions.

“**Voting Certificate**” has the meaning ascribed to it in Schedule 2 of the Trust Deed.

“**Winding-up**” means any concursus creditorum (*concours de créanciers/samenloop van schuldeisers*) on all or substantially all of the assets of the Issuer, including bankruptcy (*faillite/faillissement*) and judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), except in the latter case for any voluntary dissolution without liquidation (*dissolution volontaire sans liquidation/vrijwillige ontbinding zonder vereffening*).

CLEARING

The Notes have been accepted for clearance through the Securities Settlement System under the ISIN number BE6279619330 and Common Code 125777929 with respect to the Notes, and will accordingly be subject to the NBB System Regulations (as defined in the Conditions).

The number of Notes in circulation at any time will be registered in the register of registered securities of the Issuer in the name of the NBB.

Access to the Securities Settlement System is available through those of its participants whose membership extends to securities such as the Notes.

Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax ("**Eligible Investors**") holding their securities in an exempt securities account that has been opened with a financial institution that is a direct or indirect participant in the Securities Settlement System operated by the NBB.

Securities Settlement System participants include certain banks, stockbrokers (*sociétés de bourse/beursvennootschappen*), and Euroclear and Clearstream, Luxembourg. Accordingly, the Notes will be eligible to clear through, and therefore accepted by, Euroclear and Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Euroclear and Clearstream, Luxembourg.

Transfers of interests in the Notes will be effected between Securities Settlement System participants in accordance with the rules and operating procedures of the Securities Settlement System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Securities Settlement System participants through which they hold their Notes.

The Principal Paying Agent will perform the obligations of domiciliary agent included in the Clearing Agreement.

The Issuer and the Principal Paying Agent will not have any responsibility for the proper performance by the Securities Settlement System or its participants of their obligations under their respective rules and operating procedures.

DESCRIPTION OF THE ISSUER

Unless expressly indicated otherwise in this section, this section should be read and construed in conjunction with (i) the audited consolidated annual financial statements of the Issuer prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 and the related auditors' report thereon and (ii) the unaudited condensed consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the six month period ended 30 June 2015, together with the related auditors' review report thereon, in each case, the French version as incorporated by reference in this Prospectus and an English translation as set out on respectively pages F-2 to F-135; and pages F-136 to F-181 of this Prospectus. For the avoidance of doubt, no English translation of the auditors' report that is included in the audited consolidated annual financial statements of the Issuer prepared in accordance with IFRS for the financial year ended 31 December 2013 is included in this Prospectus.

1 Overview, incorporation and history

Overview

Ethias is a leading insurer in the Belgian market, with, in terms of gross written premiums, a 8.6% market share in life insurance and a 11.3% market share in non-life insurance at the end of December 2013[5].

Ethias is the leading insurer for the Belgian public sector (public authorities) and their civil servants.

The vast majority of Ethias' insurance activities and business are carried out in Belgium (see "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes – The Issuer's activities are highly concentrated in its home country Belgium and hence vulnerable to Belgian sovereign exposure*").

For the year ended 31 December 2014, Ethias Group recorded gross inflow of EUR 2.4 billion, with EUR 1.1 billion for life insurance and EUR 1.3 billion for non-life insurance. At 31 December 2014, Ethias Group's total assets amounted to EUR 22.0 billion. For the interim period ended 30 June 2015, Ethias Group recorded gross inflow of EUR 1.4 billion, with EUR 0.6 billion for life insurance and EUR 0.8 billion for non-life insurance. At 30 June 2015, Ethias Group's total assets amounted to EUR 19.9 billion.

Ethias distributes its products mainly through direct sales. Ethias is the only significant direct insurer in Belgium, where the main distribution methods are independent brokers and banks channel.

At the end of December 2014, Ethias Group employed approximately 2,928 equivalent full time employees.

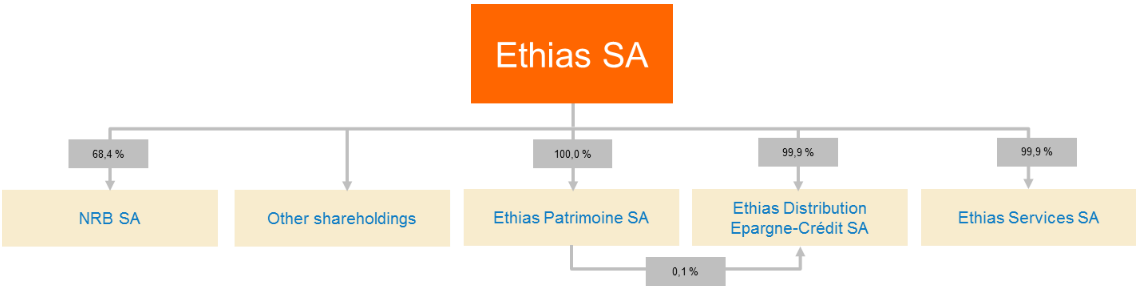
Legal form and group structure

Ethias SA is a company with limited liability (*société anonyme/naamloze vennootschap*) incorporated under the name Mauretus NV on 26 June 1964 and existing under the laws of Belgium for an unlimited duration, with its registered office at rue des Croisiers 24, 4000 Liège, Belgium (telephone number: +32 (0)4 220 31 11) and registered with the Crossroads Bank for Enterprises under number 0404.484.654.

As at 30 June 2015, the registered capital of the Issuer amounts to EUR 1.0 billion, represented by 20 million fully paid up ordinary shares without par value. All shares are in registered form.

Set out below is a simplified structure of the Ethias Group formed by the Issuer and its subsidiaries.

[5] Calculated based on internal figures and market data available in Assuralia's study "Key figures and main results of Belgian insurance in 2013", November 2014, available in French and Dutch on http://www.assuralia.be. Assuralia is the professional organisation of insurance companies in Belgium.



Ethias SA is the main operational entity of the Ethias Group as it centralises all life and non life activities, except for work accident insurance for the public sector, which is carried out by Ethias Droit Commun, one of the shareholders of Vitrufin SA, the entity controlling Ethias SA (see "*Shareholding structure*"). Approximately 95% of the activities of Ethias Droit Commun are reassured by Ethias SA.

NRB (Network Research Belgium) is a significant player in the Belgian sector of technologies and information. The computer systems of Ethias are mainly outsourced to NRB, in terms of design and operation and maintenance of the infrastructure and softwares.

Ethias Services SA is jointly held by Ethias SA and Ethias Droit Commun and was set up to respond to specific market needs in view of completing the range of services provided by Ethias SA. It is aimed at providing, among others, services of a purely administrative nature or specialised legal advice, in relation to pension fund management.

Ethias Patrimoine is dedicated to the acquisition and management of real estate and some other assets, in Belgium or abroad.

Ethias Distribution Epargne-Crédit SA was incorporated by Ethias SA in 2013 in order to allow Ethias to offer short term saving solutions to its insurance clients. To this end, Ethias Distribution Epargne-Crédit has entered into a partnership with Keytrade Bank pursuant to which it acts as a business provider for Keytrade Bank.

History

Ethias' origin roots back in the establishment in 1919 by a group of local Belgian public institutions of a fire insurance fund aimed at local Belgian public institutions. Three further funds were established in 1924 to cover workers compensation, third party liability and life insurance/pensions. All the funds started to operate as a group of mutual insurance companies, under the then name of SMAP (*Sociétés Mutuelles des Administrations Publiques*). In 1957, following the introduction of mandatory car insurance in Belgium, SMAP opened its insurance products to individual civil servants.

Although historically SMAP exclusively insured public authorities and civil servants, it came to the conclusion in 2000 that it needed to develop outside its core client base, which had limited growth potential. Also, the implementation in Belgium in the 1990s of certain European Union Directives on public procurement had resulted in increased competition in SMAP's traditional market (the pension insurance market for public authorities). Hence, in 2000, SMAP extended its services to non-public sector customers. SMAP's strategic reorientation also resulted in a significant change of emphasis of the business towards the individual life market. Between 2000 and 2004, SMAP more than doubled its market share in the life insurance market, from 7.5% in 2000 to 17.3% in 2004.

SMAP was rebranded as Ethias in 2003.

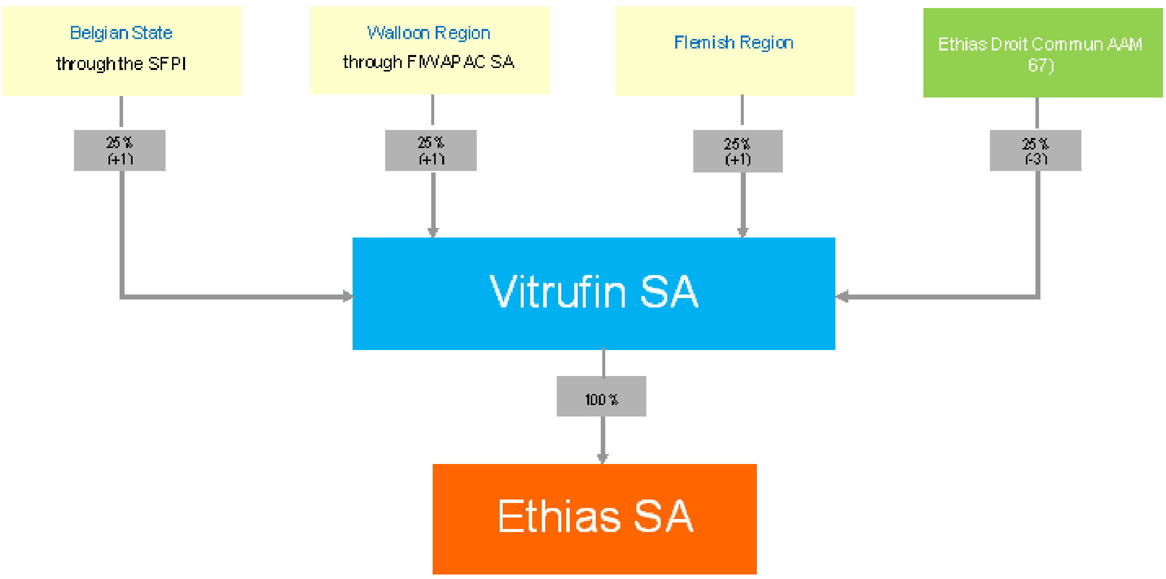
At the end of 2008, Ethias was the third insurer, by market share, on the Belgian insurance market.

When the financial crisis erupted in 2008, due to its exposure to liquidity and financial risks resulting from its Retail life insurance policies and due to its significant exposure to Dexia shares, Ethias was faced with significant solvency and liquidity concerns. In October 2008, the Belgian State, the Flemish Region and the Walloon Region injected EUR 1.5 billion of capital into Ethias SA. To this effect, Ethias had to change its corporate structure from a mutual to a limited liability company.

The above capital injection was approved by the EU Commission in its decision of 20 May 2010 as consistent with the EU legislation on state aid, subject to various commitments by Ethias, including, among others, the discontinuing of its Retail life businesses, the divesting of several businesses, and cost-cutting initiatives, which had to be achieved by the end of December 2013. At the end of December 2013 Ethias had implemented all of its commitments, except for its commitments to (i) divest its Retail life insurance portfolio through the complete sale or wind-down of all existing retail reserves and (ii) remunerate its public shareholders and following which a new decision of the European Commission was made on 12 June 2014 (see "*EU Commission requirements*").

Pursuant to the implementation by Ethias as of the financial crisis of 2008 of measures to improve its technical profitability, Ethias was able to absorb multiple significant exceptional losses in previous financial years, amongst which, (i) losses on its exposure to Dexia shares (EUR 1.5 billion), (ii) losses on its portfolio of Greek sovereign bonds and the losses in relation to certain divestments of its portfolio of complex financial products (EUR 575 million), (iii) losses in relation to the disposal of Ethias Banque (EUR 74 million) and (iv) losses resulting from the tax litigation against the tax administration (EUR 378 million) (see also "*Legal Proceedings*"). As at the date of this Prospectus, Ethias has continuously paid the annual coupon on its Tier 1 and Tier 2 subordinated debt, despite major challenges during the financial crisis.

2 Shareholding structure



Vitrufin SA is a holding company, whose shares are held by public institutions (the Belgian State, the Walloon Region and the Flemish Region) and Ethias Droit Commun.

Ethias Droit Commun is a mutual insurance association, providing worker's compensation insurance to public authorities.

Vitrufin's shareholding in Ethias has been pledged for the benefit of creditors under the EUR 278 million notes issued by Vitrufin in January 2012 (due January 2019) to finance the acquisition by Vitrufin from Ethias of the Dexia shareholding then owned by Ethias. As far as Ethias is aware, there are no other arrangements in place the operation of which may at a subsequent date result in a change of control of Ethias.

Ethias has entered into a liquidity facility agreement with Vitrufin pursuant to which it has agreed to provide certain loans to Vitrufin if necessary to enable Vitrufin to meet its interest payment obligations under the notes referred to above.

3 Credit ratings of Ethias

Ethias is rated by Fitch.

On 14 October 2015, Fitch downgraded Ethias' IFS (Insurer Financial Strength) rating to "BBB" from "BBB+" and long term IDR (Issuer Default Rating) to "BBB-" from "BBB". The downgrade of Ethias' ratings by Fitch was made solely in anticipation of the expected increase in the financial leverage ratio (FLR) of Ethias which will result from the issuance of the Notes.

The outlooks on the IFS rating and the long term IDR were affirmed as stable.

Concurrently, Fitch also downgraded Ethias' existing subordinated debt to "BB" from "BB+".

The Notes are expected to be rated BB by Fitch.

Fitch is established in the EEA and registered under the Regulation (EC) No 1060/2009 on credit rating agencies ("**CRA Regulation**"), as amended, and is included in the list of registered credit rating agencies published by ESMA on its website in accordance with CRA Regulation (the information contained on this website does not form part of this Prospectus unless otherwise specifically incorporated by reference hereto).

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

4 Business segments and organisation

4 operating segments are distinguished for IFRS segment reporting purposes:

- Non-Life - Public Sectors and Corporates;
- Non-Life Retail;
- Life - Public Sectors and Corporates;
- Life - Retail.

From an internal organisational point of view, Ethias is managed through five business units, as follows:

- The general management unit led by Bernard Thiry;
- The finance unit led by Benoît Verwilghen;
- The risk management unit led by Frank Jeusette;
- The public sectors and corporates unit led by Philippe Lallemand; and
- The retail unit led by Luc Kranzen.

5 Distribution channels

Ethias distributes its products mainly through direct sales.

For distribution to retail customers, Ethias makes use of the following direct distribution channels:

- the internet (Ethias website);
- two contact centres (counting 70 employees in aggregate); and
- a network of 41 regional offices across Belgium.

Ethias uses a number of specialised employees to manage the relationships with the public authorities clients

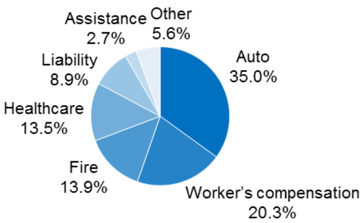
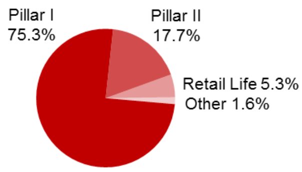
For corporates, Ethias also makes use of specialised independent brokers.

Ethias is the only significant direct insurer in Belgium, where the main distribution methods are independent brokers and banks channel.

The distribution of non-life products to retail customers is done directly by Ethias mainly trough its regional offices (84%) and its contact centres (10%). Ethias relies on both brokers (29%) and its direct distribution channel (71%) for the distribution of the non-life products to Public Sectors and Corporates. Ethias relies almost exclusively on its direct distribution network for the distribution of life products to Public Sectors and Corporates.

6 Products

The below table provides an overview of the main non-life and life products that are commercialised by Ethias and their contribution to the total gross inflow of Ethias Group for the year ended 31 December 2014:

	Non-life		**Life**
Retail €611mm 25.7%[1]	Auto Worker's compensation Fire	Healthcare Liability Assistance	Life (distributor for Intégrale): rent and certiflex (branch 21) Bank (business provider for Keytrade): savings
	Total 2014 GWP = €554mm / 23.3%[1]		**Total 2014 GWP = €58mm / 2.4%[1]**
Public Sectors and Corporates €1,764mm 74.3%[1]	Auto Worker's compensation Fire	Healthcare Liability Multi risk	Pension insurance (Pillar I)[2] Contribution insurance (Pillar I) Group insurance (Pillar II)
	Total 2014 GWP = €738mm / 31.1%[1]		**Total 2014 GWP = €1,026mm / 43.2%[1]**
Total GWP 2014 of Ethias Group €2,376 mm			
	Total Non-life 2014 GWP of Ethias Group = €1,292mm / 54.4%[1]		**Total Life 2014 GWP of Ethias Group = €1,084mm / 45.6%[1]**

*1 % of total 2014 Gross Written Premiums ("**GWP**") of EUR 2,376 million*

2 The Belgian pension landscape is based on three pillars. A first pillar is the state pension, which is paid by the state and is part of the Belgian social security system (which is financed by the social contributions paid by both the employers and the employees). Occupational pensions are the second pillar. They are sponsored by the employer and, as the case may be, the employee. These occupational pension schemes can be operated either via a group insurance or a pension fund ("OFP"). Lastly, the individual savings pension schemes are the third pillar. They cover private savings through e.g. long-term investment products, such as a life insurance. These arrangements aim at supplementing the benefits provided by the state pension and are therefore subject to a favourable tax regime (limited to a certain level of premiums per year).

Non-life insurance products

Auto

The auto insurance policies offered by Ethias provide coverage to individual, business and public sector (fleet) for third party liability (including property damage and bodily injury), as well as coverage for theft, fire and collision damage. Belgian law requires that coverage for third party liability be maintained with respect to each licensed motor vehicle. Other types of coverage, including collision, first party medical and damage suffered by the policyholder, the driver of the vehicle or the vehicle itself, are optional. Ethias offers various innovative products in this segment such as Ethias Young Drivers which provides auto insurance coverage to young drivers between the age of 18 and 26.

Worker's compensation

Belgian law provides that each employer must underwrite an insurance policy ("worker's compensation") to cover employees both in case of accidents at the workplace and in commuter traffic. Unlike most other European countries, in Belgium the private sector rather than the State social security system provides these insurance products. Although provided by the private sector, the levels of premiums are subject to control by the government, which also exerts administrative control on claims handling.

Ethias does not carry out insurance for workplace accidents for the public sector. This is carried out by Ethias Droit Commun, one of the shareholders of Vitrufin SA, the entity controlling Ethias SA (see "*Shareholding structure*").

Fire

Ethias's fire insurance policies provide coverage to each of individual, business and public sector customers. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other perils. Individual coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage for loss or damage to dwellings, damage to personal goods and liability to third parties.

Business and public sector coverage is provided to Belgian companies and public sector for buildings and facilities in Belgium, and includes ordinary and commercial risks.

Healthcare insurance

Ethias also provides hospitalisation insurance to retail.

Liability

The main product offered is private third party liability insurance, which protects all family members against damage caused to third parties in private life situations. Other liability products relate to travel and domestic staff.

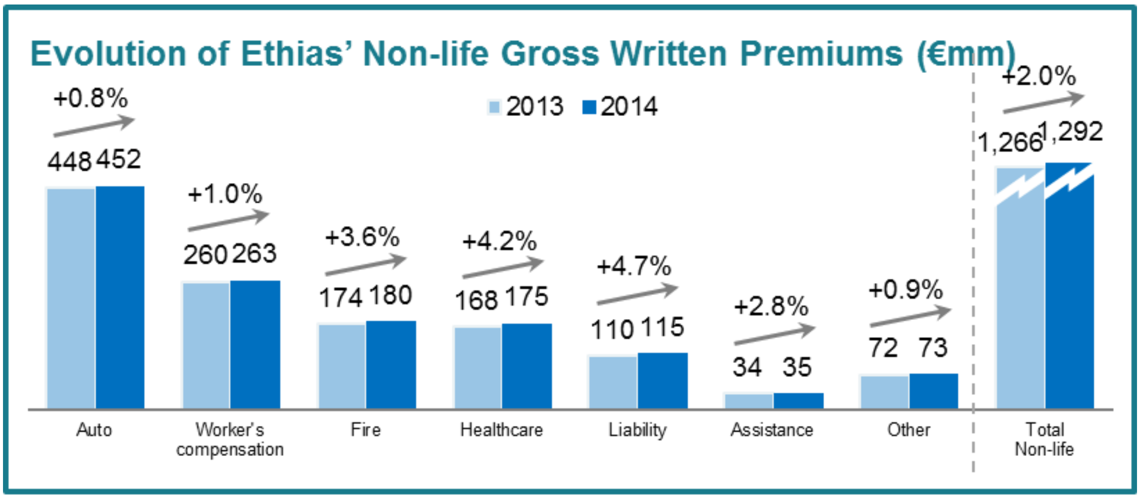
Ethias also offers liability cover for business and public sector, including also liability of board members and executive management.

Legal assistance

This product offers legal protection in civil matters.

Evolution of Ethias' non-life gross written premiums

The table below provides an overview of the evolution of the gross written premiums of Ethias in the non-life insurance segment as at 31 December 2013 and 2014:



Life insurance products

Ethias's life products consist of a broad range of products.

Public sectors and corporates

Ethias offers global employee benefits packages in pensions and health, both as a complement to regular welfare benefits, to major employers in the private sector, sector-wide organisations and the public sector.

Pension benefits include lump sums assured during life or death covering, annuities and spouses' and orphans' benefits. Ethias offers both standardised and customised products.

Health insurance includes medical cost insurance and disability benefits.

Retail customers

Further to the decision of the EU Commission of 20 May 2010, Ethias has ceased writing new life insurance products to retail customers as from May 2010. However, Ethias has concluded distribution agreements with Intégrale through which it markets to its customers, as an agent of Intégrale, Retail life products (*branche 21*) of Intégrale. Furthermore, Ethias recently restarted the underwriting and marketing of *branche 23* Retail life Products, which activity it was allowed to restart pursuant to the decision of the European Commission of 12 June 2014.

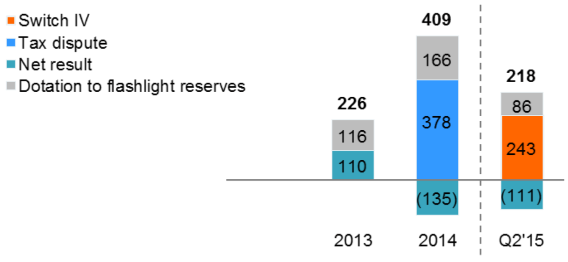
Contribution to Ethias' results per operating segment

The contribution per operating segment to Ethias' results for the six month period ended 30 June 2015 (unaudited) and the financial years ended 31 December 2014 (audited) and 31 December 2013 (audited) is set out in the tables below.

Breakdown of net result under BGAAP (€mm)

	2013	2014	Q2'15
Technical result pre-dotation	235	402	(41)
o/w Non-life	*208*	*272*	*142*
o/w Life	*28*	*130*	*(184)*
Dotation to flashlight reserves	(116)	(166)	(86)
Technical result post-dotation	119	236	(127)
o/w Non-life	*202*	*263*	*136*
o/w Life	*(83)*	*(28)*	*(263)*
Non-technical result	(24)	1	18
Extraordinary result	0	(367)	0
Tax	15	(1)	(2)
Net result	110	(132)	(111)
Net result[1]	110	(135)	(111)
For reference:			
Net result (IFRS)[2]	330	(598)	380

Evolution of net result under BGAAP (€mm)



Note: Figures in BGAAP unless otherwise stated
[1] Post transfers and withdrawals from immunisation reserves;
[2] The difference in net result in 2014 between the standalone BGAAP reporting of the Issuer and the IFRS-based reporting of Ethias Group is mainly caused by the decrease in market interest rates which gives rise to a greater increase in liabilities than in assets

The net result of the Issuer for the financial year ended 31 December 2014 amounted to EUR -135 million (in comparison to a net result of EUR 110 million for the financial year ended 31 December 2013)[6]. The net result of the Issuer for the financial year ended 31 December 2014 is impacted by the loss of EUR 378 million incurred due to the tax litigation against the tax administration (see "*Legal proceedings*") and the EUR 166 million flashing light provision (EUR 116 million in 2013)[7]. Without these exceptional elements, the operational result of the Issuer amounted to EUR 409 million for the financial year ended 31 December 2014.[8]

The net result of Ethias Group for the financial year ended 31 December 2014 amounted to EUR -598 million (in comparison to a net result of EUR 330 million for the financial year ended 31 December 2013). The difference in net result as at 31 December 2014 between the standalone Belgian GAAP reporting of the Issuer and the IFRS-based reporting of Ethias Group is mainly caused by the decrease in market interest rates which gives rise to a greater increase in liabilities than in assets.

The net result of the Issuer for the six month period ended 30 June 2015 amounted to EUR – 111 million. This net result of the Issuer is impacted by the cost of implementation of Switch IV as described in Section 11 (*Recent Developments*) (EUR 243 million) and by the flashing light provision (EUR 86 million). Without these exceptional elements, the operational result of the Issuer amounted to EUR 218 million for the six month period ended 30 June 2015.[9]

The net result of Ethias Group for the six month period ended 30 June 2015 amounted to EUR 380 million (in comparison to a net result of EUR -112 million for the six month period ended 30 June 2014). The difference between this IFRS result and BGAAP result (EUR -111 million) is mainly due to the recovery of life insurance provisions following the conclusions of the adequacy test on technical liabilities (positive evolution

6 Based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the years ended 31 December 2013 and 31 December 2014.

7 Based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the years ended 31 December 2013 and 31 December 2014.

8 Under Belgian GAAP.

9 Under Belgian GAAP.

of the macroeconomic context during the six month period ended on 30 June 2015 and the success of the implementation of Switch IV, underestimated at the end of 2014) (see also "*Switch IV*" of Section 11 (*Recent Developments*) below for further information).

7 Market position

Ethias is a leading insurer in the Belgian market, with, in terms of gross written premiums, a 8.6% market share in life insurance and a 11.3% market share in non-life insurance at the end of December 2013[10]. Ethias is the principal insurer in Belgium of life insurances to Public Sectors and Corporates.

Ethias is the leading insurer for the Belgian public sector and their civil servants. Among its public sector customers, Ethias counts the Belgian State, the Regions, the Communities, constituent bodies, the 10 provinces, more than 500 cities and municipalities, hundreds of public centres for social aid, parastatal organisations, public interest establishments, diverse associations (cultural centres, youth houses, school committees, etc.).

Ethias is the only significant direct insurer in Belgium. Among its individual customers, Ethias counts more than 1 million individual clients insured for personal risk, more than 800,000 students and teachers and nearly 1 million sports amateurs.

Life insurance market[11]

Life insurance market distribution is dominated by bank-insurance companies, which had a market share of 33% in 2013 which declined by 13.9% between 2012 and 2013. Brokers remain the second largest distribution channel (30%), followed by insurance companies offering life products directly (23.3%, mainly driven by Ethias and overall life business to public sectors and corporates). Assurfinance[12] (6.9%) and Agents (6.3%) have the lowest market share.

Non-life insurance market[13]

Within the non-life insurance market, brokers remained the dominant force in 2013 with a distribution share of 58%. Despite this dominant position, brokers are gradually losing market share to direct channels (20% mainly driven by Ethias), agents (11%), Banks (8%), and Assurfinance (3%).

8 Strategy

The strategy of Ethias is based on four key pillars: profitability, growth, innovation and values (humanity, ethics, proximity and engagement) through which Ethias aims to strengthen its position in the insurance market and to focus on new profitable and sustainable growth opportunities in market segments such as SMEs, non-profits and healthcare and services business (e.g. pension funds).

Ethias' strategy is characterised by its continuous engagement to provide clients with products and services at the best quality/price ratio in order to guarantee long-term profitability within the confines of its fundamental values, which account for dynamics of a socially responsible enterprise, and which are directly translated into the objectives of Ethias and subject to a specific ongoing monitoring by Ethias.

Ethias wants to become the reference insurer of all Belgian residents who pursue the best quality/price ratio whilst maintaining, at the same time, its privileged relationship with the public sector.

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10 Calculated based on internal figures and market data available in Assuralia's study "Key figures and main results of Belgian insurance in 2013", November 2014, available in French and Dutch on http://www.assuralia.be. Assuralia is the professional organisation of insurance companies in Belgium.

11 Assuralia; "Insurance distribution channels –2013 Figures"; February 2015 " Assurinfo".

12 Assurfinance refers to the system where an independent insurance broker also acts as an (exclusive) agent of a bank.

13 Assuralia; "Insurance distribution channels –2013 Figures" ; February 2015 " Assurinfo".

Ethias provides its retail customers with the best direct distribution of Belgium (Ethias website, two contact centres counting 70 employees in aggregate and a network of 41 regional offices across Belgium) and seeks constantly to innovate in view of proposing insurance products that satisfy, in the most adequate manner, the needs of its customers.

Further to the decision of the EU Commission of 20 May 2010, Ethias has ceased writing new life insurance products to retail customers as from May 2010. However, Ethias has concluded distribution agreements with Intégrale through with it markets to its customers, as an agent of Intégrale, life insurance products (*branche 21*) of Intégrale. In similar vein, Ethias Distribution Epargne-Crédit has entered into a partnership with Keytrade Bank allowing Ethias to offer short term saving solutions from Keytrade Bank to its insurance clients. Furthermore, Ethias recently restarted the underwriting and marketing of *branche 23* Retail life Products, as it was allowed to underwrite and market such products again pursuant to the decision of the European Commission of 12 June 2014.

Ethias also aims at serving the needs of the public sector and of the corporates through offering them a thorough and adapted range of risk management and insurance solutions (aimed at protecting their workers, their responsibility and their real estate). Founded by representatives of the public sector, Ethias has always remained faithful to its vocation of insurer of the public sector and of its civil servants.

Ethias is aimed at further improving its profitability and financial solidity.

Confronted with a macro-economic context of extremely low interest rates, Ethias is prioritising the reinforcement of its own funds in order to respect the criteria of Solvency II (which come into force as of 1 January 2016). Among other measures to this effect, Ethias (i) looks at limiting the impact of markets risks, (ii) considers, from time to time, to reinforce its capital base through the issuance of financial instruments, such as the Notes to be issued under this Prospectus, (iii) carries out further efforts on reducing all general costs and (iv) will consider further actions allowing to reduce the reserves of the Retail life insurance products (the First Products).

9 EU Commission requirements

The EU Commission, in its decision of 20 May 2010, approving the October 2008 state recapitalisation of Ethias as consistent with the EU legislation on state aid, subjected Ethias to various commitments, including also the discontinuity of its retail life businesses, the divesting of several businesses and cost-cutting initiatives, which had to be achieved by the end of December 2013.

At the end of December 2013 Ethias had implemented all of its commitments, except for its commitments to (i) divest its Retail life insurance portfolio through the complete sale or wind-down of all existing retail reserves and (ii) remunerate its public shareholders (see "*Overview, incorporation, history – History*").

(i) In relation to the disengagement from its Retail life insurance portfolio, Ethias undertook several initiatives to encourage policyholders to terminate their contracts (such as reducing guaranteed interest rate to zero when possible). However, reserves remained as at 31 December 2013 for an amount of EUR 6 billion[14]; and

(ii) In relation to the remuneration of public shareholders, Ethias (and the State of Belgium) had committed pursuant to the decision of the EU Commission of 20 May 2010 that Ethias would distribute to its public shareholders, in each year in which Ethias's solvency ratio was not lower than

[14] EUR 5,8 billion based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the year ended 31 December 2013. The valuation of the reserves in IFRS differs from the valuation of the reserves in Belgian GAAP as the IFRS valuation is made from a fair market-value perspective based on discounted future cash flows and on the assumption that all reinvestments will be made against the same interest rate that is applicable at the closing date.

150%, as dividend its after-tax profit up to the level set forth in the shareholders' agreement of 13 February 2009 between Vitrufin, the public shareholders, Ethias Droit Commun and Ethias (i.e. 10% of the initial investment of Vitrufin, i.e. EUR 150 million). However, Ethias was only able to partially comply with such commitment as it had to retain a large part of its yearly profits in view of the forthcoming entry of the Solvency II rules (which are more demanding than the Solvency I rules).

In March 2014 a formal request was made by the Belgian authorities to the EU Commission to amend the restructuring plan and associated commitments, notably in respect of the abovementioned commitments. On 12 June 2014, a new decision of the EU Commission amended the original commitments set out in its decision of 20 May 2010 and prolonged, amongst other, the deadline for the commitments regarding Retail life insurance reserves and the remuneration to the public shareholders to the end of December 2016, albeit in modified form. Subject to certain conditions, this deadline may be shortened or extended by the European Commission.

The new decision of the EU Commission of 12 June 2014[15] constrains Ethias to continue its disengagement from its Retail life insurance portfolio, but without a target threshold to be attained by 31 December 2016. Ethias will do so by continuing its incentive policy in order to accelerate the run-down of the Retail life portfolio and testing the market on the sale of the portfolio consisting of the products "First A", "First Fiscal" and "Epargne Pension".

In relation to the remuneration of public shareholders, Ethias has committed pursuant to the modified commitment set forth in the EU Commission's decision of 12 June 2014, as implemented in the shareholders' agreement of 20 June 2014 between Vitrufin, the public shareholders, Ethias Droit Commun and Ethias and replacing the shareholders' agreement of 13 February 2009, to:

– under the prudential regime Solvency I, distribute each year to Vitrufin a dividend equal to 10% of its initial investment (i.e. EUR 150 million), subject to a solvency ratio of 150% and a coverage ratio of its technical reserves of 100% being observed;

– from the application of the prudential regime Solvency II onwards (which is expected to come into effect on 1 January 2016), distribute each year to Vitrufin a dividend equal to 10% of its initial investment subject to a solvency ratio of 100% being observed;

– not to reduce the remuneration expectations of Vitrufin through the issuance of new capital instruments. Any such issuance shall be subject to approval by the EU Commission;

– if prudential authorities object to the payment of such dividend, demonstrate this to the European Commission by submitting a letter from the prudential authorities;

– cause that no dividend be up-streamed to Ethias Droit Commun until December 2016.

Certain of the other original commitments set out in the decision of the EU Commission of 20 May 2010, were, even though Ethias was in compliance with them, including, for instance, in terms of risk management principles, profitability ratio of the non-life business, management of the financial asset portfolio, the ban on acquisitions which restricts Ethias' ability to grow externally, advertising restriction, in general, extended (some of them in a modified way) until December 2016.

[15] The EU Commission noted that Ethias implemented adequate policies to accelerate the run down of the portfolio as soon as it realised that a sale would not be possible and decided to move to the internal run-down option. When contractually possible, it put the interest rate paid to policyholders to zero. The prevailing market conditions prevented Ethias from achieving a rapid run-down of the insurance contracts which guarantee a significant interest rate during the entire life of the policyholders, namely the First A Products. Customers had little interest in ending such contracts since they would probably not find an alternative investment product offering such a high interest rate

10 Key financial figures

Ethias Group's gross inflows for the year ended 31 December 2014 amounted to EUR 2,4 billion, compared to EUR 2,7 billion for the year ended 31 December 2013. Life inflows amounted to EUR 1,1 billion for the year ended 31 December 2014, compared to EUR 1,4 billion for the year ended 31 December 2013. Non-life inflows represented EUR 1,3 billion as at 31 December 2014, compared to EUR 1.3 billion as at 31 December 2013.

Ethias Group's gross inflows for the six month period ended 30 June 2015 amounted to EUR 1.4 billion, of which EUR 0.6 billion in the life segment and EUR 0.8 billion in the non-life segment. As at 30 June 2014 Ethias Group's gross inflows for the six months then ended amounted to EUR 1.4 billon, of which EUR 0.5 billion in the life segment and EUR 0.9 billion in the non-life segment.

Life technical liabilities increased to EUR 15.7 billion for year ended 31 December 2014 from EUR 14.6 billion for year ended 31 December 2013. Life technical liabilities amounted to EUR 12.8 billion for the six month period ended 30 June 2015. The decrease of the life technical liabilities compared to 31 December 2014 is mainly due to the implementation of Switch IV as described in Section 11 (*Recent Developments*).

	2014		Q2-2015	
Ethias Life	Book reserves (IFRS)	Average guaranteed interest rate	Book reserves (IFRS)	Average guaranteed interest rate
Pension savings	520	3,35%	519	3,31%
First A	4.259	3,44%	1.901	3,44%
First fiscal	482	3,19%	466	3,14%
Life classic	116	4,35%	104	4,32%
Individual annuity	24	3,32%	19	3,32%
First B	634	2,11%	471	2,44%
First Invest	249	0,00%	119	0,00%
Top First	26	2,96%	25	2,96%
Life Retail	6.309	3,10%	3.625	3,16%
Group annuity	529	3,88%	490	3,88%
Pension and group insurance common fund	3.069	3,30%	3.087	3,16%
Pension and group insurance ring-fenced fund	5.017	2,55%	4.990	2,50%
First Company & institutional	210	3,31%	152	3,24%
Group Life	8.825	2,87%	8.720	2,82%
Branch 23 (Retail)	214		139	
Branch 23 (Group)	202		209	
Accepted reinsurance	158		137	
Total	15.709		12.829	

A description of the main Ethias' life products mentioned in the table above:

— Pension savings: an insurance account characterised by renewable payments with a minimum interest rate guaranteed until the contract expires. These contracts generally expire at the 65th birthday of the insurer-taker. The annual yield is composed by the guaranteed interest rate possibly increased with a beneficial interest determined by Ethias' financial results;

— First A products: an insurance account characterised by renewable payments with a guaranteed minimum interest rate for the duration of the contract (until the death of the insurer-taker) for all contracts that have been subscribed until 31 August 2003;

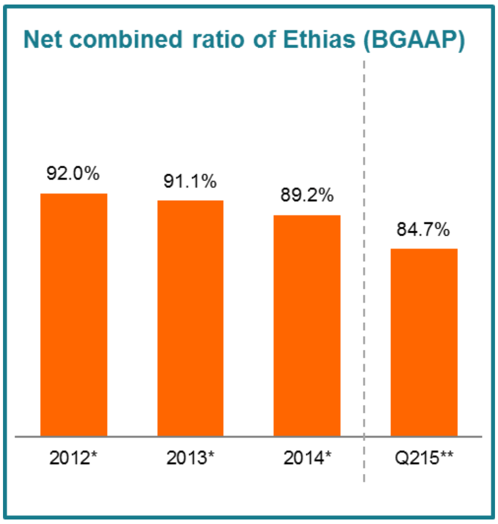
- First B products: an insurance account characterised by renewable payments with a guaranteed minimum interest rate for the duration of eight years (renewable for each period of eight years) until the 100th birthday of the insurer-taker (for contracts subscribed between 1 September 2003 and 31 December 2008);
- Group annuity: annuity paid under the group insurance contracts at the time the beneficiary of such insurance contract demands the conversion of the capital into annuity;
- Pension insurance: this product is subscribed by a public employer for the benefit of its agents that have been definitively appointed and their successors to finance all or part of their statutory pension;
- Group insurance: insurance policies subscribed by employers from the public or private sector for the benefit of their employees, self-employed workers or statutory agents in order to establish an additional pension;
- Ring-fenced fund: the insurance operations linked to a ring-fenced fund are regulated by the articles 57 to 61 of the Royal Decree of 14 November 2003 regarding life insurances. If an insurance contract is linked to a ring-fenced fund, the insurance company undertakes to distribute to the investors not only a guaranteed interest rate, but also to allocate and distribute, in the form of a beneficial interest, a portion of the profits that have been realised on the assets that are designated to this end. The profits realised by these assets are attributed to the ring-fenced fund to which those assets are dedicated;
- Common fund: the insurance operations linked to a common fund are all those operations that are not linked to a ring-fenced fund.

Ethias Group is currently analysing the implementation of certain measures to decrease the life liabilities with a guaranteed interest rate, such as:

- The transfer of the reserves in the ring-fenced funds within Branch 21 to Branch 23;
- Ring-fencing the assets backing the financing funds, which should give the opportunity to decrease the guaranteed interest rate on these reserves to 0% or to manage (entirely or partially) the assets under the Branch 23, depending on the clients' appetite.

The total combined ratio for the year ended 31 December 2014 was 89.2%, compared to 91.1% for the year ended 31 December 2013. The table below provides an overview of the evolution of Ethias' net combined ratio for the financial years 2012 to 2014[16]:

[16] Based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the financial years ended 31 December 2012, 2013 and 2014.



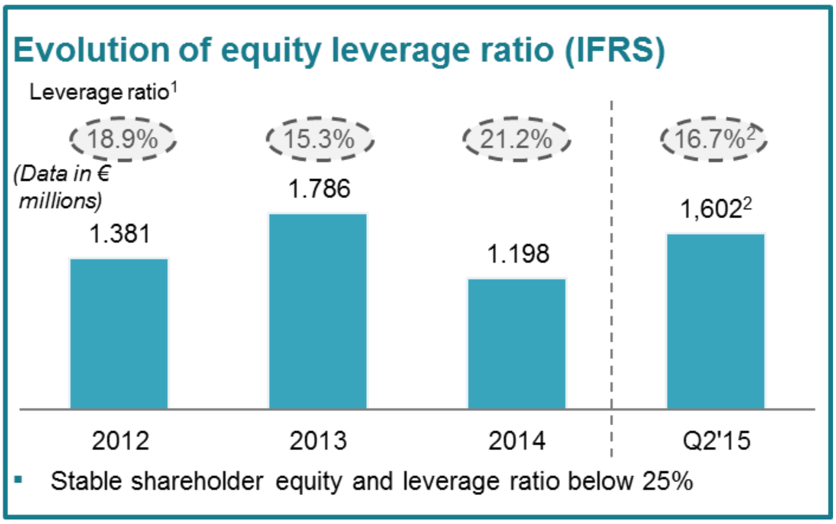
**Based on the Fitch Rating Reports in relation to the Issuer.*

*** Based on own internal calculations by the Issuer using the same methodology as for the 2012, 2013 and 2014 percentages.*

The net result for the year ended 31 December 2014 amounted to EUR -598 million (in comparison to EUR 330 million for the year ended 31 December 2013). The decrease in net result is mainly due to the loss of EUR 378 million incurred due to the tax litigation against the tax administration (see "*Legal proceedings*") and by the evolution of the interest rates which have a more significant impact on the liabilities than on the assets. The net result for the six month period ended 30 June 2015 amounted to EUR 380 million compared to a result of EUR -112 million as at 30 June 2014. The improvement of the net result of the Issuer is due to the recovery of life insurance provisions following the conclusions of the adequacy test on technical liabilities (positive evolution of the macroeconomic context and the success of the implementation of Switch IV, underestimated at the end of 2014).

Shareholders' equity for the year ended 31 December 2014 amounted to EUR 1,198 million, compared to EUR 1,786 million for the year ended 31 December 2013. The decrease in shareholders' equity resulted from the losses over the financial year 2014. The shareholders' equity as of 30 June 2015 amounted to EUR 1,602 million.

The table below shows the evolution of the shareholders' equity since 2012 until 30 June 2015:

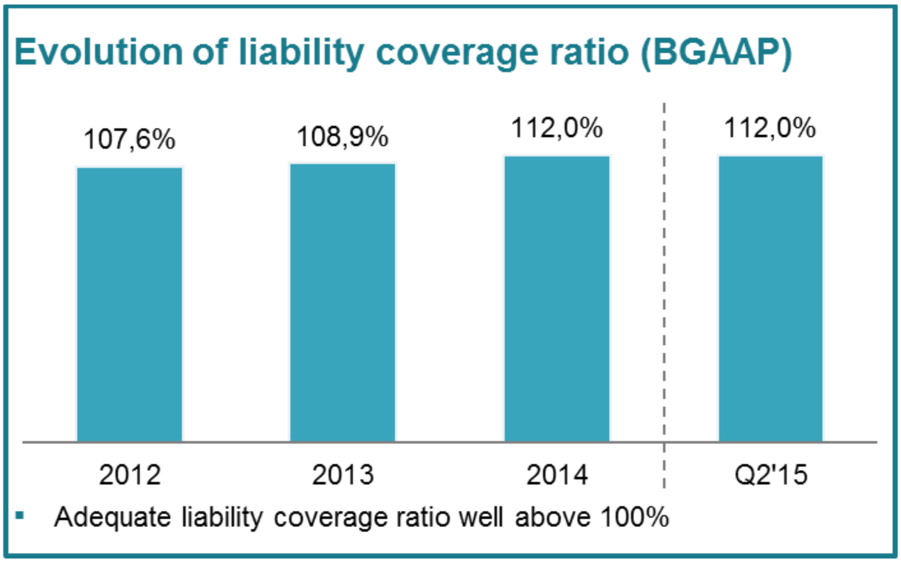


[1] *Leverage ratio calculated with EUR 321.5 million subordinated debt only.*

[2] *Including Q2'15 net income of EUR 380 million*

Liability Coverage Ratio

The liability coverage indicates the ratio between the total assets of the Issuer compared to its total liabilities. The evolution of the liability coverage ratio of the Issuer based on Belgian GAAP reporting since 31 December 2012 until 30 June 2015 is shown in the table below:



Solvency ratio I

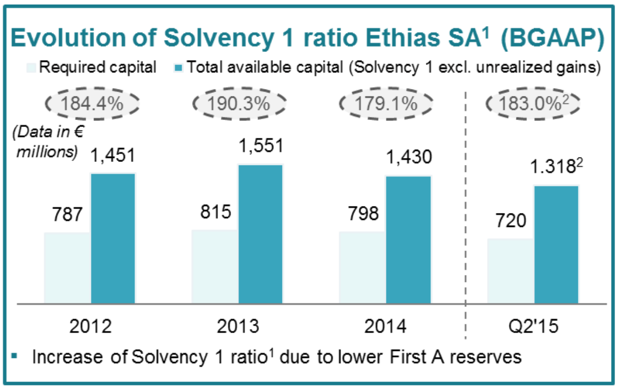
As at 31 December 2014, Ethias Group's Solvency I ratio amounted to 146%, down from 185% at the end of 2013. As at 30 June 2015, Ethias Group's Solvency I ratio was 186%.

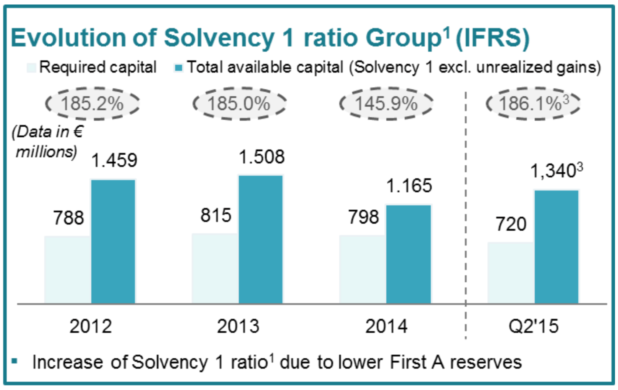
The table below sets out the calculation of Ethias Group's solvency ratio as a percentage by which the total available capital exceeds the minimum regulatory solvency requirements.

	30/06/2015	**2014**	**2013**
	(EUR mio)	*(EUR mio)*	*(EUR mio)*
Total available capital	1,340	1,165	1,508
Minimum solvency requirements	720	798	815
Amount of total capital above minimum	620	366	693
Total solvency ratio	**186%**	**146%**	**185%**

The evolution of Ethias Group's Solvency I ratio since the financial year ended 31 December 2012 until 30 June 2015 is demonstrated in the tables set out below, respectively according to IFRS and Belgian GAAP:

Evolution of the Solvency 1 ratio of Ethias Group on the basis of the IFRS reporting and the Belgian GAAP reporting:





1 *Excluding unrealized gains.*

2 *Including Q2'15 net income of EUR (111) million under Belgian GAAP impacted by one-off Switch IV gross costs of EUR 243 million and dotation to flashlight reserve of EUR 86 million.*

3 *Including Q2'15 net income of EUR 380 million.*

Ethias Group targets a capital position in excess of 125% of its Solvency II group solvency capital requirements (excluding the long-term transitional measures on the technical reserves) by year-end 2015. In the long term, Ethias Group targets a capital position in excess of 150% of its Solvency II group solvency capital requirements (excluding the long-term transitional measures on the technical reserves).

Ethias has issued three hybrid instruments:

— EUR 250 million of fixed/floating rate subordinated undated bonds (issued in 2005) of which EUR 14 million remains outstanding as at the date of this Prospectus following the completion of the Exchange Offer (as defined below). See also "*Description of the Issuer – Recent Developments – Exchange Offer*";

— EUR 75 million of fixed to floating subordinated bonds due July 2023 (issued in 2008); and

— The Original Notes in an aggregate amount of EUR 231,900,000.

As at 31 December 2014, the subordinated liabilities of Ethias represented 27.9% of its total available capital. As at 30 June 2015, the subordinated liabilities of Ethias represented 24.2% of its total available capital.

Duration gap of Ethias life and non-life portfolio

As indicated in the table below, the duration gap for the life portfolio amounted to -8.71 as at 31 December 2014 and amounted to -6.14 for the six month period ended 30 June 2015, whereas the duration gap for the non-life portfolio amounted to 0.14 as at 31 December 2014 and amounted to 0.98 as at 30 June 2015. The average duration and the duration gap are calculated on the basis of the technical provisions and on the basis of the flow of assets and liabilities as at 31 December 2014 and as at 30 June 2015. The gap duration for the life portfolio results mainly from the First A products.

	31/12/2014			30/06/2015		
	Duration Assets	Duration Liabilities	Duration gap	Duration Assets	Duration Liabilities	Duration gap
Total LIFE ° without accepted life reinsurance ° without ring-fenced funds ° except for branch 23	4,51	12,26	-8,71	6,23	12,54	-6,14
Total NON-LIFE	3,44	5,85	0,14	4,14	5,05	0,98

Several actions have been undertaken to decrease the duration gap, such as:

- reinvestment of cash in long term linear bonds ("**OLO**");
- further reduction of the shares' portfolio by reinvesting in long term OLOs;
- full transfer of the asset backed securities by reinvesting in long term OLOs;
- decision to sell bonds with a floating rate and a long term maturity during the financial year 2015 and to reinvest in long term OLOs;
- change in the mortality tables;
- the Switch IV offer during the months February and March 2015.

Furthermore, the Issuer is also implementing additional measures with a view to further reducing the duration gap (e.g. by pursuing long-term reinvestments, via the purchase of forwards and options and portfolio rebalancing).

11 Recent developments

Switch IV

Pursuant to the EU Commission's decision of 12 June 2014, Ethias has committed to continue the disengagement of the Retail life insurance by continuing its incentive policy in order to accelerate the run-down of the Retail life portfolio (and to test the market on the sale of the portfolio consisting of the products "First A", "First Fiscal" and "Pension Savings") (see "*EU Commission Requirements*").

Further to this, Ethias launched, in February 2015, an offer to holders of First A Product (dating back from before September 2003) regarding an incentive to close their contract, in all or in part, before 31 March 2015 ("**Switch IV**"). In addition to the capital and interests accrued, Ethias would pay an exit premium equivalent to 4 years of interest (for 2014), subject to, in case of a partial acceptance by a holder, the submission of a minimum amount of EUR 100,000. Around 50,000 holders were eligible to participate in this offer, for an aggregate amount of EUR 4.3 billions of reserves[17]. Further to such offer, the reserves related to First A products have decreased by EUR 2.4 billion[18], which will have a positive impact on the solvency II profile of Ethias.

As a result of the exceptional Switch IV offer the Retail life reserves have been reduced by 55% during the period between 31 December 2014 and 30 June 2015. Furthermore, despite the 14% premium offered to the holders of First A Products, Switch IV will allow Ethias to benefit from (i) the reduction of the flashlight

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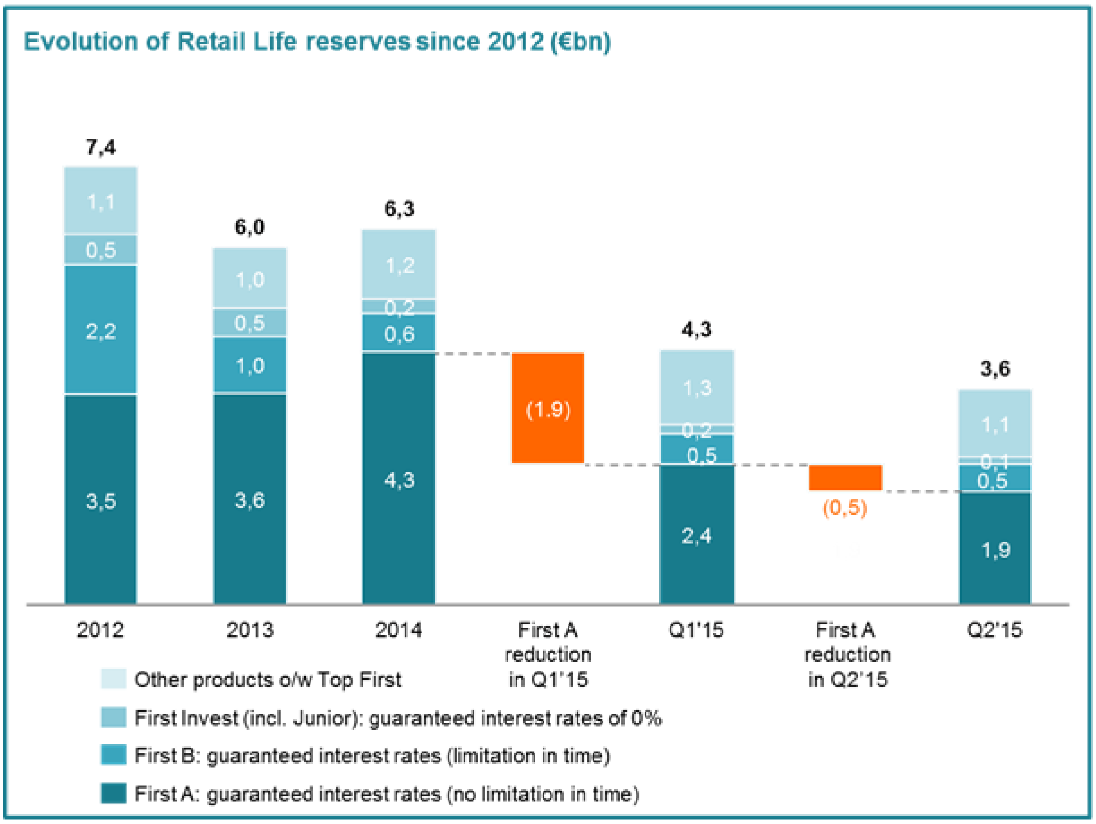
17 EUR 3.3 billon based on the audited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the year ended 31 December 2014.

18 EUR 1.8 billion based on the unaudited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the six month period ended 30 June 2015.

reserves positively impacting the life technical results in the future, (ii) the improvement of its ALM position and (iii) the positive impact on its Solvency II ratio.

As at 30 June 2015, the technical provision on the First A Products continue to amount to EUR 1.9 billion[19].

The below table sets out the evolution of Ethias' Retail life reserves since the financial year ended 31 December 2012 until 30 June 2015:



Note: Figures under IFRS unless otherwise stated; The valuation of the reserves in IFRS differs from the valuation of the reserves in BGAAP as the IFRS valuation is made from a fair market-value perspective based on discounted future cash flows and on the assumption that all reinvestments will be made against the same interest rate that is applicable at the closing date

Exchange offer

On 29 June 2015, Ethias launched an invitation to certain holders of its EUR 250 million fixed/floating rate subordinated undated bonds (ISIN: BE0930906947) (the "**Existing Bonds**") to offer to exchange any and all Existing Bonds for the Notes (the "**Exchange Offer**"). On 9 July 2015, Ethias announced that EUR 236 million of its Existing Bonds have been accepted in exchange for the Original Notes. The exchanged Existing Bonds have been cancelled on the date of completion of the Exchange Offer.

Capital plan of the Issuer

The Issuer has recently been discussing its capital plan with the NBB. The capital plan of the Issuer contemplates, amongst others, cost-reducing measures, the Exchange Offer and a future issuance of capital instruments in an aggregate amount of approximately EUR 150-200 million which is intended to be achieved (in whole or in part) by the issuance of the Notes. By letter of 24 June 2015, the NBB confirmed that it has no objection to the Issuer conducting the Exchange Offer and issuing new capital instruments as part of its capital plan (see also the risk factor "*Implementation of the capital plan*").

[19] EUR 1.4 billion based on the unaudited stand alone financial statements of the Issuer prepared in accordance with Belgian GAAP for the six month period ended 30 June 2015.

12 Risk management

Risk Governance

As an insurance company, Ethias is exposed to various risks (see "*Risk factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes*").

Such exposure is mitigated by a system of risks management.

The management of the risks to which Ethias is exposed is defined by a general policy on risks and a series of specific policies which set forth the governance framework, the measures for detection and measurement and the processes for mitigating risks.

The general policy on risks also refers to the risk appetite, which is articulated around 4 main axes: solvability, profitability, liquidity and operational excellence.

Good risks governance of an insurance company requires putting in place internal audit, compliance, risk management and actuarial control, functions. These functions are not only independent control functions but also governance functions. Their conclusions and advice translate into measures aimed at reinforcing the management structure, the organisation and the internal control.

Within Ethias, these functions are structured so as to put in place three lines of defence.

The first line of defence is ensured by the operational lines and the support functions, such as accounting, IT, human resources, management control; strategic cell, etc. This line of defence is constituted by the individuals guaranteeing the control of risks as they integrate, on a daily basis, in any task they perform, the principles of efficient risk management. Also, a number of such individuals operate as (risk management and legal/compliance cells) "risk correspondents", i.e. are contact points entrusted with the task of channelling, to the office of the Chief Risk Officer (the "**CRO**"), information necessary for the good organisation of risk management. These individuals functionally report to the CRO. The actuarial expertise is also represented in the first line of defence.

The second line of defence is the supervision of risks. It is ensured by the entities which report to the CRO: compliance, risk management and actuarial control. The CRO is a member of the Executive Committee, which allows a direct communication of risks issues to the main decision body of Ethias. The CRO is entrusted with the task of ensuring that the risks management structure of Ethias is operational and of improving its efficiency. The entities that report to the CRO assist him in his assessment of the risk profile of Ethias, of its alignment on the risk strategy and risk appetite and in the identification of future risks. This line of defence, independent from the first line of defence, maintains methodologies and processes that allow to control and supervise the structure of risks management. In case the risk profile sought by Ethias is exceeded, the second line of defence steps up, at an operational level, to initiate changes and provide support to the first line of defence in problems resolution. In order to reinforce the governance of risks, the Executive Committee of Ethias has set up four committees dedicated to risks management:

- the Risks Committee;
- the Strategic Investment Committee;
- the Insurance Reinsurance Committee; and
- the Operational Risks Monitoring Committee.

All of such committees are chaired by a member of the Executive Committee of Ethias.

The Internal Audit constitutes the third line of defence. Such line of defence provides an independent review of the quality of the processes for identifying, measuring and controlling risks. In order to ensure its independency, this entity reports directly to the CEO.

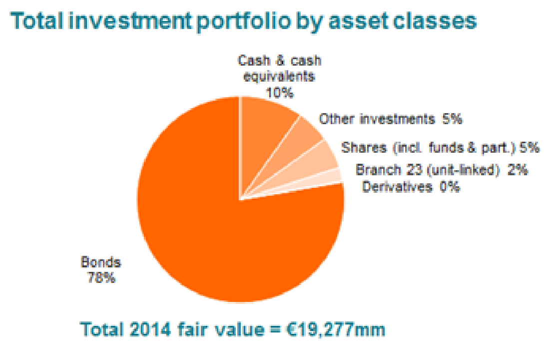
For detailed information on the various risks of Ethias and the manner in which they are effectively managed, see pages F-50 to F-67 of the audited consolidated financial statements of Ethias prepared in accordance with IFRS for the financial year ended 31 December 2014.

Credit risk

Credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that sound practices, processes and tools are in place to identify and measure the risks before and after accepting individual credit exposures. Limits and delegations (based on parameters such as internal risk class, type of counterparty) are set to determine the maximum credit exposure allowed and the level at which acceptance decisions are taken. Managing the risk at portfolio level encompasses inter alia periodic measuring and analysing of risk embedded in the consolidated loan and investment portfolios and reporting on it, monitoring limit discipline, conducting stress tests under different scenarios, taking risk mitigating measures and optimising the overall credit risk profile.

Ethias' credit exposure exists primarily in the investment portfolio and towards reinsurance companies. In order to mitigate these risks, Ethias aims at holding a well diversified and conservative investment portfolio as set out in the tables below. As at 31 December 2014, the total fair value of its portfolio amounted to EUR 19.3 billion (EUR 17.1 billion as at 30 June 2015).

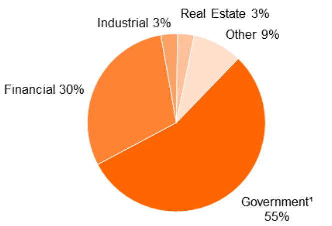
Total investment portfolio as at 31 December 2014



Asset class (€mm)	Fair value
Bonds	14,989
Cash & cash equivalents	1,893
Other investments	1,012
Shares (incl. funds & participations)	952
Branch 23 (unit-linked)	416
Derivatives	15
Total	**19,277**

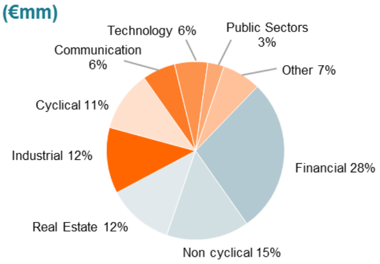
The below table provides a further breakdown of Ethias' investment portfolio (bond and shares) by sector, rating (only bond portfolio) and country as at 31 December 2014:

Bond portfolio by sector (€mm)



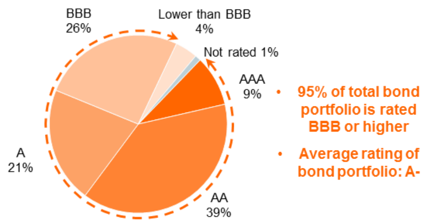
Total 2014 fair value = €14,989mm

Shares (incl. funds and participations) portfolio by sector (€mm)



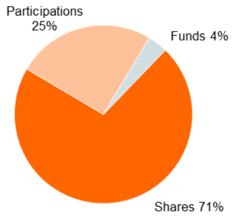
Total 2014 fair value = €952mm

Bond portfolio by rating (€mm)



Total 2014 fair value = €14,989mm

Shares (incl. funds and participations) portfolio by asset class (€mm)

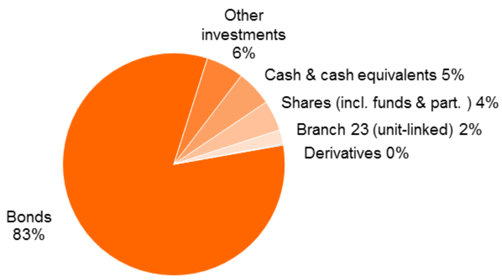


Total 2014 fair value = €952mm

Note: Figures under IFRS unless otherwise stated; Total might not add up to 100% as a result of rounding errors
¹ Including bonds issued by Public Sectors and guaranteed by the Belgian State

Total investment portfolio as at 30 June 2015

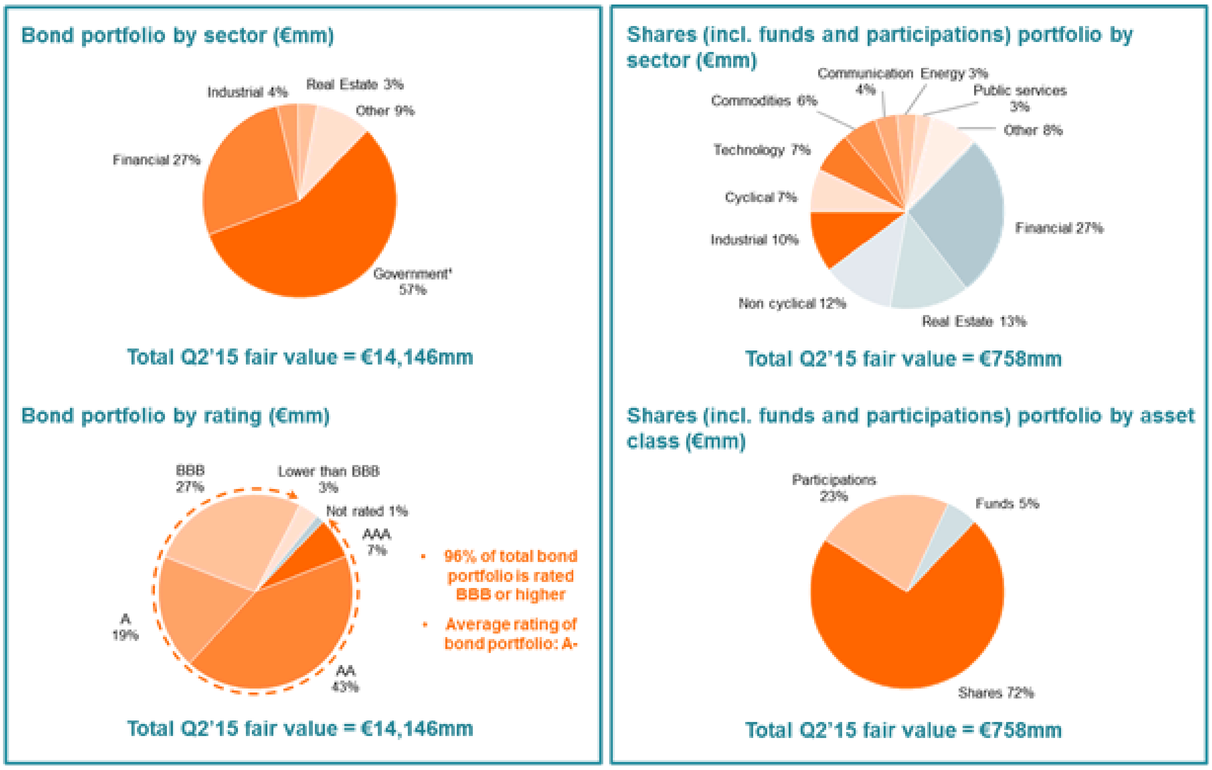
Total investment portfolio by asset classes



Total Q2'15 fair value = €17,109mm

Asset class (€mm)	Fair value
Bonds	14,146
Other investments	935
Cash & cash equivalents	893
Shares (incl. funds & participations)	758
Branch 23 (unit-linked)	348
Derivatives	29
Total	**17,109**

The below table provides a further breakdown of Ethias' investment portfolio (bond and shares) by sector, rating (only bond portfolio) and country as at 30 June 2015:



Note: Figures under IFRS unless otherwise stated; Total might not add up to 100% as a result of rounding errors
[1] Including bonds issued by Public Sectors and guaranteed by the Belgian State

Sovereign debt exposure - PIIGs

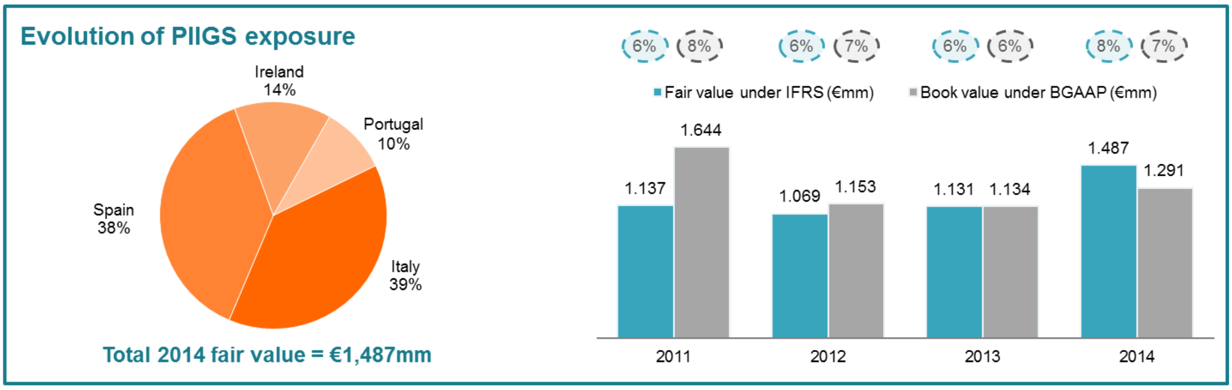
Ethias holds a significant portfolio of government bonds (42.6% of its total investment portfolio (fair value) as at 31 December 2014 and 46.9% as at 30 June 2015), primarily for the reinvestment of insurance reserves into fixed instruments.

At the end of 2010, Ethias' total portfolio of sovereign bonds of selective countries, being Greece, Portugal, Spain, Italy and Ireland, amounted to EUR 2.1 billion (book value), representing 11% of its total investment portfolio. Next to bonds maturing since that time, Ethias also conducted a number of revaluations on, registered impairments for, and sold parts of these bonds, which at 30 June 2015 brings down the total amount of this portfolio to EUR 1.3 billion (book value) (in rounded amounts), representing 8% of its total investment portfolio (Greece EUR 0.0 billion, Portugal EUR 0.1 billion, Spain EUR 0.5 billion, Italy EUR 0.5 billion and Ireland EUR 0.2 billion).

The tables below sets out the evolution of Ethias' exposure to the PIIGs since 31 December 2010 in book value and in fair value.

As at 31 December 2014

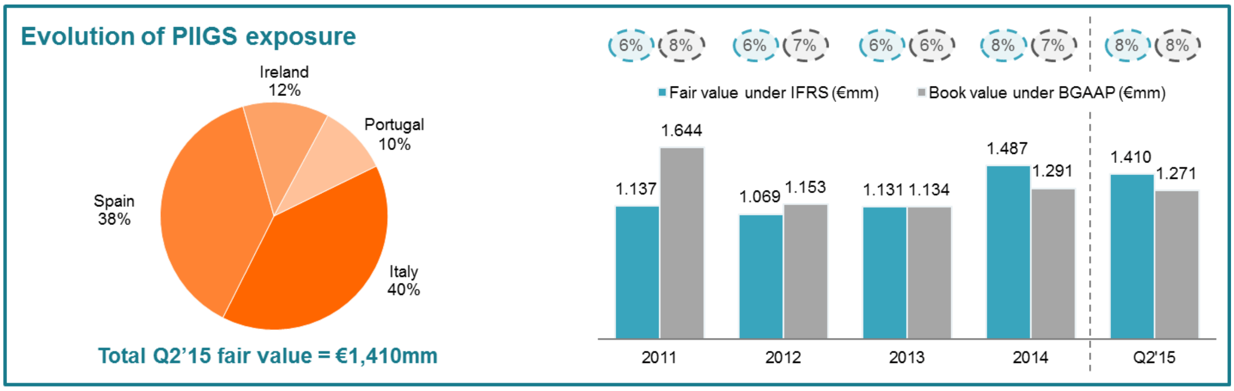
Ethias' PIIGS exposure:



Note: Figures under IFRS unless otherwise stated; Total might not add up to 100% as a result of rounding errors
x% As % of total fair value portfolio x% As % of total book value portfolio

As at 30 June 2015

Ethias' PIIGS exposure:



Note: Figures under IFRS unless otherwise stated; Total might not add up to 100% as a result of rounding errors
x% As % of total fair value portfolio x% As % of total book value portfolio

13 Insurance supervision and regulation

Introduction

Since the implementation on 1 April 2011 of the "Twin Peaks Act", the powers relating to prudential supervision have been transferred from the Banking, Finance and Insurance Commission (the "**CBFA**") to the National Bank of Belgium ("**NBB**"). The remaining supervisory powers previously exercised by the CBFA are now exercised by the Financial Services and Markets Authority (the "**FSMA**"). This autonomous public agency is in charge of supervision with regard to conduct of business rules and financial services providers (intermediaries).

EU directives have had and will continue to have a significant impact on the regulation of the insurance business in the EU, as such directives are implemented through legislation adopted within each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

The prudential supervision of insurance companies and of "systemically important financial institutions" (SIFIs) is the responsibility of the National Bank of Belgium. Ethias is monitored by the NBB both in its capacity as a SIFI and as an insurance company. In addition, Vitrufin (the holding company controlling Ethias

SA) is also monitored by the NBB in its capacity as an insurance holding, as a result of which Ethias is indirectly subject to additional consolidated prudential control.

As a SIFI, Ethias falls under the specific supervision of the NBB for all its "strategic decisions". The NBB has the right to oppose intended strategic decisions by Ethias if they are deemed to be in breach of the sound and prudent management of the SIFI or if they create a material risk for the stability of the financial sector. The NBB can also impose additional specific measures upon Ethias, including in relation to liquidity, solvency, risk concentration and risk positions, if the NBB determines that, as a SIFI, Ethias has an inadequate risk profile or if its policy can have a negative impact on the stability of the financial system.

As an insurance company, Ethias is also supervised by the NBB in relation to its capital, liquidity and solvency requirements, internal governance and organisation and fit and proper assessment of management and shareholders.

Insurance supervision and regulation in Belgium

The insurance regime in Belgium is governed by the insurance supervision act of 9 July 1975, as amended (the "**Insurance Supervision Act**"). The Insurance Supervision Act, among other things, implements the European legislation as co-ordinated by, inter alia, EU Directive 73/239 of 24 July 1973 on the co-ordination of laws, regulations and administrative provisions relating to the conduct of the business of direct insurance, other than life insurance, as amended, and EU Directive 2002/83 of 5 November 2002 concerning life insurance. It sets forth the conditions under which insurance companies may operate in Belgium and defines the regulatory and supervisory powers of the NBB and the FSMA. The regulatory framework is in some respects similar to the regulation applicable to banks in Belgium.

Supervision of insurance companies

All Belgian insurance companies must obtain a licence from the NBB before they may commence operations. In order to obtain a licence and maintain it, each insurance company must fulfil numerous conditions, including the requirement to apply certain "technical reserves" for the adequate fulfilment of its contractual and legal obligations, as well as a minimum "solvency margin" in order to cover any unforeseeable liabilities. In addition, any shareholders holding (directly or indirectly, acting alone or in concert with third parties) a substantial stake in the company (in general, this means 10% or more of the capital or the voting rights) must be of "fit and proper" character to ensure proper and prudent management of the insurance company. Moreover, any shareholder wishing to increase such substantial stake to a 20%, 33% or 50% capital or voting interest or to any stake that allows him to exercise control over the company, must disclose this to the NBB. If the NBB considers that the influence of such a shareholder in an insurance company jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation. Furthermore, a shareholder who wishes to sell his participation or a part thereof, which sale would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the NBB thereof one month in advance. The Belgian insurance company itself is obliged to notify the NBB of any such transfer when it becomes aware of it.

The Insurance Supervision Act requires insurance companies to provide detailed periodic financial information to the NBB. The NBB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to insurance companies.

Pursuant to the Insurance Supervision Act, the NBB may, in order to exercise its prudential supervision, require that all information with respect to the financial position and the transactions of an insurance company be provided to it, either by the insurance company itself or by its affiliated companies. The NBB may supplement these communications by on-site inspections. The NBB also exercises its comprehensive supervision of insurance companies through Statutory Auditors who collaborate with the NBB in its prudential supervision. An insurance company selects its Statutory Auditors from among the list of auditors or audit firms accredited by the NBB.

If an insurance company does not provide for the required technical reserves, the NBB may restrict or prohibit the company's free use of its assets. If an insurance company no longer meets the minimum solvency margin requirements, the NBB may require that a recovery plan be prepared. In general, if the NBB finds that an insurance company is not operating in accordance with the provisions of the Insurance Supervision Act, that its management policy or its financial position is likely to prevent it from honouring its commitments or that its administrative and accounting procedures or internal control systems present deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the NBB has the power to appoint a special commissioner to replace management, to prohibit or limit certain activities, to dispose of all or part of its activities, and to order the replacement of the board of directors and management, failing which it will itself appoint a provisional manager.

Insurance governance

Belgian law and regulatory practices make a fundamental distinction between the management of insurance activities, which is the competence of the executive committee, and the supervision of management and the definition of the insurance company's general policy, which is entrusted to the board of directors. In order to ensure that such a distinction is maintained, Belgian regulatory practices require an insurance company and its principal shareholders to underwrite "internal governance rules" in order to ensure the autonomy of the insurance function and the proper governance of the insurance company. The rules also require the principal shareholders of an insurance company to contribute to the institution's autonomy and stability

Solvency II

Solvency II is the updated set of capital requirements for insurance companies that operate in the European Union. The entry into force of this new regulatory framework, scheduled for 1 January 2014, was postponed in December 2013 to 1 January 2016. The final version of the delegated acts was approved by the European Parliament and the Council on 17 January 2015. As a comprehensive framework for risk management, Solvency II aims to define required capital levels based on fair value and to implement procedures to identify, measure and manage risk levels.

Money laundering

Belgium has implemented Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing by the act of 11 January 1993 (as amended from time to time). This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer and employee training requirements. When, after investigation, an insurance undertaking suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Belgian Financial Intelligence Processing Unit. This Unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings.

The predecessor to the NBB has issued guidelines that also apply to insurance undertakings and the NBB supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, paragraph 1, 2, 3 and 4 of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of 5 years and/or a penalty of a minimum of EUR 26 and a maximum of EUR 100,000 (to be increased with the additional penalty, or - in other words - to be multiplied by 6).

IFRS

The IFRS are principle-based accounting standards. IFRS Phase II will address recognition and measurement issues for insurance contracts using a fair value approach. This means that all insurance contracts will also have to be measured at fair value.

14 Material contracts

There are no material contracts that are not entered into the ordinary course of Ethias' business which could result in Ethias being under an obligation or entitlement that is material to Ethias to meet its obligations to the holders of the Bonds.

15 Management of Ethias

Ethias has a two-tier management structure composed of a board of directors (*conseil d'administration/raad van bestuur*) and of a executive committee (*comité de direction/directiecomité*). The members of the executive committee are also members of the board of directors. The board of directors is in charge of defining the company's strategy and objectives. It also controls the executive committee which is entrusted with the management of the day-to-day insurance operations.

The board of directors also set up an audit and risk committee (as provided for in Article 14*ter* of the Belgian Law of 9 July 1975 on the control of insurance companies) and a nomination and remuneration committee. Furthermore, two members of the Board are independent directors within the meaning of Article 526*ter* of the Belgian Code of Companies.

No conflicts of interests of the board members or of the members of the executive committee exist between any duties to Ethias and their private interests or other duties.

Board of directors

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

Each of the directors has its business address at rue des Croisiers 24, 4000 Liège, Belgium.

Audit and risk committee

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

Nomination and remuneration committee

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

Outside mandates of board members

Name	Company	Mandate
Jacques Braggaar	Société wallonne des aéroports	Director
	Union nationale des mutualités socialistes	Director – Adjunct general secretary
Erik De Lembre	C.L.U. Invest	Chairman of the board of directors
	Partena Business Services	Chairman of the board of directors
Claude Desseille	2 I Immo Invest	Chairman of the board of directors
	Actualic	Manager
	Allfin	Director
	Moury Management	Independent director
	Warehouses Estates Belgium	CEO
	Wilink	Chairman – Independent director
Jean-Pierre Grafé	Liège-Airport	1st vice-chairman of the board of director and of the executive committee
	Liège-Airport Business Park	Director
	Liège-Airport Security	Chairman of the board of

Name	Company	Mandate
		directors
	Société de développement de Liège-Guillemins	Director
Philip Neyt	Curalia (Insurance company)	Director
	Eurco Ltd	Director
	Leo Stevens en Cie (Investment firm)	Director
	Vladubel	Director
Willy Duron	RAVAGO	Director
	Tigenix	Director
	Windvision	Chairman of the board of directors
Olivier Henin	Brussels Airport Company	Director
	FEDIMMO	Chairman of the board of directors
	Société Fédérale de Participations et d'Investissement	Vice-chairman of the board of directors

Executive committee

Name	Mandate
Bernard Thiry	Chief Executive Officer (and chairman of the Executive Committee)
Benoît Verwilghen	Chief Financial Officer (and vice-chairman of the Executive Committee)
Frank Jeusette	Chief Risk Officer
Luc Kranzen	Head of Retail Sector
Philippe Lallemand	Head of Public and Corporates Sector

16 Legal proceedings

From time to time, Ethias is involved in litigation arising in the ordinary course of its business, both as plaintiff and as defendant. Ethias adequately manages the legal proceedings in which it is involved and customary and adequate provisions have been made.

Neither Ethias nor any of its subsidiaries are involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Ethias is aware) during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of Ethias, except for the following.

Since 2004, Ethias has been involved in a tax litigation of EUR 367.5 million, in relation to Ethias' activities in insurance pension agreements subscribed by various public institutions in order to provide legal pensions to some of their statutory agents. The Belgian tax administration claimed that Ethias should retain withholding taxes on the interest revenues allocated to the reserves under these contracts, based on the understanding that such contracts are not insurance contracts but investment contracts. Ethias' understanding was that such contracts must actually qualify as insurance contracts and that as such the revenues allocated to the reserves under this activity should not be subject to withholding tax. The claim related to certain fiscal exercises comprised in a period running from 1991 to 2008. Ethias lost the case (with respect to some of the fiscal exercises concerned) before the Court of First Instance of Liège in 2009. Ethias appealed against such decision and, in November 2014, the Court of Appeal of Liège confirmed the judgment of 2009. Pending such decision, Ethias had paid the amount of EUR 367.5 million to the Belgian tax administration. However, as Ethias believed that there was a good probability to win in appeal, it booked at the same time a receivable in its balance sheet for the same amount. Accordingly, there will be no impact of the 2014 decision on Ethias' treasury but that has impacted the accounting result for 2014 as Ethias has had to book a loss in relation to that amount. Ethias reviews the possibility of seeking further appeals on points of law before the Supreme Court of Belgium.

TAXATION

Each prospective holder of Notes should consult a professional adviser with respect to the tax consequences of an investment in the Notes, taking into account their own particular circumstances and the influence of each regional, local or national law.

EU Directive on the taxation of savings income – Exchange of information

EU Savings Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), member states of the European Economic Union (the "EU Member States" and each a "EU Member State") are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

According to the Luxembourg law dated 25 November 2014, the Luxembourg government has abolished the withholding tax system with effect from 1 January 2015 in favour of the automatic information exchange mechanism under the EU Savings Directive. Furthermore, in October 2014, Austria reportedly agreed to a proposal amending Directive 2011/16/EU which aims at reinforcing the current EU legislation in the field of automatic exchange of information and which may ultimately lead to Austria abolishing the withholding system provided for in the EU Savings Directive. This proposal was finally adopted on 9 December 2014 as Directive 2014/107/EU on administrative cooperation in direct taxation which is further described below (see "*Common Reporting Standard*").

On 24 March 2014, the Council of the European Union adopted a Directive amending the EU Savings Directive (the "**EU Amending Directive**"), which, when implemented, will amend and broaden the scope of the requirements described above. The EU Amending Directive will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the EU Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the EU Savings Directive, as amended. EU Member States have until 1 January 2016 to adopt national legislation necessary to comply with this EU Amending Directive, which legislation must apply from 1 January 2017.

On 18 March 2015, the European Commission has however proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU). The new regime under Council

Directive 2011/16/EU (as amended) is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014. Council Directive 2011/16/EU (as amended) is generally broader in scope than the Savings Directive, although it does not impose withholding taxes. The proposal also provides that, if it proceeds, EU Member States will not be required to apply the new requirements of the EU Amending Directive.

Common Reporting Standard

The exchange of information is, in the near future, expected to be governed by the broader Common Reporting Standard ("**CRS**").

On 29 October 2014, 51 jurisdictions[20] signed the multilateral competent authority agreement (MCAA), which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications.

More than 40 jurisdictions have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 ("early adopters").

Under CRS, financial institutions resident in a CRS country would be required to report, according to a due diligence standard, financial information with respect to reportable accounts, which includes interest, dividends, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which includes trusts and foundations) with fiscal residence in another CRS country. The standard includes a requirement to look through passive entities to report on the relevant controlling persons.

On 9 December 2014, EU Member States adopted Directive 2014/107/EU on administrative cooperation in direct taxation ("**DAC**"), which provides for mandatory automatic exchange of financial information as foreseen in CRS. DAC amends the previous Directive on administrative cooperation in direct taxation, Directive 2011/16/EU.

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed EU financial transaction tax

Reference is made to the section entitled "Risk Factors" (in particular, see "*Risks related to the Notes generally – The proposed financial transactions tax ("FTT")"*) which includes information on the proposed EU Financial Transaction Tax which, if adopted, could affect the taxation treatment of the Notes

Belgium

The following summary describes the principal Belgian tax considerations of acquiring, holding and selling the Notes. This information is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Notes. In some cases, different rules can be applicable. Furthermore, this description is based on current legislation,

[20] Albania, Anguilla, Argentina, Aruba, Austria, Belgium, Bermuda, British Virgin Islands, Cayman Islands, Colombia, Croatia, Curaçao, Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Italy, Jersey, Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Mauritius, Mexico, Montserrat, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turks & Caicos Islands, United Kingdom.

published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect.

Each prospective holder of Notes should consult a professional adviser with respect to the tax consequences of an investment in the Notes, taking into account their own particular circumstances and the influence of each regional, local or national law.

Belgian withholding tax

For Belgian income tax purposes, interest includes (i) periodic interest income, (ii) any amounts paid by the Issuer in excess of the issue price (upon full or partial redemption whether or not at maturity, or upon purchase by the Issuer), and (iii) in case of a sale of the Notes between interest payment dates to any third party, excluding the Issuer, the pro rata of accrued interest corresponding to the holding period.

Payments of interest on the Notes made by or on behalf of the Issuer are as a rule subject to Belgian withholding tax, currently at a rate of 25% on the gross amount. Investors should note that the Belgian government has recently officially announced to increase the general withholding tax rate (which applies, amongst other, to interest payments) from 25% to 27% as of 2016.

Securities Settlement System of the National Bank of Belgium

Notes may be held only by, and transferred only to, Eligible Investors (as defined below) holding their Notes in an X account. This section summarises the Belgian withholding tax treatment in the hands of Eligible Investors only.

Payments of interest and principal under the Notes by or on behalf of the Issuer may be made without deduction of withholding tax in respect of the Notes if and as long as at the moment of payment or attribution of interest they are held by certain eligible investors (see hereinafter "**Eligible Investors**") in an exempt securities account (an "**X Account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the Securities Settlement System operated by the NBB. Euroclear and Clearstream, Luxembourg are directly or indirectly Participants for this purpose.

Holding the Notes through the Securities Settlement System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis. Participants in the Securities Settlement System must enter the Notes which they hold on behalf of Eligible Investors in an X Account. Eligible Investors are those entities referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 (*Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier/Koninklijk Besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing*) which include, *inter alia*:

(i) Belgian corporations subject to Belgian corporate income tax;

(ii) institutions, associations or companies specified in Article 2, §3 of the Law of 9 July 1975 on the control of insurance companies other than those referred to in (i) and (iii) subject to the application of Article 262, 1° and 5° of the Belgian Income Tax Code of 1992 ("*Code des impôts sur les revenus 1992/Wetboek van de inkomstenbelastingen 1992*");

(iii) state regulated institutions (*institutions parastatales/parastatalen*) for social security, or institutions which are assimilated therewith, provided for in Article 105, 2° of the Royal Decree implementing the Belgian Income Tax Code 1992 ("*Arrêté royal d'exécution du code des impôts sur les revenus 1992/Koninklijk besluit tot uitvoering van het wetboek van de inkomstenbelastingen 1992*");

(iv) non-resident investors whose holding of the Notes is not connected to the exercise of a professional activity in Belgium as referred to in Article 105, 5° of the same Decree;

(v) investment funds, recognised in the framework of pension savings, provided for in Article 115 of the same Decree;

(vi) tax payers provided for in Article 227, 2° of the Belgian Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to Article 233 of the same Code;

(vii) the Belgian State in respect of investments which are exempt from withholding tax in accordance with Article 265 of the Belgian Income Tax Code 1992;

(viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and

(ix) Belgian resident corporations, not provided for under (i), when their activities exclusively or principally consist of the granting of credits and loans.

Eligible Investors do not include, *inter alia*, Belgian resident investors who are individuals or non-profit making organisations, other than those mentioned under (ii) and (iii) above.

Upon opening of an X Account for the holding of Notes, the Eligible Investor is required to provide the Participant with a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration requirement to the Securities Settlement System as to the eligible status, save that the Eligible Investor needs to inform the Participant of any change in the information contained in the statement of their eligible status. However, Participants are requested to make declarations to the NBB as to the eligible status of each investor from whom they held notes in an X Account during the preceding calendar year. These identification requirements do not apply to Notes held in Euroclear or Clearstream, Luxembourg as Participants to the Securities Settlement System, provided that they only hold X Accounts and that they are able to identify the holders for whom they hold Notes in such account.

Belgian tax on income and capital gains

Notes may be held only by, and transferred only to, Eligible Investors holding their securities in an X account. This section summarises the Belgian tax on income and capital gains in the hands of such Eligible Investors. This section therefore does not address the tax treatment in the hands of investors that do not qualify as Eligible Investors such as Belgian resident individuals and Belgian legal entities that do not qualify as Eligible Investors.

Belgian resident companies

Interest attributed or paid to corporate Holders that are Belgian residents for tax purposes (*i.e.* who are subject to the Belgian Corporate Income Tax ("*impôt des sociétés/vennootschapsbelasting"*)) and capital gains realised upon the sale of the Notes are taxable in principle at the ordinary corporate income tax rate of 33.99 % (or at a lower rate applicable to low income companies if certain conditions are satisfied). Capital losses realised upon the sale of the Notes are in principle tax deductible.

Belgian legal entities

Belgian legal entities subject to Belgian legal entities tax ("*impôts des personnes morales /rechtspersonenbelasting*") and which qualify as Eligible Investors (as defined in the section "Belgian withholding tax") and which consequently have received gross interest income are required to report and pay the withholding tax, currently at a rate of 25% (to be increased from 25% to 27% as of 2016), to the Belgian tax administration themselves (which withholding tax then generally constitutes the final taxation in the hands of the relevant investors).

Capital gains realised on the sale of the Notes are, in principle, tax exempt, unless and to the extent the capital gains qualify as interest (as defined in the section "Belgian withholding tax"). Capital losses are, in principle, not tax deductible.

Belgian non-residents

Non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are in principle subject to the same tax rules as Belgian resident companies (see above).

Holders who are not residents of Belgium for Belgian tax purposes and who are not holding the Notes through their permanent establishment in Belgium, will not become liable for any Belgian tax on income or capital gains by reason only of the acquisition or disposal of the Notes provided that they qualify as Eligible Investors and that they hold their Notes in an X Account.

European Directive on taxation of savings income in the form of interest payments

The EU has adopted European Council Directive 2003/48/EC on the taxation of savings income (hereinafter "**EU Savings Directive**"). The EU Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or to certain other persons established in that other EU Member State (hereinafter "**Automatic Exchange of Information**"). However, for a transitional period, Austria may instead operate a withholding system in relation to such payments, subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld (the "**Source Tax**").

Reference is made to the section entitled "*EU Directive on the Taxation of Savings Income – Exchange of Information*" for more details on the scope of the Savings Directive and the latest legislative initiatives.

Notes may be held only by, and transferred only to, Eligible Investors holding their securities in an X Account. This section summarises the application of the EU Savings Directive in the hands of such Eligible Investors. This section therefore does not address the tax treatment in the hands of investors that do not qualify as Eligible Investors, such as Belgian resident individuals.

Individuals not resident in Belgium

Interest paid or collected through Belgium on the Notes and falling under the scope of application of the EU Savings Directive will be subject to the Automatic Exchange of Information.

Tax on stock exchange transactions

A tax on stock exchange transactions ("*beurstaks"/"taxe sur les opérations de bourse"*) will be due on the purchase and sale of the Notes on a secondary market if such transaction is either entered into or carried out in Belgium through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09 % with a maximum amount of EUR 650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

However, no tax on stock exchange transactions will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the Code of miscellaneous taxes and duties ("*Code des droits et taxes divers"/ "Wetboek diverse rechten en taksen"*).

As stated in the section entitled "Risk Factors" (in particular, see "*Risks related to the Notes generally – The proposed financial transactions tax ("FTT")"*), the EU Commission published on 14 February 2013 the

Commission's Proposal for a FTT. The Commission's Proposal currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Commission's Proposal is still subject to negotiation between the Participating Member States and therefore may be changed at any time.

Luxembourg

The information below concerning certain withholding tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law is of a general nature only. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their own professional advisers as to the effect of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concept, refers to Luxembourg tax law and/a concepts only.

(a) Luxembourg withholding tax

Under Luxembourg tax laws currently in effect and with the possible exception of interest paid to certain individuals and to certain residual entities (as described below), there is no Luxembourg withholding tax on payments of interest, including accrued but unpaid interest. There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individuals and to certain residual entities (as described below), upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

(b) Individuals resident in Luxembourg

In accordance with the law of 23 December 2005, as amended (the "**Law**"), a 10 % withholding tax is levied on payments of interest or similar income made or ascribed by a paying agent (defined in the same way as in the Savings Directive) established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity[21] and securing such payments for the benefit of such individual beneficial owner, such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Financial Transaction Tax

On 14 February 2013, the EU Commission published a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**"). Pursuant to the Draft Directive, the FTT shall be implemented and enter into effect in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain; the "Participating Member States").

The Draft Directive has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Draft Directive, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one

[21] (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependant and associated territories of EU Member States (the "**Territories**"), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories.

party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the Participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective Holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with the subscription, purchase, holding or disposal of the Notes.

FATCA Withholding

Pursuant to certain provisions of U.S. law commonly known as FATCA, non-U.S. financial institutions that enter into agreements with the IRS ("**IRS Agreements**") or become subject to provisions of local law intended to implement an intergovernmental agreement ("**IGA legislation**") entered into pursuant to FATCA, may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 % from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding may be required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) 1 July 2014 in respect of certain US source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) 1 January 2017 (at the earliest) in respect of "foreign passthru payments." FATCA withholding in respect of foreign passthru payments is not required for "obligations" that are not treated as equity for U.S. federal income tax purposes unless such obligations are issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed with the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Belgium) have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are held within the Securities Settlement System (See "*Belgian taxation — Belgian withholding tax*"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer or any paying agent, given that each of the entities in the payment chain between the Issuer and the Participants in the clearing system is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes.

However, FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any IGA legislation, if applicable) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are expected to be used by the Issuer for general corporate purposes and to strengthen the Issuer's capital base.

The expenses in connection with the admission to trading of the Notes are expected to amount to EUR 5,845.

SUBSCRIPTION AND SALE

ABN AMRO Bank N.V., BNP Paribas and J.P. Morgan Securities plc (the "**Managers**") have, pursuant to a Subscription Agreement dated 3 November 2015 (the "**Subscription Agreement**"), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at 80.00 per cent. of their principal amount plus accrued interest from (and including) the Original Issue Date to (but excluding) the Issue Date (the "**Issue Price**") less certain fees and commissions.

The Issuer has also agreed to reimburse the Managers for certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes.

Each of the Managers is entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

General

Neither the Issuer nor any of the Managers has made any representation that any action will be taken in any jurisdiction by the Manager or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of he Managers has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**Financial Services and Markets Act**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act would not apply to the Issuer, if the Issuer was not an authorised person; and

(b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Authorisation

The creation and issue of Notes have been duly authorised by resolutions of the Issuer's Board of Directors dated 4 June 2015, 19 June 2015, 24 June 2015 and 18 September 2015.

Listing and admission to trading of Notes on the regulated market of the Luxembourg Stock Exchange

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. BNP Paribas Securities, Luxembourg Branch, having its registered office at Rue de Gasperich 33, L-5826 Hesperange, Luxembourg, has been appointed as listing agent for that purpose.

Documents Available

For the period of 12 months starting on the date of this Prospectus, copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:

(a) the articles of association (*statuts/statuten*) of the Issuer, in French; and

(b) a copy of this Prospectus together with any supplement to this Prospectus or further prospectus;

(c) the audited consolidated annual financial statements of the Issuer prepared in accordance with IFRS, for the financial year ended 31 December 2013 and 31 December 2014 and the related auditors' reports thereon; and

(d) the unaudited condensed consolidated interim financial statements of the Issuer prepared in accordance with IFRS, for the six month period ended 30 June 2015 and the auditors' review report thereon.

This Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Clearing Systems

The Notes have been accepted for clearance through the Securities Settlement System, which has links to Euroclear and Clearstream Luxembourg. The appropriate ISIN is BE6279619330 and the common code is 125777929.

The address of the NBB is De Berlaimontlaan 14, 1000 Brussels, Belgium, the address of Euroclear is 3 Boulevard du Roi Albert III, B.1210 Brussels, Belgium and the address of Clearstream Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg.

Significant or Material Change

Save as disclosed in sections "*Description of the Issuer – Recent developments*" and "*Description of the Issuer – Litigation*", there has been:

(a) no significant change in the financial or trading position of the Issuer since 30 June 2015; and

(b) no material adverse change in the prospects of the Issuer since 31 December 2014.

Litigation

Other than as set out in Section "Description of the Issuer – legal proceedings", each of the Issuer and its subsidiaries is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of Ethias.

Statutory Auditors

The statutory auditors of the Issuer are PricewaterhouseCoopers bcvba (*erkende revisor/réviseur agréé*), represented by K. Cappoen, with offices at Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe. The auditors of the Issuer are members of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. The IFRS consolidated financial statements of the Issuer as well as the stand alone financial statements prepared in accordance with Belgian GAAP for the years ended 31 December 2013 and 31 December 2014 have been audited in accordance with the International Standards of Auditing and the audits resulted, in each case, in an unqualified opinion.

The reports of the auditors of the Issuer are included in the form and context in which they are included, with the consent of the auditors who have authorised the contents of that part of this Prospectus.

Managers transacting with the Issuer

So far as the Issuer is aware, no person involved in the offer has any interest, including conflicting ones, that is material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or its affiliates in the ordinary course of business.

Yield

The yield of the Notes will be 7.936% per annum. The yield is calculated as at the Issue Date on the basis of the Issue Price minus the accrued interest. It is not an indication of future yield.

English translation of the financial statements in relation to the Issuer

The following section contains an English translation of (i) the audited consolidated annual financial statements of the Issuer, prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 together with the related auditors' report thereon and (ii) the unaudited condensed consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the six month period ended 30 June 2015, together with the related auditors' review report thereon, as set out on respectively pages F-2 to F-135; and pages F-136 to F-181 of this Prospectus. For the avoidance of doubt, no English translation of the auditors' report that is included in the audited consolidated annual financial statements of the Issuer prepared in accordance with IFRS for the financial year ended 31 December 2013 is included in this Prospectus.

The Issuer confirms that this is a translation into English of the financial statements (and where relevant of the statutory auditors' report) issued in French and is provided solely for the convenience of English speaking users and that the translations thereof are accurate. In case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

English translation of the audited consolidated annual financial statements of the Issuer, prepared in accordance with IFRS for the financial years ended 31 December 2013 and 31 December 2014 together with the related auditors' report thereon

ANNUAL REPORT 2014
Ethias Group

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

TABLE OF CONTENTS

INTRODUCTION

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

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

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

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

KEY FIGURES

Essential data of the consolidated income statement

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

Essential data of the consolidated financial position

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

Legal coefficients

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

Other key figures

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

GOVERNANCE REPORT (ON 31 JANUARY 2015)

1. The Management Committee

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

2. The Board of Directors

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

Tribute to Mr. Steve Stevaert

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

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

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

3. The Audit and Risk Committee

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

4. The Appointments and Remuneration Committee

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

5. The statutory auditor

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

6. External offices exercised by the leaders of the Group

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

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

6.1. Directors of Ethias SA

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

6.2. Effective leaders of Ethias SA

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

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

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

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

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

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

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

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

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

MANAGEMENT REPORT

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

1.1. European Commission

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

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

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

These commitments mainly concern:

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

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

1.2. Tax dispute

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

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

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

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

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

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

1.3. Fitch rating

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

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

1.4. Other facts in a number of dates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Result of the financial year

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

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

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

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

2.1. Analysis of the results of the financial year

2.1.1. Private individuals

Non-Life

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

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

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

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

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

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

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

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

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

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

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

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

Life

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

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

2.1.2 Public and Corporate Department

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.1.3 Finance

Investment policy

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

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

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

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

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

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

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

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

The market conditions in 2014

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

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

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

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

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

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

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

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

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

3. Profit sharing and refunds

The following profit sharings and refunds are proposed:

Life activities

- **Group insurances**

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

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

- **Individual insurances**

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

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

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

- **Interest rate contracts**

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

- **Capitalization contracts (branch 26)**

  No profit sharings are provided for these contracts.

Life activities

No refunds are granted.

4. Assessment of internal control

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

In terms of control environment:

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

In terms of risk assessment:

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

In terms of controlling activities:

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

In terms of information and communication:

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

In terms of steering:

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

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

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

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

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

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

5. Risk governance

We refer to note 9 of the financial statements.

6. Reinsurance

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

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

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

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

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

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

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

7. Information regarding environmental and employee matters

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

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

8.1 Macroeconomic environment

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

8.2 Solvency II and ORSA 2014

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

Solvency II implies:

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

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

9. Other activities of the Group

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

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

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

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

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

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

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

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

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

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

In the balance, we note the following headings:

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

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

10. Events occurring after the financial year was closed

10.1. Run-down of the activity Life Private Individuals

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

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

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

The statements and notes 1 to 14 form an integral part of the consolidated financial IFRS statements as at 31 December 2014.

We decided to recognize the mutual insurance association CL in accepted reinsurance in 2014. Therefore, we accordingly adjusted the 2013 balance sheet.

2. Consolidated income statement

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

a) *Net of reinsurance.*

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

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

3. Statement of consolidated comprehensive income

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

4. Consolidated cash flows statement

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

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

5. Consolidated statement of changes in equity

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

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

Amounts are disclosed net of taxes.

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

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

6. General information

6.1 The Group

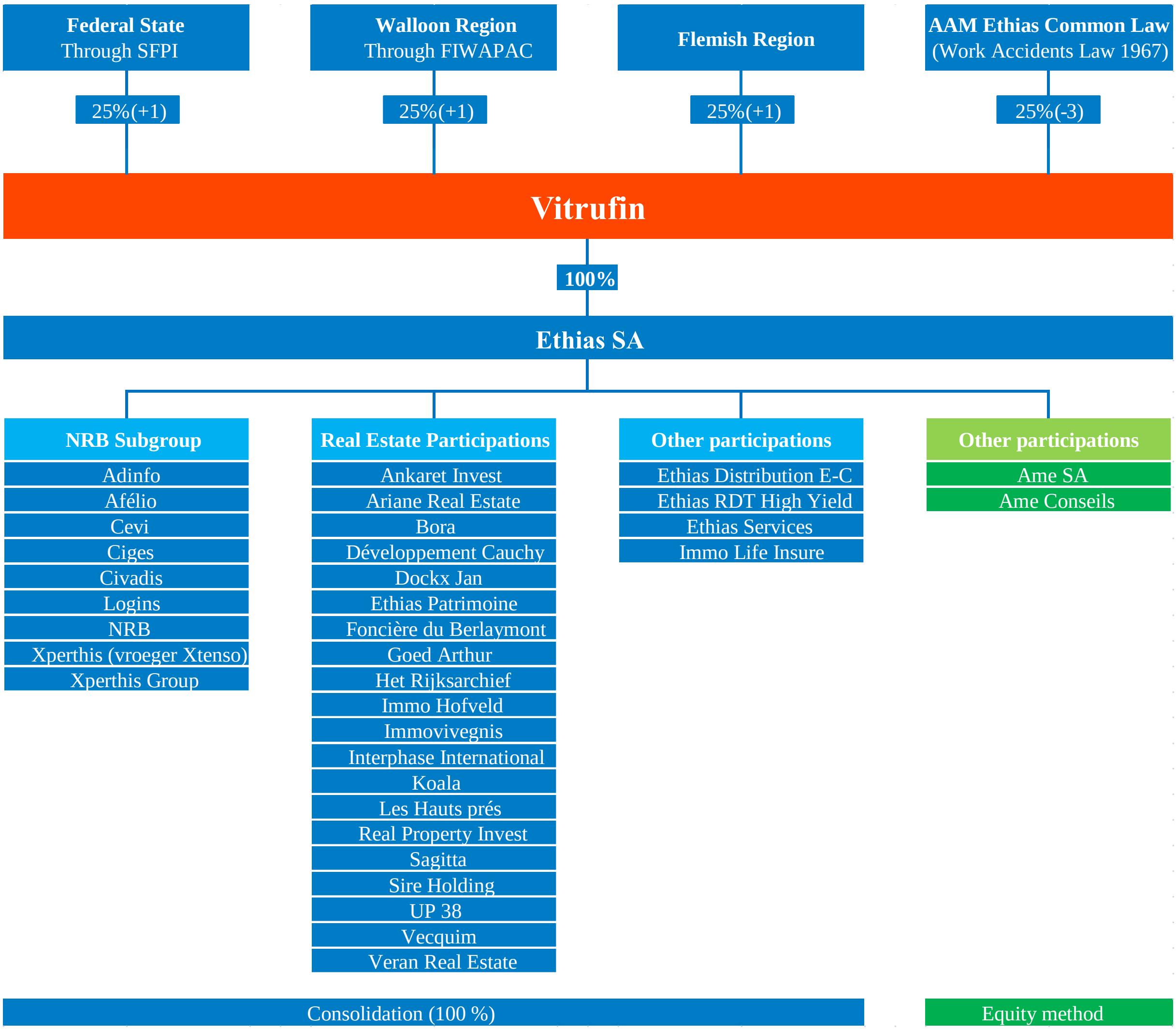
Ethias SA is the consolidating company of the Ethias Group.

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

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

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

Its legal structure is as follows:



6.2 Scope of consolidation

6.2.1 List of consolidated subsidiaries

				2014		2013		
	Country	Sector	Currency	Integration percentage on 31 December	Control percentage on 31 December	Integration percentage on 31 December	Control percentage on 31 December	Variation in scope
Consolidating company:								
Ethias SA	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	
Consolidated companies with 100 % consolidation:								
Immo Life Insure	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	In liquidation
Ethias Distribution Epargne-Crédit	Belgium	Other	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias RDT High Yield	Belgium	Other	EUR	95.71%	95.71%	100.00%	100.00%	
Ethias Services	Belgium	Other	EUR	99.90%	99.90%	99.90%	100.00%	
Ankaret Invest	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ariane Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Bora	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Développement Cauchy	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Dockx Jan	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Ethias Patrimoine	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Foncière du Berlaymont	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Goed Arthur	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Het Rijksarchief (State Archives)	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Immo Hofveld	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Immovivegnis	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Interphase International	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2014
Koala	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Les Hauts prés	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Real Property Invest	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2014
Sagitta	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sire Holding	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Integrated in 2014
UP38	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Vecquim	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Veran Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Civadis	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Adinfo	Belgium	IT	EUR	34.88%	51.00%	34.88%	51.00%	
Afelio	Belgium	IT	EUR	51.36%	75.10%	51.36%	75.10%	
Cevi	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
Ciges	Belgium	IT	EUR	37.61%	100.00%	0.00%	0.00%	Acquired in 2014
G.I.	Belgium	IT	EUR	0.00%	0.00%	100.00%	100.00%	Taken over by NRB
G.I.E.I.(*)	Belgium	IT	EUR	0.00%	0.00%	100.00%	100.00%	Taken over by NRB
Logins	Belgium	IT	EUR	34.88%	100.00%	34.88%	100.00%	
NRB	Belgium	IT	EUR	68.39%	68.39%	68.39%	68.39%	
Stesud	Belgium	IT	EUR	0.00%	0.00%	34.88%	100.00%	Taken over by Civadis
Xperthis (former Xtenso)	Belgium	IT	EUR	37.61%	100.00%	37.61%	100.00%	
Xperthis Group	Belgium	IT	EUR	37.61%	55.00%	37.61%	55.00%	
Associates and equity method:								

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

(*) Economic Interest Grouping without capital of which the Group holds the main control.

The control percentage corresponds to the direct percentage of ownership in the subsidiaries.

6.2.2 List of the non-consolidated subsidiaries

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

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

6.3 Presentation of the NRB subgroup

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

6.3.1 Consolidated balance sheet

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

6.3.2 Consolidated income statement

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

a) *Net of reinsurance*

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

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

6.3.3 Statement of consolidated comprehensive income

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

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

6.4 Acquisitions and disposals of subsidiaries

6.4.1. Acquisitions

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

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

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

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

6.4.2. Disposals

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

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

7. Summary of significant accounting principles

7.1 Basis of preparation of the consolidated financial statements

7.1.1 General principles

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

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

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

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

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

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

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

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

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

7.1.3 Future standards and interpretations

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

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

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

7.2 Consolidation principles and methods

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

The subsidiaries are the entities controlled by the Group.

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

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

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

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

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

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

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

7.3 Business combinations

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

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

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

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

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

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

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

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

7.4 Foreign currency translation and transactions

7.4.1 Functional and presentation currency

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

7.4.2 Transactions and balances

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

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

7.5 Intangible assets

7.5.1 Goodwill

7.5.1.1 Measurement

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

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

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

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

7.5.1.2 Impairment

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

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

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

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

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

7.5.2 Other intangible assets

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

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

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

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

7.6 Property and investment property

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

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

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

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

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

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

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

7.7 Other tangible fixed assets

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

7.8 Financial investments

7.8.1 Classification

Financial instruments are classified into the following categories:

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

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

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

7.8.2 Reclassifications

Only the following reclassifications are allowed:

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

7.8.3 Initial recognition

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

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

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

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

7.8.4 Measurement

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

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

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

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

7.8.5 Impairment

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

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

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

Financial assets available for sale

Securities

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

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

Bonds

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

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

Criteria for determining durable losses in value

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

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

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

Revaluation reserve

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

Financial liabilities valued at amortized cost

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

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

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

7.8.6 De-recognition

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

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

7.9 Derivative financial instruments

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

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

Hedge accounting

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

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

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

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

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

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

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

7.10 Reinsurance

Disposals

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

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

Acceptances

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

7.11 Receivables

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

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

7.12 Cash and cash equivalents

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

7.13 Equity

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

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

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

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

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

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

7.14 Liabilities for insurance and investment contracts

7.14.1 Classification

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

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

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

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

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

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

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

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

7.14.2 Measurement and recognition

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

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

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

Non-Life insurance contracts

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

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

Claims management costs are provisioned.

Mathematical provisions are also established to cover constituted annuities.

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

Life insurance contracts

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

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

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

Investment contracts with discretionary participation features

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

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

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

Investment contracts without discretionary participation features

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

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

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

Unit-linked insurance contracts

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

Shadow accounting and provision for deferred profit sharing

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

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

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

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

Liability Adequacy Test (LAT)

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

Embedded derivatives

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

Revenue recognition

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

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

7.15 Subordinated debts and financial debt

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

7.16 Provisions

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

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

Provisions are recognized when:

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

7.17 Lease contracts

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

The Group as lessee

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

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

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

The Group as lessor

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

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

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

7.18 Employee benefits

Post-employment benefits

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

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

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

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

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

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

Short-term benefits

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

Other long-term benefits

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

Early retirement

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

Other contract termination compensation

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

7.19 Discontinued operations and available-for-sale assets

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

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

7.20 Revenue recognition

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

Income from insurance activities

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

Financial earnings

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

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

Other goods and services

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

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

7.21 Income taxes

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

7.22 Contingent liabilities

A contingent liability is:

- a possible liability resulting from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not fully within the Group's control; or

- a present liability resulting from past events, but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability or that the amount of the liability cannot be measured with sufficient reliability.

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

7.23 Events after the balance sheet date

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

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

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

8. Critical accounting estimates and judgments

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

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

8.1 Fair value of financial instruments

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

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

8.2 Insurance and investment liabilities

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

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

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

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

8.3 Employee benefits

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

8.4 Deferred taxes

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

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

9. Management of financial and insurance risks

9.1 Introduction

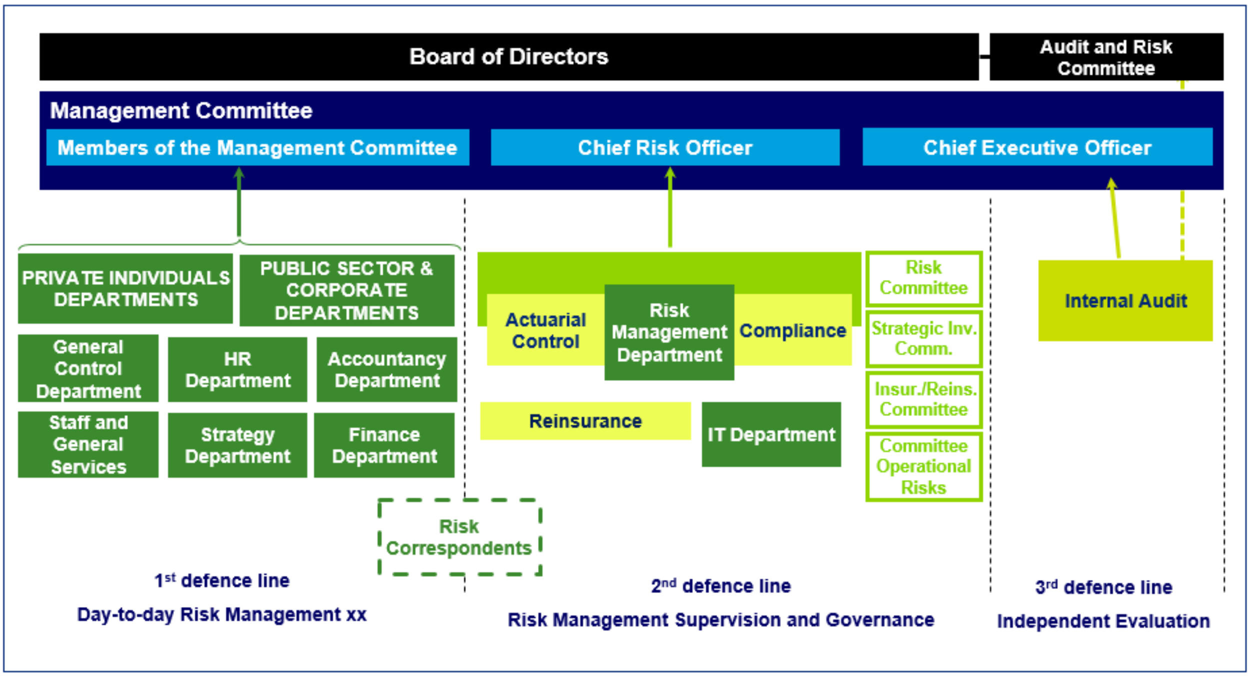
Besides its business activity consisting in the management of the risks subscribed by its customers, an insurance company, as well as any other company, is confronted with different categories of risks. In such circumstances, it is a matter of managing the uncertainty as satisfactorily as possible, by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

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

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

9.2 Governance with regard to risk management

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



First defence line - the daily follow-up of risks

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

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

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

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

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

Second defence line - the supervision of risks

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

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

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

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

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

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

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

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

Third defence line - the independent evaluation

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

9.3 Solvency II

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

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

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

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

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

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

9.4 Typology of risks

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

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

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

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

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

External and operating environment risks			
Reputational risk	Strategical risk	Group risk	Business risk

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

9.5 Risk Management policy

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

9.5.1 Risk Cartography

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

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

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

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

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

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

9.5.2 Risk appetite

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

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

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

9.5.3 Stress testing and capital planning process

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

9.6 Insurance risks

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

The insurance risks are mainly borne and managed at the level of Ethias SA, the other companies of the Group exercise no insurance activity. Consequently, the sensitivity analyses in Life and Non-Life hereafter, are only carried out on the level of Ethias NV.

9.6.1 Non-Life

9.6.1.1 Nature and extent of the risks

Non-Life underwriting risk:

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

- Premium and reserve risk

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

- Catastrophe risk

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

Special Health underwriting risk

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

SLT Health (Similar to Life Techniques) underwriting risk

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

- Mortality risk

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

- Longevity risk

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

- Disability/morbidity risk

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

- Expense risk

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

- Revision risk

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

- Termination risk

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

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

- Premium and reserve risk

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

- Termination risk

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

- Catastrophe risk

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

9.6.1.2 Sensitivity analysis

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

In thousands of euros, *solely Ethias SA*	2014	2013
Reserve risk		
Increase by 10% in general costs	(12,061)	(12,274)
Increase by 5% in claims	(46,986)	(45,011)

9.6.2 Life

9.6.2.1 Nature and extent of the risks

Life underwriting risk:

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

- Mortality risk

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

- Longevity risk

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

- Disability/morbidity risk

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

- Expense risk

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

- Revision risk

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

- Termination risk

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

- Catastrophe risk

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

9.6.2.2 Sensitivity analysis

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

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

9.6.3 Concentration risk

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

- Public Bodies and Companies

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

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

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

- Private Individuals

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

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

9.6.4 Reinsurance

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

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

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

Non-Life management

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

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

Life management

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

Non-Life and Life management

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

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

9.7 Financial risks

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

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

9.7.1 Credit Risk

9.7.1.1 Nature and extent of the risks

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

This risk can be subdivided into:

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

9.7.1.2 Maximum exposure and mitigation of credit risk

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

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

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

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

Share interests, shares and investment funds

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

Bonds

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

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

Loans and deposits

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

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

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

Derivative financial assets

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

Receivables

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

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

9.7.2 Concentration risk

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

Sectoral distribution

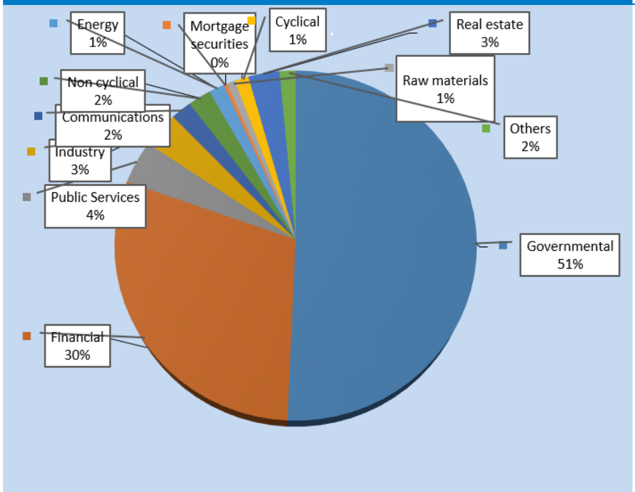
In order to manage the concentration at sectoral level of the financial assets, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification.

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

Bonds and equivalent stocks

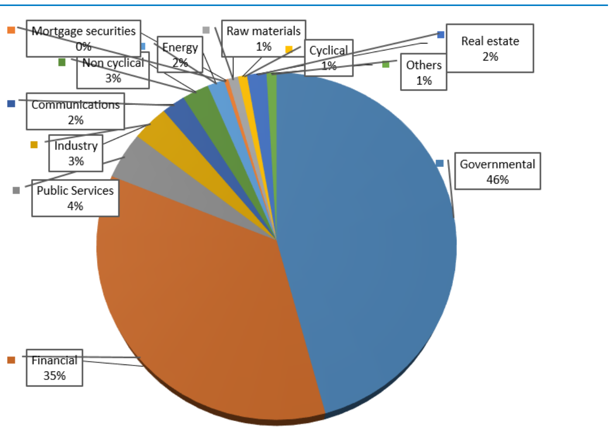
2014

Market value allocation at group level



2013

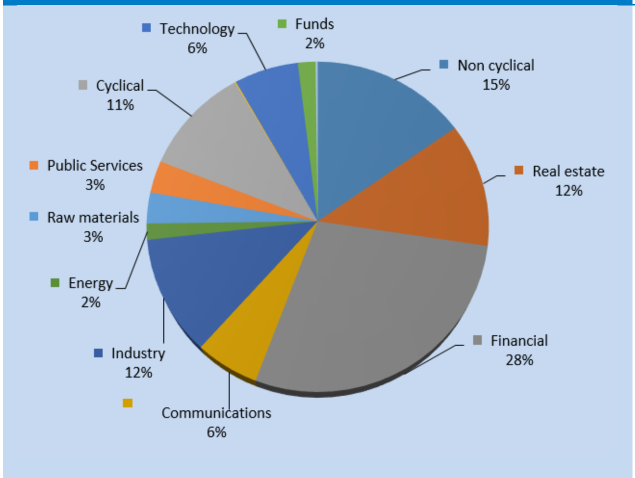
Market value allocation at group level



Shares, participations and investment funds

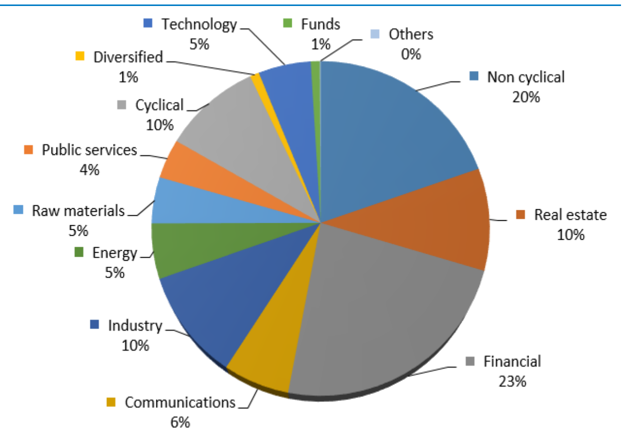
2014

Market value allocation at group levell



2013

Market value allocation at group level



Exposure to sovereign risk

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

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

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

Within the framework of its credit risk management, the Group analyses the details of its exposure to the sovereign risk as mentioned above whilst including all debts issued or guaranteed by governments, in fair value, without restriction to their activity sector. By way of example, the Group considers the securities of companies active in public services but guaranteed by the Belgian state as governmental debts. This explains why the total amount of exposure to the sovereign risk, i.e. EUR 8,218,510 thousand per 31 December 2014 is higher than the amount mentioned under the sector "Governmental", i.e. EUR 7,599,322 thousand. The same remark is applicable for the year 2013.

9.7.3 Liquidity risk

9.7.3.1 Nature and extent of the risks

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

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

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

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

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

9.7.3.2 Analysis of contractual maturities

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

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

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

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

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

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

9.7.4 Market Risk

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

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

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

9.7.4.1 Interest rate risk

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

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

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

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

9.7.4.2 Credit spread risk

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

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

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

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

In thousands of EUR *In market value,* *At Group's level*	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**

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

9.7.4.3 Stock price risk

The stock price risk is the risk associated with the sensitivity of the value of assets, liabilities and financial instruments to changes which affect the level, the volatility, but also higher-order statistical moments (skewness, kurtosis, etc.) of the market value of the shares.

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

In thousands of EUR *Distribution in market value at the Group's level*	2014 Fair value	% of the value in the balance	2013 Fair value	% of the value in the balance sheet
Share interests	239,267	1.09%	215,699	1.01%
Shares	678,102	3.08%	822,639	3.85%
Investment funds	34,219	0.16%	22,663	0.11%
Total	**951,588**	**4.32%**	**1,061,001**	**4.96%**

9.7.4.4 Price risk on investment properties

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

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

9.7.4.5 Foreign currency exchange risk

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

9.7.5 Analysis of sensitivity to financial risks

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

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

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

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

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

9.8 Non-financial Risks

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

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

- Internal fraud

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

- External fraud

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

- Practices regarding employment and safety at work

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

- Customers, products and business practices

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

- Execution, delivery and process management

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

- Damage to physical assets

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

- Interruptions in business activity and system failures

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

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

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

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

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

10. Capital management

10.1 Capital management purposes

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

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

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

10.2 Legal coefficients

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

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

Explicit solvency margin of Ethias SA

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

Adjusted solvency margin of the Group

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

10.3 Financial rating

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

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

11. Explanatory notes to the consolidated balance sheet

11.1 Goodwill

11.1.1 Evolution of goodwill

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

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

11.1.2 Impairment test on goodwill

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

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

11.2 Other intangible assets

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

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

11.3 Investment in associates

11.3.1 Information about associates

Prior to applying the equity method, associates figures are:

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

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

11.3.2 Evolution of investment in associates

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

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

11.4 Financial investments

11.4.1 Overview of financial investments by category

	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	**13,375,886**	**(16,701)**	**1,647,229**	**(18,469)**	**14,987,945**	**14,988,796**
Loans and deposits	948,845	(10,002)	-	-	938,843	1,012,120
Other investments	**948,845**	**(10,002)**	**-**	**-**	**938,843**	**1,012,120**
Held for trading	9,345	-	-	(7,918)	1,427	1,427
Held for cash flow hedging	-	-	13,667	-	13,667	13,667
Derivative financial assets	**9,345**	**-**	**13,667**	**(7,918)**	**15,094**	**15,094**
Investments belonging to unit-linked insurance contracts	**378,817**	**-**	**-**	**37,535**	**416,352**	**416,352**
Total	**15,530,632**	**(50,574)**	**1,819,085**	**10,679**	**17,309,822**	**17,383,951**

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

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

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

11.4.2 Evolution of financial investments

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

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

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

11.4.3 Evolution of impairments on investments

11.4.3.1 Impairments on available-for-sale investments

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

11.4.3.2 Impairments on loans, deposits and other financial investments

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

11.4.3.3 Past due financial investments

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

	31 December 2014							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairments	Net book value	Net book value of impaired assets	Not expired	Expired by up to 6 months	Expired by up to 12 months	Expired by more than 12 months
Available-for-sale investments	13,819,924	(6,701)	13,813,223	85,950	13,727,273	-	-	-
Financial assets unlisted on an active market	16,500	(10,000)	6,500	-	6,500	-	-	-
Loans, deposits and other financial investments	948,845	(10,002)	938,843	2,429	925,268	10,233	593	320
Total	**14,785,269**	**(26,703)**	**14,758,566**	**88,378**	**14,659,041**	**10,233**	**593**	**320**

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

11.4.4 Definition of fair value of financial instruments

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

In thousands of EUR	31 December 2014 Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
Financial assets				
Available for sale	-	100	239,167	239,267
Share interests	**-**	**100**	**239,167**	**239,267**
Available for sale	424,240	-	421	424,661
Designated at fair value through profit or loss	231,641	-	8,306	239,947
Held for trading	13,494	-	-	13,494
Shares	**669,374**	**-**	**8,728**	**678,102**
Available for sale	18,378	14,749	-	33,127
Designated at fair value through profit or loss	1,093	-	-	1,093
Held for trading	-	-	-	-
Investment funds	**19,471**	**14,749**	**-**	**34,219**
Available for sale	12,405,475	1,407,748	-	13,813,223
Designated at fair value through profit or loss	24,324	819,931	323,966	1,168,222
Held for trading	-	-	-	-
Bonds	**12,429,799**	**2,227,679**	**323,966**	**14,981,445**
Held for trading	-	1,427	-	1,427
Held for cash flow hedging	-	13,667	-	13,667
Derivative assets	**-**	**15,094**	**-**	**15,094**
Investments belonging to unit-linked insurance contracts	**176,554**	**239,798**	**-**	**416,352**
Total financial assets	**13,295,198**	**2,497,420**	**571,861**	**16,364,479**
Financial liabilities				
Investment contracts hedged by assets at fair value	183,352	237,037	-	420,388
Derivative liabilities	-	-	-	-
Total financial liabilities	**183,352**	**237,037**	**-**	**420,388**

In thousands of EUR	31 December 2013 Level 1 - Listed prices on an active market	Level 2 - Valuation methods based on observable market data	Level 3 - Valuation methods not based on observable market data	Net book value
Financial assets				
Available for sale	-	421	215,278	215,699
Share interests	**-**	**421**	**215,278**	**215,699**
Available for sale	530,968	-	845	531,813
Designated at fair value through profit or loss	275,197	-	8,699	283,897
Held for trading	6,929	-	-	6,929
Shares	**813,095**	**-**	**9,544**	**822,639**
Available for sale	15,004	6,716	-	21,720
Designated at fair value through profit or loss	943	-	-	943
Held for trading	-	-	-	-
Investment funds	**15,947**	**6,716**	**-**	**22,663**
Available for sale	11,464,594	1,255,960	-	12,720,554
Designated at fair value through profit or loss	23,507	996,314	386,743	1,406,564
Held for trading	-	-	-	-
Bonds	**11,488,101**	**2,252,273**	**386,743**	**14,127,117**
Held for trading	-	4,754	-	4,754
Held for cash flow hedging	-	-	-	-
Derivative assets	**-**	**4,754**	**-**	**4,754**
Investments belonging to unit-linked insurance contracts	168,043	308,503	-	476,546
Total financial assets	**12,485,185**	**2,572,668**	**611,565**	**15,669,419**
Financial liabilities				
Investment contracts hedged by assets at fair value	173,346	303,247	-	476,593
Derivative liabilities	-	-	-	-
Total financial liabilities	**173,346**	**303,247**	**-**	**476,593**

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

11.4.5 Distribution between the various hierarchical levels

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

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

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

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

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

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

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

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

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

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

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

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

Level 2: Valuation methods based on observable market data

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

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

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

Level 3: Valuation methods not based on observable market data

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

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

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

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

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

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

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

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

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

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

11.4.7 Evolution of investments estimated at fair value in level 3

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

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

11.5 Derivative financial instruments

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

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

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

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

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

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

11.6 Tangible fixed assets and investment properties

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

Reclassification from one heading to another	2,841	18,948	(21,774)	15
Other changes	-	-	-	-
Depreciations and accumulated impairments on 31 December	**(46,413)**	**(74,942)**	**(127,506)**	**(248,862)**
Net book value on 31 December	**391,346**	**103,714**	**28,728**	**523,788**
Fair value on 31 December	**417,027**	**121,370**	**28,728**	**567,125**

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

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

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

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

11.7 Receivables

11.7.1 Breakdown of receivables by nature

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

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

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

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

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

11.7.2 Evolution of impairments on receivables

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

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

11.7.3 Outstanding receivables

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

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

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

Impaired receivables are reduced up to their book value amount.

11.8 Other assets

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

11.9 Cash and cash equivalents

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

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

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

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

11.10 Deferred tax assets and liabilities

11.10.1 Breakdown of deferred tax assets and liabilities

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**

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

11.10.2 Evolution of deferred tax assets and liabilities

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

11.10.3 Deferred taxes

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

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

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

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

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

11.12 Equity

11.12.1 Issued capital

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

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

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

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

11.12.2 Other items of comprehensive income

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

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

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

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

11.12.2.3 Evolution of the reserve for hedge accounting

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

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

11.13 Insurance and investment contract liabilities

11.13.1 Summary table of insurance and investments contract liabilities

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

11.13.1.1 Liabilities related to Non-Life insurance contracts

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

11.13.1.2 Liabilities related to Life insurance contracts

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

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

11.13.1.3 Investment contract liabilities

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

11.13.1.4 Profit sharing liabilities

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

11.13.2 Evolution of liabilities related to Non-Life insurance contracts

11.13.2.1 Evolution of gross values before reinsurance

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

11.13.2.2 Evolution of the reinsurers' share

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

11.13.2.3 Development triangles

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

In thousands of EUR	2008	2009	2010	2011	2012	2013	2014
Provisions for gross claims on the closing date	**1,775,606**	**1,971,444**	**2,130,765**	**2,099,521**	**2,092,978**	**2,110,994**	**2,092,494**
Accumulated payments:							
2010	381,185	408,841					
2011	588,080	604,239	395,553				
2012	719,725	775,651	630,961	424,653			
2013	843,480	898,096	804,683	652,680	397,164		
2014	937,696	1,006,067	942,122	829,149	621,242	392,400	
Revaluated reserves:							
2010	1,761,488	1,876,808					
2011	1,677,647	1,768,993	1,938,533				
2012	1,620,102	1,791,849	1,902,081	1,982,916			
2013	1,654,207	1,775,371	1,879,047	1,933,713	1,981,278		
2014	1,641,447	1,740,019	1,832,744	1,874,301	1,880,709	1,944,985	
Current claim liabilities	703,751	733,953	890,622	1,045,153	1,259,467	1,552,585	2,092,494
Surplus (insufficiency) of the initial provision compared to the estimated cost price on 31 December 2014:							
In nominal value	**134,159**	**231,424**	**298,022**	**225,220**	**212,268**	**166,009**	
In percent	**7.56%**	**11.74%**	**13.99%**	**10.73%**	**10.14%**	**7.86%**	
Other liabilities for claims related to Non-Life insurance contracts						**218,651**	
Total of the provisions for claims related to Non-Life insurance contracts						**2,311,145**	

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

11.13.3.1 Evolution of gross values before reinsurance

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

11.13.3.2 Evolution of the reinsurers' share

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

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

11.13.4.1 Evolution of gross values before reinsurance

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

11.13.4.2 Evolution of the reinsurers' share

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

11.13.5 Evolution of liabilities related to unit-linked insurance contracts

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

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

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

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

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

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

11.14 Financial debts

11.14.1 Breakdown by nature

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

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

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

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

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

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

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

11.14.2 Breakdown by maturity

In thousands of EUR	2014				
	Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Convertible subordinated bond loans	-	-	-	-	-
Non-convertible subordinated bond loans	-	-	75,000	246,500	321,500
Subordinated debts	**-**	**-**	**75,000**	**246,500**	**321,500**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Cash credits	25	-	-	-	25
Debts arising from repurchase operations (repo)	11,250	-	-	-	11,250
Collateral received as guarantee	13,400	-	-	-	13,400
Others	17,129	4,188	483	-	21,800
Other financial debts	**41,804**	**4,188**	**483**	**-**	**46,474**
Total of the financial debts	**41,804**	**4,188**	**75,483**	**246,500**	**367,974**

In thousands of EUR	2013 More than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Convertible subordinated bond loans	-	-	-	-	-
Non-convertible subordinated bond loans	-	-	75,000	246,500	321,500
Subordinated debts	**-**	**-**	**75,000**	**246,500**	**321,500**
Convertible bond loans	-	-	-	-	-
Non-convertible bond loans	-	-	-	-	-
Cash credits	45	-	-	-	45
Debts arising from repurchase operations (repo)	19,347	-	-	-	19,347
Collateral received as guarantee	-	-	-	-	-
Others	17,775	4,276	485	-	22,537
Other financial debts	**37,167**	**4,276**	**485**	**-**	**41,929**
Total of the financial debts	**37,167**	**4,276**	**75,485**	**246,500**	**363,429**

11.15 Provisions

Provisions recognized in the balance sheet are analysed as follows:

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

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

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

11.16 Employee benefits

11.16.1 Overview of employee benefits by nature

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

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

Amounts of the projected benefits

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

11.16.2 Description of the employee benefits

11.16.2.1 Post-employment benefits

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

Pension benefit obligations

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

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

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

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

Other post-employment benefits

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

11.16.2.2 Long-term benefits

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

11.16.2.3 Termination benefits

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

11.16.3 Actuarial assumptions and sensitivity analysis

11.16.3.1 Actuarial assumptions

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

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

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

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

The average duration of the life benefit of the pension schemes is 11 years

11.16.3.2 Sensitivity analysis

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

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

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

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

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

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

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

11.17 Trade and other payables

11.17.1 Breakdown by nature

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

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

11.17.2 Breakdown by maturity

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

In thousands of EUR	2013 Less than 1 year	Between 1 and 5 years	More than 5 years	Undefined	Total of the value in the balance
Liabilities arising from direct insurance operations and accepted reinsurance	114,359	-	-	-	114,359
Liabilities arising from ceded reinsurance operations	71,400	-	-	-	71,400
Liabilities from operating activities	**185,758**	**-**	**-**	**-**	**185,758**
Tax on current result	4,696	-	-	15	4,711
Other contributions and taxes	30,675	-	-	-	30,675
Tax payable	**35,370**	**-**	**-**	**15**	**35,385**
Social security payables	61,639	-	-	-	61,639
Payables to associates	-	-	-	-	-
Payables from finance leases	-	801	-	-	801
Trade payables	35,301	-	-	-	35,301
Other payables	106,325	1,705	709	1,229	109,968
Other payables	**203,265**	**2,507**	**709**	**1,229**	**207,709**
Accruals for liabilities	**10,340**	**12**	**-**	**31**	**10,384**
Total other payables	**434,734**	**2,519**	**709**	**1,275**	**439,237**

12. Explanatory notes to the consolidated income statement

12.1 Revenues from insurance activities

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

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

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

12.2 Technical expenses of insurance activities

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

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

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

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

12.3 Net profit (loss) of cessions in reinsurance

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

12.4 Net profit (loss) of other activities

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

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

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

12.5 Net financial result without finance costs

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

In thousands of EUR	2013					
	Revenues of investments	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortizations and depreciations on investments	Other investment financial expenses	Total
Investment properties	**16,687**	**459**	**-**	**(10,364)**	**(1,737)**	**5,046**
Available for sale	6,303	1,016	-	(2,503)	(4,035)	781
Share interests	**6,303**	**1,016**	**-**	**(2,503)**	**(4,035)**	**781**
Available for sale	14,894	7,002	-	(2,174)	-	19,722
At fair value through profit or loss	7,080	10,498	23,735	-	-	41,313
Held for trading	220	4,013	(730)	-	-	3,502
Shares and investment funds	**22,194**	**21,512**	**23,005**	**(2,174)**	**-**	**64,537**
Available for sale	469,137	(11,412)	-	(508)	(11,617)	445,600
At fair value through profit or loss	56,487	21,317	57,614	-	-	135,418
Held for trading	-	1	-	-	-	1
Unlisted at amortized cost price	882	475	-	-	-	1,357
Bonds	**526,507**	**10,381**	**57,614**	**(508)**	**(11,617)**	**582,377**
Loans, deposits and other financial investments	**34,347**	**-**	**-**	**(9,241)**	**(11,370)**	**13,736**
Derivative financial instruments	**501**	**-**	**985**	**-**	**-**	**1,486**
Investments belonging to unit-linked insurance contracts	**947**	**-**	**-**	**-**	**-**	**947**
Cash and cash equivalents	**4,610**	**-**	**-**	-	-	**4,610**
Others	**46,230**	**-**	**-**	**-**	**(54,631)**	**(8,400)**

Net financial result without finance costs	**658,328**	**33,368**	**81,604**	**(24,791)**	**(83,389)**	**665,120**

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

12.6 Finance costs

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

12.7 Expenses by nature and allocation

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

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

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

12.8 Employee benefit expenses

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

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 45,398 thousand in 2014 (against EUR 42,187 thousand in 2013). This charge includes, inter alia, the cost price of services, the financial cost as well as taxes and contributions inherent in the group insurance products. This charge is divided by allocation within the income statement in expenses for insurance benefits (regarding internal claim handling costs, acquisition costs of contracts and administrative costs) and other investment financial expenses (regarding management costs of investments).

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

12.9 Income taxes

12.9.1 Overview of the tax expense

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

12.9.2 Analysis of the tax expenses

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

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

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

13. Other notes to the consolidated financial statements

13.1 Lease contracts

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

13.1.1 Ethias as lessor

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

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

Rent amount recognized as proceed within the financial year:

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

Leased assets mainly relate to real estate.

13.1.2 Ethias as lessee

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

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

Rent amount recognized as expense within the financial year:

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

Leased assets mainly relate to real estate and company cars.

13.2 Related parties

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

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

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

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

13.2.1 Transactions related to the balance sheet

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

13.2.2 Transactions related to revenues and expenses

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

13.2.3 Other transactions with related parties

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

13.3 Remunerations for key management personnel

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

The total amount of their remunerations include the following elements:

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

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

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

13.4 Fees of the he Statutory Auditor

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

13.5 Commitments

13.5.1 Received commitments

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

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

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

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

13.5.2 Given commitments

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

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

The other guarantee commitments mainly include:

- Personal guarantees given for an amount of EUR 50,829 thousand on 31 December 2014 (against EUR 77,833 thousand on 31 December 2013). The latter represent the securities given as guarantee related to an accepted reinsurance contract called in by Ethias SA as a result of the disposal of its subsidiary Belré in 2011. These guarantees are mainly composed of sovereign bonds.

The commitments on securities mainly include repurchase operations (repo), with a maturity of 3 months. The collateral securities within the framework of these operations are exclusively Belgian government bonds.

The other guarantees given include:

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

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

13.6 Contingent liabilities

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

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

13.7 Events after the reporting period

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

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

Free translation from the French original

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

Report on the consolidated financial statements – Unqualified opinion

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

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

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

Responsibility of the statutory auditor

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

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

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

Unqualified opinion

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

Report on other legal and regulatory requirements

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

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

- The management report on the consolidated financial statements includes the information required by the Belgian Corporate Code, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- As stated under item 8.2 of the management report on the consolidated financial statements, the Solvency II regulation will enter into force on 1 January 2016. It is therefore essential that the Company continues the actions it has already taken to comply with the capital requirements of this new regulation.

The statutory auditor

PwC Reviseurs d'Entreprises sccrl

represented by:

Kurt Cappoen

Company auditor

ANNUAL ACCOUNTS OF ETHIAS SA

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

1. Balance

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

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

2. Income statement

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

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

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

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

3. Notes

N° 1. Statement of intangible assets, investment property and investment securities

Name	Asset items concerned			
	B. Intangible assets	**C.I. Land and properties**	**C.II.1. Investment in associates**	**C.II.2. Certificates, bonds and receivables in associates**
a) Acquisition value				
Previous year end	31,002,862	313,665,044	365,004,858	-
Changes during the year:				
- Acquisitions	-	16,913,352	36,866,255	-
- Disposals and withdrawals	-	(1,294,143)	(82,459,185)	-
- Reclassified between headings	-	-	-	-
- Other changes	-	(30,200,614)	-	5,049,029
Year end	31,002,862	299,083,639	319,411,928	5,049,029
b) Increase in value				
Previous year end		31,058,927	72,345,152	
Changes during the year:				
- Decided		-	-	
- Cancelled		-	-	
Year end		31,058,927	72,345,152	
c) Reductions in value				
Previous year end	30,131,723	80,026,912	7,652,109	-
Changes during the year:				
- Decided	864,547	7,666,999	-	-
- Written back as excessive	-	-	-	-
- Cancelled	-	(22,194,528)	-	-
Year end	30,996,270	65,499,383	7,652,109	-
c) Amounts not called up				
Previous year end			774,676	
Changes during the year:			(774,676)	
Year end			-	
Net book value year end	**6,592**	**264,643,183**	**384,104,971**	**5,049,029**

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

N° 2. Statement of share interests and social rights held in other companies

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

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

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

N° 3. Actual value of investments

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

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

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

N° 5. Statement of capital

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

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

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

N° 7. Statement of technical provisions and debts

Liability items concerned	Amounts
a) Breakdown of the debts (or a part of the debts) with a residual maturity of more than 5 years.	
B. Subordinated debts	325,000,000
II. Non-convertible loans	325,000,000
Total	325,000,000
b) Debts (or part of the debts) and technical provisions (or part of the technical provisions) guaranteed by collaterals or irrevocably promised on the assets of the company.	
D. Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company	416,352,798
G. Debts	11,249,707
IV. Debts toward credit institutions	11,249,707
Total	427,602,505
c) Debts with regard to taxes, remunerations and social security costs.	
1. Taxes (item V.1.a) of the liabilities)	
b) Non due tax debts	30,268,114
2. Remunerations and social security costs (item B.V.1.b) of the liabilities)	
b) Other debts with regard to remunerations and social security costs	43,117,304

N° 8. Statement of accruals for liabilities

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

N° 10. Information on technical accounts

Non-Life insurance

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

Table of Contents	Direct business				
	Marine Aviation Transport (branches 4,5,6,7,11 and 12)	Fire and other damages to properties (branches 8 and 9)	General Civil Liability (branch 13)	Credit and Bonding (branches 14 and 15)	Miscellaneous financial losses (branch 16)
1) Gross premiums	342,232	193,691,755	105,989,022	95,190	20,850,652
2) Earned gross premiums	348,987	190,547,465	106,085,555	99,696	9,356,541
3) Gross damages	419,885	107,556,344	61,532,947	8,579	9,236,254
4) Gross operating costs	68,253	38,235,155	18,508,229	36,618	2,182,081
5) Reinsurance balance	-	(2,417,987)	(25,493,201)	-	-
6) Commissions (art. (37)					

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

II. Life insurances

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

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

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

N° 11. Statement on personnel employed

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

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

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

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

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

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

N° 13. Other income, other costs

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

N° 14. Exceptional results

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

N° 15. Income taxes

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

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

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

N° 17. Off-balance sheet rights and commitments

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

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

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

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

N° 19. Financial relations with:

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

N° 19bis. Financial relations with:

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

Statements pursuant to Article 133, paragraph 6 of the Code of Companies

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

The non-audit services of the Statutory Auditor and the related fees have been approved by the Statutory Audit Committee of Ethias SA.

N° 20. Valuation rules

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

Asset side of the balance sheet

Intangible assets (heading B)

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

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

Investments (heading C)

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

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

Land is not depreciated.

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

- Immovable properties: 2 %
- Alterations: 10 %

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

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

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

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

These investments are subjected to depreciation in case of durable impairments. Additional or exceptional impairments can be recognized on a proposal from the Management Committee.

Other financial investments (sub-heading C.III.)

Shares, share interests and other variable yield securities (C.III.1)

These investments are subjected to impairments in case of durable capital loss. The existence of a significant unrealized loss with regard to the purchase price, determined on the basis of the weighted average price over a period of 12 consecutive months preceding the closing, is a criterion of durable impairment. The capital loss is qualified as important when it exceeds the purchase price by 20 % in a normal market context. This criterion can be submitted to the Management Committee for consideration when the markets are more volatile.

Additional or exceptional impairments can be recognized on a proposal from the Management Committee. The impact of these impairments are included in the notes accompanying the income statement provided that they represent an important amount.

In case of disposal of securities the book value, used to calculate the realized gains and losses, is determined on the basis of the weighted average price.

Bonds and other fixed-income securities (C.III.2)

These investments are recognized in the balance sheet at their purchase price.

However, when their actuarial yield, calculated at the time of the purchase (taking into account their redemption amount at maturity) differs from their nominal yield, the difference between the purchase and the redemption amount is recognized through profit or loss, pro rata temporis for the remaining duration of the securities, as elements of the interest yields on these securities and is recorded as increase of reduction of their purchase price. Taking into account the actuarial yield at the time of the purchase, this difference is recognized through profit or loss on a discounted basis.

In accordance with the principles of Article 19 paragraph 1, impairments are systematically applied to the bonds, mentioned in the sub-heading C.III.2. of assets, in order to reflect the risk that the counterparties of such securities and receivables do not fully or partially honour their commitments relating thereto, including, but not limited to, the probability that the reimbursement of these securities and receivables is in whole or partly uncertain or compromised. When the market value of these securities and receivables is permanently lower than their net book value, this circumstance is, unless proved otherwise, presumed to be an other-than-temporary impairment which is to be considered for the application of this provision.

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

Criteria for determining durable losses

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

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

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

With regard to the perpetual loans, the difference between their purchase price and their lower market value is to be considered as a permanent impairment so that these securities are valuated at the lowest value between their book value and their market value.

In case of disposal of securities, the book value, used to calculate the realized gains and losses, is determined on the basis of the weighted average price.

Within the framework of an arbitrage operation, the realized gains and losses on the balance sheet are maintained and recognized through profit or loss over the term of the re-investment.

Mortgage loans and mortgage credits - Other loans (C.III.4 & C.III.5)

Impairments are applied to this loans according to the same rule as the one applied to sub-heading C.III.2 above.

Investments related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)

These investments are recognized in the balance sheet at their actual value (market value).

Deposits with credit institutions (sub-heading C.III.6)

Receivables (heading E)

Available values (sub-heading F.II)

These items are recognized at their nominal of purchase price.

Impairments are registered to take into account the uncertainties of their recovery.

Reinsurers' share of insurance liabilities (heading D. bis)

This item shows the reinsurers' commitment. The amounts recorded are obtained in accordance with the various applicable reinsurance treaties.

Other asset elements (heading F)

Tangible assets (sub-heading F.I)

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

The depreciations are carried out using the linear method at the following rates:

- plant, machinery, electronic equipment: 33 1/3 %
- rolling stock: 25 %
- office furniture and equipment: 10 %

The office furniture and equipment of which the purchase price is lower than EUR 250,00, are depreciated within the first year.

- medical devices: 20 %

Liability side of the balance sheet

Technical provisions (heading C)

These provisions are calculated with prudence, taking into account the statutory and regulatory dispositions established by different control organizations.

The provision for equalization and catastrophes is valuated using the actuarial method.

Technical provisions related to operations linked to a Life business investment fund whose investment risk is not borne by the company (heading D - branch 23)

These provisions are estimated based on the actual value of the assets under heading D.

Provisions for risks and expenses (heading E)

The provisions for foreseeable risks and expenses are determined with prudence, sincerity and good faith.

The provisions with regard to the previous financial years are regularly reviewed and recognized through profit or loss if they serve no longer any purpose.

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

These items are recognized at their nominal value.

Other particular rules

Accounts denominated in currencies

The monetary items are valorized in euro at the spot price at the closing date of the financial year.

The non-monetary items are maintained in euro at their purchase price.

The balance of the negative differences resulting from the conversion of monetary items, other than the technical provisions, is recognized through profit or loss. The balance of the positive differences is recognized in the accruals as deferrable proceed.

Derivative financial instruments

The derivative financial instruments, used on a speculative basis, follow the prudence principle. This means that the unrealized losses are subjected to impairments of are used to constitute provisions for financial risks. However, the unrealized gains are not recognized through profit or loss.

The forward transaction in micro hedging or concluded within the framework of the ALM management are symmetrically valuated with the allocation of costs and income of the hedged items for the residual lifetime of these items. Forward transactions for hedging purposes are forward transactions having the purpose of the effect to compensate or to reduce the risk on an asset, a liability, a right, an obligation, an off-balance sheet commitment or a set of items that are homogeneous in nature with regard to their sensitivity to interest rate variations.

Finally, the hedging transactions or the transactions concluded within the framework of the ALM management must be recognized as such and this, from the conclusion of the transaction.

N° 21. Changes to valuation rules

A. Presentation of the changes and their justifications
On 9 October 2014 the Federal Public Service Finance issued a Royal Decree amending the Royal Decree of 17 November 1994 on the income statement of insurance companies. The amendment concerns, among others, paragraph 3 of Article 31 of this decree, relating to the determination of other-than-temporary losses and impairments of bonds and receivables. To maintain the principle that such securities and receivables remain recognized at amortized cost, the proposed provision does not impose an automatic recognition of an impairment in case of market value durably lower than the book value, but assumes that this circumstance will indicate, unless proved otherwise, the existence of a durable depreciation to be taken into account and which must, under the circumstances, be reflected in a reduction in value. The application of this provision thus adapted implies for the company to retain a certain number of criteria, including the market value, to determine the durability of a depreciation. To enable the user of the income statement to understand the approach of the company, it is now required to indicate the criteria used in the notes to the income statement. Consequently, and in order to align with this adaptation, we have changed the rules on depreciations for bonds mentioned in C.III.2 as well as for loans and mortgages and other loans specified under C.III.4 and C.III.5.

B. Valuation differential resulting from changes	
Items and sub-items concerned	**Amounts**
C.III.2. Bonds and other fixed-income securities	(5,857,200)

N° 22. Declaration regarding the consolidated income statement

A. Information to be completed by all companies:

- The company prepares and publishes a consolidated income statement and a consolidated annual report in accordance with the Royal Decree on the consolidated income statement of insurance and reinsurance companies:
  yes / no (*): Yes

N° 23. Additional information to be provided by the company on the basis of the decree of 17/11/1994

The company mentions the additional information required, if applicable:

Art. 27 bis § 3, last paragraph	**Amounts**
2. Bonds and other fixed-income securities	(17,279,413)

Derivative financial instruments used	
Index options	3 acquisition transactions and 3 early transfer transactions
Swaps	1 early transfer transaction
CDS	1 disposal transaction

Profit and loss accounts	**Result**	**Reversal of impairment losses**	**Provision**
Index options	(25,056)	244,477	-
Swaps	918,800	-	-
CDS	-	-	-
Caps and Floors	-	2,899,786	-

Additional information

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

Remark regarding Note 3

The current value of the perpetual bonds (recognized among the other types of bonds under 8.03.223.2) comes from the use of a "model price" instead of a market price that is either a Bloomberg valuation or a valuation provided by a counterparty. This covers some 20% of the portfolio.

This valuation, unchanged from December 31, 2013, is reflected in the accounts by an improvement of the present value of these bonds by +11 million euro as of 31 December 2014.

Solvency II

We refer to items 3.6.2. and 5.2. in the management report.

4. Social balance sheet

Number of the joint committee competent for the company: 306

Situation of the persons employed

Employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.

2014	Total	Men	Women
Average amount of employees			
Full-time	1,558.26	879.51	678.75
Part-time	257.53	37.73	219.80
Total in full-time equivalents (FTE)	1,744.89	906.05	838.84
Number of hours actually worked			
Full-time	2,346,659	1,329,052	1,017,607
Part-time	289,071	41,529	247,542
Total	2,635,730	1,370,581	1,265,149
Employee benefit expenses			
Full-time	162,392,279	101,708,048	60,684,231
Part-time	20,798,240	4,688,403	16,109,837
Total	183,190,519	106,396,451	76,794,068
Amount of benefits granted in addition to wages	**530,604**	**308,173**	**222,431**

2013	Total	Men	Women
Average amount of employees	**1,742.29**	**921.80**	**820.49**
Number of hours actually worked	**2,642,861**	**1,400,704**	**1,242,157**
Employee benefit expenses	**181,676,740**	**106,526,156**	**75,150,584**
Amount of benefits granted in addition to wages	**549,000**	**321,906**	**227,094**

2014	Full-time	Part-time	Total (FTE)
Number of employees	**1,557**	**261**	**1,748.70**
By type of employment contract			
Permanent contract	1,469	259	1,659.40
Fixed-term contract	82	2	83.30
Replacement contract	6	-	6
By sex and educational level			
Men	874	38	901.10
primary education	-	-	-
secondary education	198	18	210.00
higher non-university education	416	11	424.20
university education	260	9	266.90
Women	683	223	847.60
primary education	1	-	1
secondary education	127	60	171.70
higher non-university education	340	119	429.50
university education	215	44	245.40
By professional category			
Management staff	21	-	21.00
Clerical staff	1,536	261	1,727.70

Temporary staff and persons made available to the company

2014	Temporary staff
Average number of persons employed	5.24
Number of hours actually worked	9,168
Costs for the company	319,172

Table of the staff turnover during the financial year

Entries	Full-time	Part-time	Total (FTE)
Number of employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.	**96**	**1**	**96.80**
By type of employment contract			
Permanent contract	32	-	32.00
Fixed-term contract	59	1	59.80
Replacement contract	5	-	5.00

Exits	Full-time	Part-time	Total (FTE)
Number of employees for whom the company has introduced a Dimona declaration or who are recorded in the general staff register.	**77**	**10**	**84.10**
By type of employment contract			
Permanent contract	50	10	57.10
Fixed-term contract	23	-	23.00
Replacement contract	4	-	4.00
By reason of termination of the contract			
Pension	2	-	2.00
Unemployment with company allowance	29	5	32.70
Dismissal	5	2	6.60
Other reason	41	3	42.80

Information about training for employees during the financial year

2014	Men	Women
Formal initiatives of continuing vocational training paid by the employer		
Number of employees involved	851	849
Number of hours of training	14,051	14,976
Net costs for the company	1,647,947	1,807,443
of which gross costs directly linked to trainings	1,529,801	1,689,574
of which contributions and deposits paid to collective funds	129,309	129,005
of which allowances and other financial benefits received (to be deducted)	11,163	11,137
Less formal or informal initiatives of continuing vocational training paid by the employer		
Number of employees involved	400	447
Number of hours of training	32,757	32,031
Net costs for the company	1,954,285	1,910,986

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

Free translation from the French original

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the financial statements for the year ended 31 December 2014, as defined below, and the additional declarations required. The financial statements include the balance sheet as of 31 December 2014, the income statement ended for the year ended that date and the notes.

Report on the financial statements – Unqualified opinion

We have audited the financial statements of Ethias SA ("the Company") for the year ended 31 December 2014. These financial statements, of which the balance sheet total amounts to EUR 19,770,823,276 and of which the income statement shows a loss for the year available for appropriation of EUR 134,892,663, have been prepared in accordance with the accounting principles applicable to insurance companies in Belgium.

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

The Board of directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the accounting principles applicable to insurance companies in Belgium and is also responsible for the implementation of internal controls, which it considers necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with the ethical requirements. As statutory auditor, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the Company's internal control relevant to the preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the managing body as well as evaluating the overall presentation of the consolidated financial statements. To conclude, we have obtained from the Board of directors and the Company's officials the explanations and information necessary to perform our audit.

We believe that the resulting audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the Company's financial position as of 31 December 2014 as well as of its results for the year then ended, in accordance with the accounting principles applicable to insurance companies in Belgium.

Report on other legal and regulatory requirements

The Board of directors is responsible for the preparation and the content of the management report, for the Company's compliance with the legal and regulatory provisions applicable to accounting as well as with the Belgian Corporate Code and the Company's bylaws.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) applicable in Belgium, it is our responsibility to verify, in all material respects, the compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the financial statements:

- The management report includes the information required by the Belgian Corporate Code, is consistent with the financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

- Without prejudice to formal aspects of minor importance, the Company's accounting was maintained in accordance with legal and regulatory provisions applicable to insurance companies in Belgium.

- The appropriation of results proposed to you complies with the legal and statutory provisions.

- We do not have to report any transactions undertaken or decisions taken in violation of the bylaws or the Belgian Corporate Code.

- As stated under item 5.2 of the management report on the financial statements, the Solvency II regulation will enter into force on 1 January 2016. It is therefore essential that the Company continues the actions it has already taken to comply with the capital requirements of this new regulation.

The statutory auditor

PwC Reviseurs d'Entreprises sccrl

represented by:

Kurt Cappoen

Company auditor

English translation of the unaudited condensed consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the six month period ended 30 June 2015, together with the related auditors' review report thereon

INTERIM REPORT ON
30 June 2015
Ethias Group

Report produced in accordance with *International Financial Reporting Standards (IFRS)*

TABLE OF CONTENTS

INTRODUCTION

The interim report on 30 June 2015 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	30 June 2015	30 June 2014	Change
Non-Life			
Public Bodies and Companies	562,216	567,404	-0.91%
Private individuals	292,009	288,919	1.07%
Premium collection Non-Life	**854,225**	**856,322**	**-0.24%**
Life			
Public Bodies and Companies	557,539	509,253	9.48%
Private individuals	26,521	24,864	6.66%
Premium collection Life	**584,060**	**534,117**	**9.35%**
Total premium collection Life and Non-Life	**1,438,285**	**1,390,440**	**3.44%**
Consolidated revenues	**1,288,705**	**1,237,373**	**4.15%**
Net income on current transactions after tax	380,065	(112,373)	
Investment in associates through profit or loss	423	14	
Net profit (loss) after tax of the available-for-sale companies and of the discontinued operations	(11)	6	
Net consolidated profit (loss) attributable to:	**380,477**	**(112,353)**	
Owners of the parent	378,309	(116,389)	
Non-controlling interests	2,168	4,036	

Essential data of the consolidated statement of financial position

In thousands of EUR	30 June 2015	31 December 2014	Change
Total assets	19,897,607	22,006,632	-9.58%
Equity of the Group	**1,564,578**	**1,146,066**	**36.52%**
Non-controlling interests	37,883	51,869	-26.96%

Legal coefficients

	30 June 2015	31 December 2014	Change
Solvency ratio of the Group	**186.07%**	**145.89%**	**27.54%**
Solvency ratio of the company Ethias SA	**183.03%**	**179.11%**	**2.19%**
Coverage of the technical liabilities by the company Ethias SA	**111.65%**	**111.99%**	**-0.30%**

Other key figures

	30 June 2015	31 December 2014	Change
Number of employees	**2,900**	**2,928**	**-0.96%**

MANAGEMENT REPORT

1. The first half 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 decision by the European Commission of 12 June 2014 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 1.9 billion were recognized, 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 27,000. The transaction cost amounts to EUR 243 million 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 will allow to improve the solvency margin under the new Solvency II reference that will enter into force on 1 January 2016.

1.2. Financial recovery plan

Ethias SA has developed a financial recovery plan whose goal is to improve its solvency margin under the new SII framework which will come into force on 1 January 2016. The plan was approved by the Board of Directors on June 4 and comprises a set of specific measures such as overhead reduction or the issuance of a complementary loan.

1.3. Other facts and a number of dates for the first half 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" sub-fund 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.

29 April: At the 11th edition of the DECAVI awards ceremony on Wednesday, April 29, Ethias reached, no less than three times, the highest step on the podium! Every year, the jury rewards the best insurances on the Belgian market in different categories. This time, Ethias has won 3 trophies in the following highlight categories: "Civil Liability Car Insurance", "Innovation" and "Prevention". It is remarkable that Ethias is the first insurer to win gold in the latter (and brand-new) category for a prevention app that has been specifically designed for public bodies.

The annual Cuckoo Awards honour the best direct marketing campaigns. This year, Ethias has been awarded the "Effectiveness - Best Integrated Cuckoo Award" for its "Alter Ethias" campaign in general. A great recognition for the creativity, the strategy and - in particular - the effectiveness of this approach, which has been translated in different campaigns (car, fire, tenant, motorcycle insurances, mentorship ...), and for different media (radio, TV, billboards, mailings, e-mailings, digital ...).

Ethias has received two external certifications "ISAE 3000" for its ethical financial management (Asset Management) on the one hand, and its environmental performance (management of CO_2 emissions) on the other hand. These certifications are a recognition for Ethias in two key CSR areas, to which our stakeholders attach an increasing importance.

23 June: Acquisition of the real estate company "Lothian Development" by Ethias SA.

2. Result of the financial year

The first half of 2015 has recorded a profit of EUR 378 million. This result is mainly explained by the profits recorded in Non-Life insurance (EUR +133 million) as well as those relating to Life insurance (EUR 263 million). The latter are largely impacted by the reversal of life insurance provisions following the adequacy test for the technical provisions (EUR 495 million). This positive effect originates from changes in the macroeconomic environment and the success of the "Switch IV" operation, which had been underestimated at the end of 2014. The "Life" result also takes into account the cost of this operation (EUR -243 million).

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 30/06/2015

Ethias launched an exchange offer on 29 June 2015 for its perpetual subordinated loan of EUR 250 million against a Tier 2 subordinated loan maturing in January 2026.

The operation was a real success given the high participation level of 94.4% (EUR 236 million).

Having reimbursed investors wishing to participate in the exchange offer but not having an investment with a minimum amount of EUR 100,000 (i.e. the minimum subscription amount) and having reimbursed the part of the investment not corresponding to a multiple of EUR 100,000, a new bond of EUR 231.9 million was issued on 14 July 2015, at the rate of 5%.

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated balance sheet

In thousands of EUR	Notes	30 June 2015	31 December 2014
Assets			
Goodwill	10.1	**30,468**	**29,667**
Other intangible assets	10.2	**21,132**	**13,927**
Properties and other fixed assets	10.4	**133,513**	**132,443**
Investment in associates		**22,189**	**20,910**
Investment properties	10.4	**431,409**	**391,346**
Available-for-sale financial assets	10.3	13,978,456	14,510,277
Financial assets at fair value through profit and loss	10.3	920,002	1,422,756
Loans, deposits and other financial investments recognized at amortized cost	10.3	875,736	945,343
Derivative financial instruments	10.3	28,857	15,094
Investments belonging to unit-linked insurance contracts	10.3	348,202	416,352
Financial investments		**16,151,253**	**17,309,822**
Reinsurers' share of insurance liabilities		**140,656**	**113,890**
Deferred tax assets	10.7	**197,703**	**279,261**
Receivables arising from insurance operations or accepted reinsurance	10.5	**1,389,909**	**1,269,015**
Receivables arising from ceded reinsurance operations	10.5	**53,699**	**61,703**
Other receivables	10.5	**210,267**	**210,148**
Other assets		**222,747**	**281,024**
Cash and cash equivalents	10.6	**892,662**	**1,892,698**
Assets held for sale including discontinued operations		**-**	**778**
Total assets		**19,897,607**	**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		378,309	(604,437)
Other items of comprehensive income		216,995	176,791
Equity of the Group		**1,564,578**	**1,146,066**
Non-controlling interests		**37,883**	**51,869**
Total equity		**1,602,462**	**1,197,934**
Insurance contract liabilities		8,798,663	8,529,903
Investment contract liabilities with discretionary participation features		7,492,589	10,279,399
Investment contract liabilities without discretionary participation features		3,943	4,036
Liabilities belonging to unit-linked insurance contracts		348,202	416,353
Profit sharing liabilities		5,067	20,708
Insurance and investment contract liabilities	10.8	**16,648,464**	**19,250,398**
Subordinated debts	10.9	**321,500**	**321,500**
Other financial debts	10.9	**217,220**	**46,474**
Employee benefits	10.10	**533,622**	**603,348**
Provisions		**59,467**	**119,404**
Derivative financial instruments		**-**	**-**
Tax payables	10.11	**81,572**	**39,399**
Deferred tax liabilities	10.7	**5,687**	**4,032**
Liabilities from operating activities	10.11	**215,778**	**208,034**
Other payables	10.11	**210,730**	**214,236**
Liabilities related to assets held for sale including discontinued operations		**1,104**	**1,871**
Total other liabilities		**18,295,145**	**20,808,697**
Total liabilities		**19,897,607**	**22,006,632**

The statements and notes 1 to 13 form an integral part of the consolidated financial IFRS statements as at 30 June 2015.

2. Consolidated income statement

In thousands of EUR	Notes	30 June 2015	30 June 2014
Gross premiums	11.1	1,438,285	1,390,440
Premiums ceded to reinsurers		(37,758)	(40,058)
Change in the provision for unearned premiums and outstanding risks [a]		(196,673)	(203,646)
Other income from insurance activities		2,012	1,875
Revenues from insurance activities [a]	11.1	1,205,866	1,148,611
Revenues from other activities		82,839	88,762
Revenues		**1,288,705**	**1,237,373**
Net investment income		301,340	334,019
Net realized gains (losses) on investments		(1,120)	41,635
Change in fair value of investments through profit and loss [b]		13,442	38,410
Net financial income		**313,661**	**414,064**
NET INCOME		**1,602,366**	**1,651,437**
Benefits and claims		960,339	1,520,234
Net expenses or revenues ceded to reinsurers		(25,806)	(15,328)
Management costs [c]		168,239	156,916
Technical expenses for insurance activities	11.2	1,102,772	1,661,823
Expenses for other activities		80,692	83,666
Operating expenses		**1,183,464**	**1,745,489**
Change in amortization and depreciation of investments (net)	11.3	(2,149)	5,952
Other investment financial expenses	11.3	(44,620)	42,278
Finance costs		9,331	8,935
Financial expenses		**(37,438)**	**57,165**
NET EXPENSES		**1,146,026**	**1,802,654**
Goodwill impairment		-	-
NET PROFIT (LOSS) BEFORE TAX		**456,340**	**(151,217)**
Income taxes		(76,275)	38,844
NET PROFIT (LOSS) AFTER TAX		**380,065**	**(112,373)**
Investment in associates through profit or loss		423	14
Net profit (loss) from discontinued operations		(11)	6
Net consolidated profit (loss) attributable to:		**380,477**	**(112,353)**
Owners of the parent		378,309	(116,389)
Non-controlling interests		2,168	4,036

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. Consolidated statement of comprehensive income

In thousands of EUR	30 June 2015	30 June 2014
NET CONSOLIDATED PROFIT (LOSS)	**380,477**	**(112,353)**
Actuarial gains on defined benefit pension liabilities	75,052	-
Tax on other items that will not be subsequently reclassified to profit or loss	(25,510)	-
Items that will not be subsequently reclassified to profit or loss	**49,542**	**-**
Change in fair value of available-for-sale financial assets	(21,508)	33,604
Change in fair value of derivative instruments designated as cash flow hedges	(2,341)	3,436
Tax on other items of comprehensive income that will be subsequently reclassified to profit or loss	14,511	(10,216)
Items that could be subsequently reclassified to profit or loss	**(9,338)**	**26,823**
TOTAL OF OTHER ITEMS OF COMPREHENSIVE INCOME	**40,204**	**26,823**
NET CONSOLIDATED COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**420,681**	**(85,530)**
Owners of the parent	418,513	(89,566)
Non-controlling interests	2,168	4,036

4. Consolidated cash flows statement

In thousands of EUR	Notes	30 June 2015	30 June 2014
Net profit (loss) before tax (Total 1)		**456,340**	**(151,217)**
Depreciations and impairments on intangible and tangible assets	10.2, 10.4	8,733	9,117
Change in depreciation of financial instruments and investment properties	10.3, 10.4	(2,149)	5,952
Change in fair value of investments through profit or loss	10.3	(13,442)	(38,410)
Provisions for risks and expenses, and other liabilities		(53,525)	40,032
Change in provisions of insurance and investments contracts		(2,254,729)	312,159
Deduction of amounts included in the income statement before tax for inclusion in the actual cash flows		(263,048)	(343,554)
Corrections of the amounts that do not impact cash flows (Total 2)		**(2,578,160)**	**(14,704)**
Dividends and instalments on earned dividends		19,018	21,618
Earned financial income	11.3	319,117	324,989
Use of provision for employee benefits		(9,789)	(13,052)
Change in current receivables and debts	10.5, 10.11	(112,672)	(55,545)
Change in liabilities from insurance and investments contracts		(75,603)	(22,003)
Tax paid		(3,143)	19,657
Other changes (Total 3)		**136,927**	**275,664**
Net cash flows from operating activities (Total 1+2+3)		**(1,984,892)**	**109,743**
Shares in subsidiaries, net of acquired cash in hand	6.3.1	(6,217)	(122)
Acquisition of financial assets and investment properties	10.3, 10.4	(997,125)	(1,436,047)
Acquisition of intangible and tangible fixed assets	10.2, 10.4	(16,582)	(10,677)
Disposals of shares in subsidiaries, net of transferred cash	6.3.2	-	-
Disposals of financial assets and investment properties	10.3, 10.4	1,849,539	1,916,219
Disposals of intangible and tangible fixed assets	10.2, 10.4	126	851
Net cash flows from investing activities		**829,742**	**470,224**
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	10.9	2,925	5,388
Refund of financial liabilities	10.9	(1,838)	(6,657)
Interests paid on financial liabilities		(663)	(292)
Net cash flows from financing activities		**(15,489)**	**(6,291)**
Total cash flows		**(1,170,639)**	**573,676**
Cash or cash equivalents at the beginning of the period	10.6	**1,868,800**	**1,549,449**
Cash or cash equivalents at the end of the period	10.6	**698,430**	**2,123,214**
Change in the cash accounts		(1,170,639)	573,676
Impacts of exchange rate differences of foreign currency and of other transactions		270	88
Change in cash		**(1,170,370)**	**573,766**

Cash flows related to the subsidiary held for sale were not separately presented in this cash flow statement. There are no more cash equivalents for the subsidiary held for sale on 30 June 2015.

5. Consolidated statement of changes in equity

In thousands of EUR	Share capital	Reserves and retained earnings	Available-for-sale financial assets	Others	Equity of the Group	Non-controlling interests	Total equity
	30 June 2015						
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)	-	378,309	-	-	378,309	2,168	380,477
Total of other items of comprehensive income	-	-	(7,793)	47,996	40,204	-	40,204
Net consolidated comprehensive income	-	378,309	(7,793)	47,996	418,513	2,168	420,681
Dividends	-	-	-	-	-	(5,207)	(5,207)
Change in the consolidation scope	-	-	-	-	-	(10,946)	(10,946)
Equity as of 30 June	**1,000,000**	**347,583**	**238,888**	**(21,893)**	**1,564,578**	**37,883**	**1,602,462**

In thousands of EUR	Share capital	Reserves and retained earnings	Available-for-sale financial assets	Others	Equity of the Group	Non-controlling interests	Total equity
	30 June 2014						
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)	-	(116,389)	-	-	(116,389)	4,036	(112,353)
Total of other items of comprehensive income	-	-	24,555	2,268	26,823	-	26,823
Net consolidated comprehensive income	-	**(116,389)**	**24,555**	**2,268**	**(89,566)**	**4,036**	**(85,530)**
Dividends	-	-	-	-	-	(4,729)	(4,729)
Change in the consolidation scope	-	-	-	-	-	(78)	(78)
Equity as of 30 June	**1,000,000**	**457,323**	**240,684**	**(43,418)**	**1,654,589**	**41,378**	**1,695,967**

Amounts are disclosed net of taxes.

The column "Available-for-sale financial assets" 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 on 30 June 2015) mainly consist of dividends distributed outside of the Group by the NRB subgroup.

6. General information

6.1 The Group

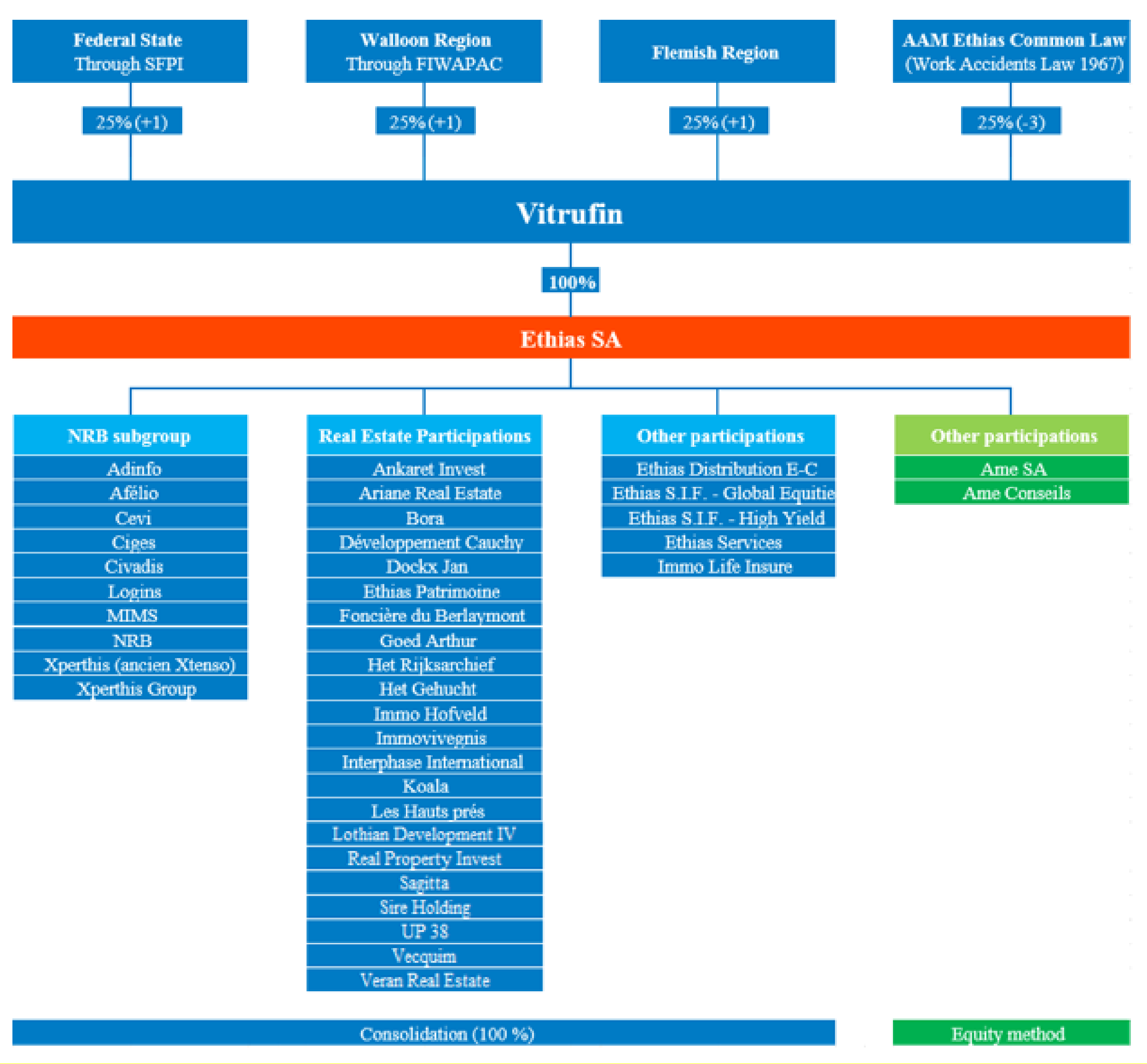
Ethias SA is the consolidating company of the Ethias Group.

Ethias SA is an insurance company licensed under number 0196 to practise all non-life insurance branches, life insurances, dowry and birth insurances (Royal Decree of 4 and 13 July 1979, Belgian Statue Book of 14 July 1979) as well as capitalisation activities (Belgian Statue Book of 16 January 2007).

Ethias SA is a limited liability company founded in Belgium with corporate registration number 0404.484.654. Its registered office is situated in 4000 Liège, rue des Croisiers 24.

The Group employs 2,900 people on 30 June 2015 compared to 2,928 on 31 December 2014.

Its legal structure is as follows:



6.2 Consolidation scope

List of the consolidated subsidiaries

	30 June 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	Belgium	Insurance	EUR	100.00%	100.00%	100.00%	100.00%	
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 sub-fund
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%	
Lothian development IV	Belgium	Real Estate	EUR	100.00%	100.00%	0.00%	0.00%	Acquired in 2015
Real Property Invest	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sagitta	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Sire Holding	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
UP 38	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Vecquim	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
Veran Real Estate	Belgium	Real Estate	EUR	100.00%	100.00%	100.00%	100.00%	
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

	30 June 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	0.00%	40.00%	
Hotel Wellness	Belgium	Other	EUR	100.00%	100.00%	
L'Ouvrier Chez Lui	Belgium	Other	EUR	63.58%	63.58%	
Palais des Expositions de Charleroi s.c.	Belgium	Other	EUR	23.04%	23.04%	
TEB Participations	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	30 June 2015	31 December 2014
Intangible assets	8	118
Investment properties	37,175	5,380
Financial investments	27	40
Reinsurers' share of insurance liabilities	-	-
Other assets and tangible fixed assets	2,697	1,936
Cash and cash equivalents	21,063	7,457
Insurance and investment contract liabilities	-	-
Financial debts	(33,337)	(26,557)
Provisions for risks and expenses	-	(520)
Other liabilities	(2,416)	(1,881)
Identifiable net assets and liabilities acquired	**25,217**	**(14,027)**
Goodwill	801	698
Change in cash related to acquisitions from previous financial years	587	127
Non-controlling interests	675	(481)
Consideration paid in cash	**27,280**	**(13,683)**
Acquired cash in hand	21,063	7,452
Net cash flows	**6,217**	**(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 first six months of 2015, the Group pursued its real estate policy by acquiring the following new real estate subsidiaries: "Het Gehucht" and "Lothian Development".

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	30 June 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 half-year report ending 30 June 2015 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, activities, circumstances and transactions that have taken place since the 1st of January 2015, using the same accounting methods as in the yearly financial statements.

This report is prepared for the six months ending 30 June 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 period of six months ending 30 June 2015, have been prepared in accordance with IAS 34 "Interim financial reporting". The income tax charge for the interim periods is calculated using the tax rate that would be applicable to expected total annual result.

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.

The yearly improvements to IFRS (2011-2013) (Official Journal of the European Union of 19 December 2014) enter into force for annual periods beginning on or after 1 January 2015. The following new standards and interpretations, applicable as from 1 January 2015, had no incidence on the consolidated accounts of the Group:

- The amendment to IFRS 1 clarifies the notion of “IFRS in effect”. It was clarified that when a new IFRS is not yet mandatory, but that its anticipated application is authorized, the entity can apply it in its first IFRS financial statements, but it is not obliged to do so. This standard does not apply to the Group.
- The amendment IFRS 3 clarifies certain accounting aspects in business combinations. Exclusion from the application scope for all types of partnerships, in the sense of IFRS 11, i.e. joint ventures and joint undertakings.
- IFRS 13 clarifies the scope of exceptions with regard to the portfolios defined in paragraph 52 of the standard.
- Clarification of the correlation between IFRS 3 and IAS 40 within the framework of the classification of a property as an investment property or as an owner-occupied property. These modifications specify that both standards are not mutually exclusive and that therefore their application cannot be required. This clarification has no impact for the Group.

7.1.3 Future standards and interpretations

The Group has chosen to apply none of the new, revised or amended standards for which the IFRS leave the choice to anticipate or not their coming into force.

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 4 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 six months ending 30 June 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.

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

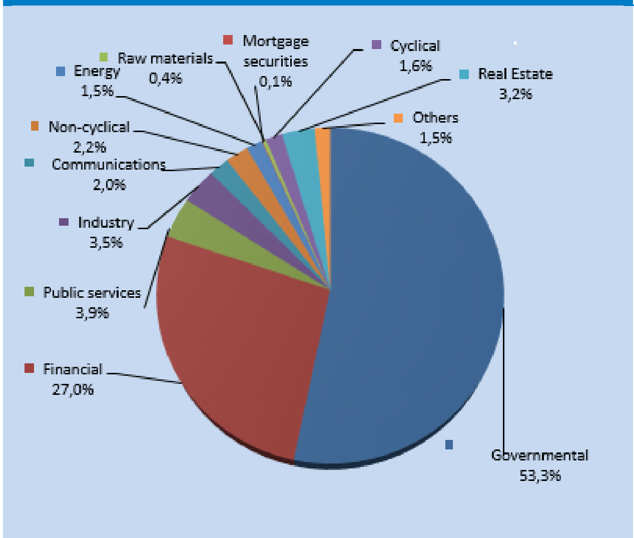
In order to manage the concentration at sectoral level of the financial assets, the financial limits system groups the assets together per distinct asset class and defines an asset allocation strategy which allows a sound diversification.

For the first six months of 2015 and the year 2014, the sectoral distribution of the shares and investment funds as of the bonds and equivalent securities invested by Ethias SA, appears as follows:

Bonds and equivalent securities:

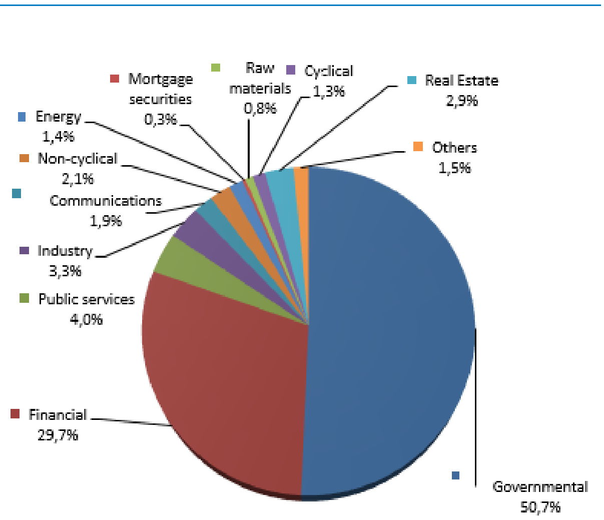
30 June 2015

Distribution in market value at Group level

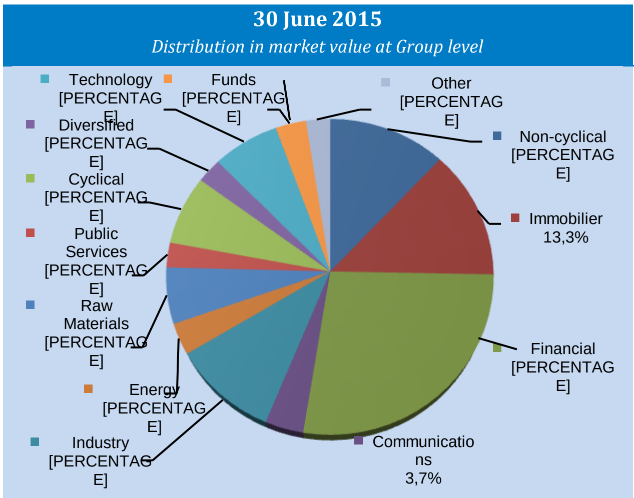


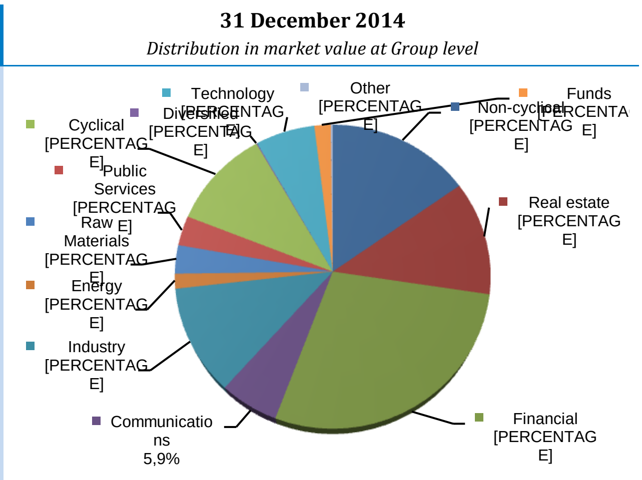
31 December 2014

Distribution in market value at Group level



Shares, participations and investment funds:





Exposure to sovereign risk

In the first six months 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 8,037,587 thousand on a total of EUR 14,146,201 thousand). For 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 Group level*	30 June 2015	31 December 2014
Germany	255,071	271,286
Austria	192,828	226,896
Belgium	4,757,253	4,764,794
Spain	538,088	566,442
Central and Eastern Europe	426,062	446,730
France	820,561	791,446
Ireland	172,830	205,203
Italy	559,104	573,959
The Netherlands	71,559	122,692
Scandinavia	491	6,518
Portugal	140,018	141,531
Supranational securities	92,469	92,427
Others	11,252	8,587
Total	**8,037,587**	**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 8,037,587 thousand per 30 June 2015 (against EUR 8,218,510 thousand per 31 December 2014), is higher than the amount mentioned under the sector "Governmental", i.e. EUR 7,534,825 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.

	30 June 2015						
In thousands of EUR *In market value* *At Group's level*	**AAA**	**AA**	**A**	**BBB**	**BB and below**	**No rating**	**Total**
Bonds and equivalent securities	971,036	6,052,835	2,684,357	3,777,087	477,445	183,440	14,146,201
Loans and deposits	-	-	3,794	21	-	931,443	935,258
Receivables	-	-	-	-	-	1,653,876	1,653,876
Cash and cash equivalents	-	-	492,266	375,502	-	24,896	892,664
Total	**971,036**	**6,052,835**	**3,180,418**	**4,152,610**	**477,445**	**2,793,655**	**17,627,999**

	31 December 2014						
In thousands of EUR *In market value* *At Group's level*	**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	30 June 2015	31 December 2014
Gross value on 1 January	**29,667**	**28,969**
Accumulated impairment losses on 1 January	-	-
Net book value on 1 January	**29,667**	**28,969**
Acquisitions	801	698
Other changes	-	-
Net book value on 30 June/31 December	**30,468**	**29,667**

The goodwill recognized for the first six months ending 30 June 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 30 June 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	30 June 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	2,755	6,196	8,951
Disposals	(28)	-	(28)
Reclassifications	363	349	712
Change in the consolidation scope	8	-	8
Net amortization	(2,082)	(282)	(2,364)
Impairment losses	-	(4)	(4)
Other changes	-	(70)	(70)
Net book value on 30 June	**13,159**	**7,973**	**21,132**

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	30 June 2015 Cost price	Impairment	Reassessment through other items of comprehensive income	Reassessment through profit or loss	Net book value	Fair value
Available-for-sale	121,502	(14,175)	66,903	-	174,230	174,230
Share interests	**121,502**	**(14,175)**	**66,903**	**-**	**174,230**	**174,230**
Available-for-sale	281,890	(2,990)	102,116	-	381,017	381,017
Designated at fair value through profit or loss	151,530	-	-	7,015	158,546	158,546
Held-for-trading	5,169	-	-	(598)	4,571	4,571
Shares	**438,589**	**(2,990)**	**102,116**	**6,417**	**544,133**	**544,133**
Available-for-sale	32,979	(1,216)	6,614	-	38,376	38,376
Designated at fair value through profit or loss	943	-	-	266	1,209	1,209
Investment funds	**33,922**	**(1,216)**	**6,614**	**266**	**39,585**	**39,585**
Available-for-sale	12,075,133	(3,779)	1,313,480	-	13,384,834	13,384,834
Designated at fair value through profit or loss	780,178	-	-	(24,500)	755,677	755,677
Unlisted on an active market	15,000	(10,000)	-	-	5,000	5,690
Bonds	**12,870,311**	**(13,779)**	**1,313,480**	**(24,500)**	**14,145,512**	**14,146,201**
Loans and deposits	880,706	(9,970)	-	-	870,736	935,258
Other investments	**880,706**	**(9,970)**	**-**	**-**	**870,736**	**935,258**
Held-for-trading	53,626	-	-	(36,095)	17,531	17,531
Held for cash flow hedging	-	-	11,326	-	11,326	11,326
Derivative financial assets	**53,626**	**-**	**11,326**	**(36,095)**	**28,857**	**28,857**
Investments belonging to unit-linked insurance contracts	**293,368**	**-**	**-**	**54,833**	**348,202**	**348,202**
Total	**14,692,024**	**(42,130)**	**1,500,438**	**921**	**16,151,253**	**16,216,464**

	31 December 2014					
In thousands of EUR	**Cost price**	**Impairment**	**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	30 June 2015						
	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Financial assets held-for-trading	Loans, deposits and other financial investments	Derivative financial instruments (assets)	Investments belonging to unit-linked insurance contracts	Total
Opening balance on 1 January	**14,510,277**	**1,409,262**	**13,494**	**945,343**	**15,094**	**416,352**	**17,309,822**
Acquisitions	822,427	75,041	25,766	5,822	44,281	13,708	**987,044**
Reclassifications between categories	-	-	-	9	-	-	**9**
Disposals and reimbursements	(1,076,524)	(570,927)	(34,436)	(75,408)	(23,613)	(100,690)	**(1,881,599)**
Foreign currency translation differences on monetary assets	(273)	-	-	-	-	-	**(273)**
Adjustment at fair value	(270,621)	(84)	(253)	-	(6,905)	18,500	**(259,362)**
Amortizations	(9,052)	2,140	-	-	-	331	**(6,580)**
Impairment	2,196	-	-	(30)	-	-	**2,166**
Change in scope	27	-	-	-	-	-	**27**
Other changes	-	-	-	-	-	-	**-**
Net book value on 30 June	**13,978,456**	**915,432**	**4,571**	**875,736**	**28,857**	**348,202**	**16,151,253**

In thousands of EUR	31 December 2014						
	Available-for-sale investments	Financial assets designated at fair value through profit or loss	Financial assets held-for-trading	Loans, deposits and other financial investments	Derivative financial instruments (assets)	Investments belonging to unit-linked insurance contracts	Total
Opening balance on 1 January	**13,489,786**	**1,691,404**	**6,929**	**1,103,481**	**4,754**	**476,546**	**16,772,899**
Acquisitions	2,631,557	207,237	175,382	17,196	770	80,473	**3,112,614**
Reclassifications between categories	(34,869)	34,869	-	-	-	-	**-**
Disposals and reimbursements	(2,418,355)	(544,207)	(164,507)	(161,992)	(1,195)	(175,142)	**(3,465,399)**
Foreign currency translation differences on monetary assets	121	-	-	-	-	-	**121**
Adjustment at fair value	864,259	13,824	(4,349)	-	10,765	31,341	**915,840**
Amortizations	(17,439)	6,135	-	-	-	3,134	**(8,170)**
Impairment	(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 impairment on investments

10.3.3.1 Impairment on available-for-sale investments

In thousands of EUR	30 June 2015	31 December 2014
Balance on 1 January	**(30,572)**	**(31,345)**
Impairment provision	(622)	(6,951)
Impairment reversals	2,817	2,169
Reversals arising from disposals	6,216	6,813
Change in scope	-	-
Reclassifications	-	(1,258)
Other changes	-	-
Balance on 30 June/31 December	**(22,160)**	**(30,572)**

10.3.3.2 Impairment on loans, deposits and other financial investments

In thousands of EUR	30 June 2015	31 December 2014
Balance on 1 January	**(20,002)**	**(34,803)**
Impairment provision	(30)	(13,342)
Impairment reversals	-	-
Reversals arising from disposals	62	33,616
Change in scope	-	-
Reclassifications	-	(5,473)
Other changes	-	-
Balance on 30 June/31 December	**(19,970)**	**(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:

	30 June 2015			
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	174,130	174,230
Share interests	**-**	**100**	**174,130**	**174,230**
Available-for-sale	380,705	-	312	381,017
Designated at fair value through profit or loss	149,416	-	9,129	158,546
Held-for-trading	4,571	-	-	4,571
Shares	**534,692**	**-**	**9,441**	**544,133**
Available-for-sale	21,911	16,466	-	38,376
Designated at fair value through profit or loss	1,209	-	-	1,209
Held-for-trading	-	-	-	-
Investment funds	**23,119**	**16,466**	**-**	**39,585**
Available-for-sale	12,080,690	1,298,378	5,766	13,384,834
Designated at fair value through profit or loss	202,600	468,561	84,517	755,677
Held-for-trading	-	-	-	-
Bonds	**12,283,290**	**1,766,938**	**90,283**	**14,140,512**
Held-for-trading	-	17,531	-	17,531
Held for cash flow hedging	-	11,326	-	11,326
Derivative financial assets	**-**	**28,857**	**-**	**28,857**
Investments belonging to unit-linked insurance contracts	**180,315**	**167,886**	**-**	**348,202**
Total financial assets	**13,021,416**	**1,980,247**	**273,853**	**15,275,517**
Financial liabilities				
Investment contracts hedged by assets at fair value	162,725	189,421	-	352,145
Derivative financial liabilities	-	-	-	-
Total financial liabilities	**162,725**	**189,421**	**-**	**352,145**

	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
Derivative financial assets	**-**	**15,094**	**-**	**15,094**
Investments belonging to unit-linked insurance contracts	**176,554**	**239,798**	**-**	**416,352**
Total financial assets	**13,295,198**	**2,497,420**	**571,861**	**16,364,479**
Financial liabilities				
Investment contracts hedged by assets at fair value	183,352	237,037	-	420,388
Derivative 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 valuated on the basis of values obtained on the market. We note that, in application of IFRS 13, the bid listing of Bloomberg is accepted.

Since the valorization is based on the bid price supplied by a single counterparty, the security will be recognized in level 2 or 3. The same applies to bonds that would not be listed on a market and would not have a counterparty price. For the latter, the assessment is based on a theoretical price calculated by applying a spread and an interest rate curve. On 30 June 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 recognized 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.

By end-June 2015, two perpetual subordinated bonds are still listed in this category. Their 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. On 30 June 2015, this difference did not change significantly compared to 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 Significant transfers between investments estimated at fair value in level 1 and 2

In thousands of EUR	30 June 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 six months of 2015, there has been no transfer between the levels 1 and 2.

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	30 June 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	9,064	28	9,092
Reclassifications between categories	-	-	-
Reclassification to level 3	-	-	-
Exit from level 3	-	(208,315)	(280,315)
Disposals and reimbursements	(72,664)	(34,457)	(107,121)
Adjustment at fair value through equity	4,241	-	4,241
Adjustment at fair value through profit or loss	-	4,118	4,118
Impairment through profit or loss	(21)	-	(21)
Other changes	-	-	-
Closing balance on 30 June	**180,208**	**93,646**	**273,853**

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
Impairment through profit or loss	(2,619)	-	(2,619)
Other changes	-	-	-
Closing balance on 31 December	**239,588**	**332,273**	**571,861**

Regarding the transfer from level 3 of EUR 208,315 thousand on 30 June 2015, EUR 178,844 thousand were transferred to level 1 and EUR 29,471 thousand to level 2 (impact also visible in Note 10.3.4).

10.4 Tangible fixed assets and investment properties

In thousands of EUR	30 June 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	10,080	1,733	5,897	17,711
Disposals and withdrawals	(337)	-	(1,542)	(1,880)
Properties available for sale	-	-	-	-
Change in the consolidation scope	51,850	815	764	53,429
Reclassifications from one heading to another	(871)	939	(769)	(701)
Other changes	-	-	-	-
Gross value on 30 June	**498,481**	**182,143**	**160,585**	**841,209**
Depreciations and accumulated impairments on 1 January	**(46,413)**	**(74,942)**	**(127,506)**	**(248,862)**
Depreciations	(6,370)	(2,216)	(4,150)	(12,735)
Impairment	-	-	-	-
Reversals	75	-	-	75
Disposals and withdrawals	-	-	253	253
Reversals following disposals	102	-	681	783
Impairment and reversal on investment properties available for sale	-	-	-	-
Change in the consolidation scope	(14,675)	(417)	(700)	(15,792)
Reclassifications from one heading to another	208	(250)	31	(11)
Other changes	-	-	-	-
Depreciations and accumulated impairments on 30 June	**(67,072)**	**(77,825)**	**(131,391)**	**(276,288)**
Net book value on 30 June	**431,409**	**104,318**	**29,194**	**564,921**
Fair value on 30 June	**463,675**	**123,098**	**29,548**	**616,321**

In thousands of EUR	31 December 2014 Investment properties	Operational buildings	Other tangible fixed assets	Total
Gross value to be depreciated on 1 January	**395,413**	**202,189**	**119,060**	**716,662**
Acquisitions	43,103	1,235	10,526	54,863
Disposals and withdrawals	(710)	(645)	(4,167)	(5,521)
Included borrowing 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)
Impairment	(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 amortization and depreciation of investments* while depreciations with regard to operational buildings and tangible fixed assets are recognized in *Expenses for other activities* through profit or loss.

Investment properties are, on average, valorized every three years by qualified real estate experts. The fair value of investment properties is based on the valorization by an independent expert with the appropriate professional qualifications and experience. This value represents the estimated amount for which the property could be exchanged at the valuation date between a willing purchaser and a willing seller on the basis of a transaction under normal market conditions (arm's length) after an appropriate marketing.

The methods used to determine this fair value are based on compounded or discounted cash flow methods. 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

	30 June 2015		
In thousands of EUR	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,404,348	(14,439)	1,389,909
Receivables arising from ceded reinsurance operations	57,723	(4,023)	53,699
Receivables arising from other operations	38,833	(377)	38,457
Tax receivables	2,812	-	2,812
Other receivables	169,183	(184)	168,999
Total	**1,672,899**	**(19.023)**	**1,653,876**

	31 December 2014		
In thousands of EUR	Gross value	Impairment	Net book value
Receivables arising from direct insurance operations and accepted reinsurance	1,283,102	(14,087)	1,269,015
Receivables arising from ceded reinsurance operations	65,726	(4,023)	61,703
Receivables arising from other operations	40,330	(382)	39,949
Tax receivables	3,948	-	3,948
Other receivables	166,321	(69)	166,252
Total	**1,559,426**	**(18,561)**	**1,540,866**

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 six months of the year.

10.5.2 Evolution of impairments on receivables

In thousands of EUR	30 June 2015	31 December 2014
Impairments on receivables on 1 January	**(18,561)**	**(17,267)**
Provisions	(7,591)	(10,076)
Expenditures	1,872	595
Reversals	5,393	8,444
Change in the consolidation scope	(136)	(257)
Other changes	-	-
Impairments on receivables on 30 June/31 December	**(19,023)**	**(18,561)**

Excluding exceptional events, the impairment principle on receivables is prudent as only 7% 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.

	30 June 2015							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairment	Net book value	Net book value of impaired assets	Not past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,404,348	(14,439)	1,389,909	-	1,231,823	143,847	7,595	6,644
Receivables arising from ceded reinsurance operations	57,723	(4,023)	53,699	-	53,699	-	-	-
Other receivables	210,828	(561)	210,267	716	195,303	11,857	1,014	1,377
Total	**1,672,899**	**(19,023)**	**1,653,876**	**716**	**1,480,826**	**155,704**	**8,609**	**8,021**

	31 December 2014							
					Net book value of unimpaired assets based on the following periods:			
In thousands of EUR	Book value before impairments	Impairment	Net book value	Net book value of impaired assets	Not past due	Past due less than 6 months	Past due less than 12 months	Past due more than 12 months
Receivables arising from insurance operations or accepted reinsurance	1,283,102	(14,087)	1,269,015	-	1,159,617	90,887	9,422	9,088
Receivables arising from ceded reinsurance operations	65,726	(4,023)	61,703	-	61,703	-	-	-
Other receivables	210,599	(450)	210,148	-	183,358	25,429	1,242	120
Total	**1,559,426**	**(18,561)**	**1,540,866**	**-**	**1,404,677**	**116,316**	**10,664**	**9,208**

Impaired receivables are reduced up to their book value amount.

10.6 Cash and cash equivalents

In thousands of EUR	30 June 2015	31 December 2014
Cash at bank and in hand	814,592	950,210
Cash equivalents	78,071	942,488
Total of the cash and cash equivalents	**892,662**	**1,892,698**
Debts arising from repurchase operations (repo)	(171,133)	(11,250)
Bank overdraft and other debts included in the cash flow statement	(23,099)	(13,425)
Cash and cash equivalents regarding subsidiaries available-for-sale	-	776
Total of the repurchase operations, cash and cash equivalents in the cash flow table	**698,430**	**1,868,800**

Cash equivalents consist essentially of short-term deposits and treasury bonds.

Since 2014, a shadow accounting was implemented, i.e. for an amount of EUR 13,400 thousand at the end of the year. On 30 June 2015, the amount stands at EUR 11,081 thousand.

The fair value equals the net book value of the cash and cash equivalents. Indeed, the Group considers that for this type of assets the book value is sufficiently close to the market value of the cash and cash equivalents.

10.7 Deferred tax assets and liabilities

10.7.1 Breakdown of deferred tax assets and liabilities

In thousands of EUR	30 June 2015 Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Available-for-sale investments through profit or loss	7,071	-	7,071
Available-for-sale investments in other items of comprehensive income	-	453,557	(453,557)
Financial assets designated at fair value through profit or loss	-	15,433	(15,434)
Insurance and investment liabilities in other items of comprehensive income	412,085	-	412,085
Insurance and investment liabilities through profit or loss	189,863	-	189,863
Employee benefits in other items of comprehensive income	19,641	2,008	17,633
Employee benefits through profit or loss	47,209	358	46,851
Other sources of other items of comprehensive income	-	-	-
Other sources through profit or loss	-	12,648	(12,648)
Carried forward tax losses	151	-	151
Deferred tax assets and liabilities	**676,020**	**484,004**	**192,015**
Compensation through taxable entity	(478,317)	(478,317)	-
Deferred tax assets and liabilities	**197,703**	**5,687**	**192,015**

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**

10.7.2 Evolution of deferred tax assets and liabilities

In thousands of EUR	30 June 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	(70,265)	1,929	(72,193)	172,813	254	172,560
Change in other items of comprehensive income	(11,294)	(273)	(11,021)	(19,569)	(428)	(19,141)
Change in scope	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net book value on 30 June/ 31 December	**197,703**	**5,687**	**192,015**	**279,261**	**4,032**	**275,230**

10.7.3 Deferred taxes

In thousands of EUR	30 June 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	20,301	113,741
Debt with maturity after 3 years	-	-
Subtotal	**192,015**	**275,230**
Deferred taxes for which no deferred tax asset was allocated		
Limited recoverability	-	-
Unlimited recoverability	223,511	300,392
Subtotal	**223,511**	**300,392**
Total of the allocated and non-allocated deferred taxes	**415,526**	**575,622**

10.8 Insurance and investment contract liabilities

10.8.1 Summary table of insurance and investment contract liabilities

Technical liabilities with regard to insurance and investment contracts, including those for which the financial risk is supported by the insured, are divided into gross liabilities and reinsurers' share. Gross liabilities are divided according to the nature of technical provision. Investment contract liabilities with discretionary participation features are presented separately from the investment contract liabilities without discretionary participation features.

10.8.1.1 Liabilities related to Non-Life insurance contracts

In thousands of EUR	30 June 2015	31 December 2014
Mathematical provisions	762,690	731,620
Provisions for unearned premiums	480,145	266,484
Provisions for claims	2,316,171	2,311,145
Shadow accounting	-	-
Other provisions	218,754	211,269
Total insurance contract liabilities (gross)	**3,777,761**	**3,520,518**
Reinsurers' share in liabilities related to Non-Life insurance contracts	138,383	112,390
Total insurance contract liabilities (after deduction of the reinsurers' share)	**3,639,378**	**3,408,128**

10.8.1.2 Liabilities related to Life insurance contracts

In thousands of EUR	30 June 2015	31 December 2014
Mathematical provisions	4,413,540	4,399,697
Provisions for claims	2,317	2,251
Shadow accounting	589,317	607,437
Other provisions	15,728	-
Insurance contract liabilities	**5,020,902**	**5,009,385**
Liabilities related to unit-linked insurance contracts	**23,694**	**29,524**
Total insurance contract liabilities (gross)	**5,044,596**	**5,038,909**
Reinsurers' share in liabilities related to Life insurance contracts	2,273	1,500
Total insurance contract liabilities (after deduction of the reinsurers' share)	**5,042,323**	**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.

10.8.1.3 Investment contract liabilities

In thousands of EUR	30 June 2015	31 December 2014
Mathematical provisions	6,826,438	9,351,879
Provisions for claims	-	-
Shadow accounting	645,608	927,519
Other provisions	20,543	-
Investment contract liabilities with discretionary participation features	**7,492,589**	**10,279,399**
Liabilities related to unit-linked investment contracts with discretionary participation features	**185,639**	**172,450**
Mathematical provisions	3,943	4,036
Investment contract liabilities without discretionary participation features	**3,943**	**4,036**
Liabilities related to unit-linked investment contracts without discretionary participation features	**138,868**	**214,379**
Total investment contract liabilities (gross)	**7,821,040**	**10,670,263**
Reinsurers' share in investment contract liabilities with discretionary participation features	-	-
Total insurance contract liabilities (after deduction of the reinsurers' share)	**7,821,040**	**10,670,263**

10.8.1.4 Profit sharing liabilities

In thousands of EUR	30 June 2015	31 December 2014
Profit sharing related to Non-Life insurance contracts	-	-
Profit sharing related to Life insurance contracts	5,067	9,110
Profit sharing related to investment contracts	-	11,598
Liabilities for profit sharing of policyholders	**5,067**	**20,708**

10.9 Financial debts

10.9.1 Breakdown by nature

	30 June 2015		31 December 2014	
In thousands of EUR	Balance value	Fair value	Balance value	Fair value
Convertible subordinated bond loans	-	-	-	-
Non-convertible subordinated bond loans	321,500	294,200	321,500	310,203
Subordinated debts	**321,500**	**294,200**	**321,500**	**310,203**
Convertible bond loans	-	-	-	-
Non-convertible bond loans	-	-	-	-
Bank overdraft	158	158	25	25
Debts arising from repurchase operations (repo)	171,133	171,133	11,250	11,250
Collateral received as guarantee	22,941	22,941	13,400	13,400
Others	22,988	22,988	21,800	21,800
Other financial debts	**217,220**	**217,220**	**46,474**	**46,474**
Total of the financial debts	**538,720**	**511,420**	**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 prepared 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.

In the absence of an active listing on financial markets, 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.

At end-June, the valuation of the loan of EUR 250 million is determined by its listing on the financial markets. In respect of the loan of EUR 75 million, the latter is naturally hedged with BNP Paribas Fortis by a bond with the same characteristics. Hence, this loan is valued at par.

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 fiscal dispute. These three elements have a positive impact on the valorization of these elements. In 2015, the market value of the loan decreased following some negative articles in the press.

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 valorization 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%. Some repos were renewed at the end of June with a maturity in September.

The collateral received as guarantee amounts to EUR 11,081 thousand in June 2015 (against EUR 13,400 thousand for the year 2014), resulting from the implementation of hedging operations of the OLO forward type in 2014. The remaining collateral relates to the repos and the swaptions program concluded in March and June.

10.10 Employee benefits

10.10.1 Overview of employee benefits by nature

The debt for employee benefits recognized in the balance sheet is analysed as follows:

In thousands of EUR	30 June 2015	31 December 2014
Post-employment benefits	505,949	573,216
Long-term employee benefits	1,639	1,583
Termination benefits	26,034	28,549
Total	**533,622**	**603,348**

The decrease in post-employment benefits compared to 31 December 2014 is mainly due to the increase in discount rates and changes in assumptions regarding the wage progression.

10.10.2 Description of the employee benefits

10.10.2.1 Post-employment benefits

Various remuneration plans granted at the leaving date of the employees or during their retirement were implemented within the Group. This category mainly includes:

Pension benefit obligations

The majority of the plans 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 plans 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.

10.10.2.2 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.

10.10.2.3 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.

10.11 Trade and other payables

10.11.1 Breakdown by nature

In thousands of EUR	30 June 2015	31 December 2014
Liabilities arising from direct insurance operations and accepted reinsurance	123,544	133,275
Liabilities arising from ceded reinsurance operations	92,235	74,759
Liabilities from operating activities	**215,778**	**208,034**
Tax on current result	5,843	5,984
Other contributions and taxes	75,729	33,415
Tax payables	**81,572**	**39,399**
Social security payables	48,893	60,994
Payables to associates	-	-
Payables from finance leases	2,887	2,143
Trade payables	46,754	38,760
Other payables	83,794	99,704
Other payables	**182,329**	**201,602**
Accruals for liabilities	**28,401**	**12,634**
Total other payables	**508,080**	**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 increase in other taxes and contributions is mainly due to payments of advances in December that reduce these debts at year end.

11. Explanatory notes to the consolidated income statement

11.1 Revenues from insurance activities

In thousands of EUR	30 June 2015			
	Insurance contracts Life	Insurance contracts Non-Life	Investment contracts with discretionary participation features Life	Total
Gross premiums	170,160	854,225	413,900	1,438,285
Premiums ceded to reinsurers	(2,371)	(35,387)	-	(37,758)
Change in provision for unearned premiums and current risks (net of reinsurance)	-	(196,673)	-	(196,673)
Other income from insurance activities	11	974	1,027	2,012
Revenues of insurance activities (net of reinsurance)	**167,800**	**623,139**	**414,927**	**1,205,866**

In thousands of EUR	30 June 2014			
	Insurance contracts Life	Insurance contracts Non-Life	Investment contracts with discretionary participation features Life	Total
Gross premiums	154,238	856,322	379,879	1,390,440
Premiums ceded to reinsurers	(2,719)	(37,339)	-	(40,058)
Change in provision for unearned premiums and current risks (net of reinsurance)	-	(203,646)	-	(203,646)
Other income from insurance activities	742	1,108	25	1,875
Revenues of insurance activities (net of reinsurance)	**152,261**	**616,446**	**379,904**	**1,148,611**

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	30 June 2015			
	Insurance contracts		Investments contracts with discretionary participation features Life	Total
	Life	Non-Life		
Expenses for insurance payments	162,589	477,982	319,767	960,339
Net expenses or revenues ceded to reinsurers	(1,132)	(24,673)	-	(25,806)
Management costs	25,424	110,771	32,044	168,239
Technical expenses for insurance activities	**186,881**	**564,080**	**351,811**	**1,102,772**

In thousands of EUR	30 June 2014			
	Insurance contracts		Investment contracts with discretionary participation features Life	Total
	Life	Non-Life		
Expenses for insurance payments	277,995	486,723	755,516	1,520,234
Net expenses or revenues ceded to reinsurers	(2,583)	(12,745)	-	(15,328)
Management costs	19,137	112,698	25,081	156,916
Technical expenses for insurance activities	**294,550**	**586,677**	**780,596**	**1,661,823**

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 decision by the European Commission of 12 June 2014 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 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 withdrew EUR 1.8 billion inventory reserves during the first six months of 2015. Therefore, the P&L of the first semester was negatively impacted by EUR 243 million (interest cost of 4 years) included in the line "Expenses for insurance payments".

The result on 30 June 2015 is largely impacted by the evolution in the macroeconomic context and by the decrease in liabilities following the "Switch IV" operation. Indeed, the actual lapse rate of this operation was well above the estimated lapse rate at the end of 2014.

11.3 Net financial result without finance costs

In thousands of EUR	30 June 2015					
	Net investment income	Net realized gains or losses on investments	Change in fair value of investments through profit or loss	Change in amortization and depreciation of investments	Other investment financial expenses	Total
Investment properties	**12,135**	**760**	**-**	**(6,294)**	**-**	**6,601**
Available-for-sale	6,157	(2,245)	-	1,740	-	5,651
Share interests	**6,157**	**(2,245)**	**-**	**1,740**	**-**	**5,651**
Available-for-sale	7,725	29,881	(189)	3,749	-	41,166
At fair value through profit or loss	4,250	16,560	5,750	-	-	26,560
Held-for-trading	86	1,475	(253)	-	-	1,308
Shares and investment funds	**12,061**	**47,916**	**5,308**	**3,749**	**-**	**69,034**
Available-for-sale	219,915	11,826	-	2,922	-	234,663
At fair value through profit or loss	21,416	2,219	(5,834)	-	-	17,801
Held-for-trading	-	-	-	-	-	-

Unlisted at amortized cost price	354	-	-	-	-	354
Bonds	**241,685**	**14,045**	**(5,834)**	**2,922**	**-**	**252,819**
Loans, deposits and other financial investments	**13,866**	**-**	**-**	**32**	**-**	**13,898**
Held-for-trading	81	(62,608)	(4,564)	-	-	(67,090)
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial instruments	**81**	**(62,608)**	**(4,564)**	**-**	**-**	**(67,090)**
Investments belonging to unit-linked insurance contracts	**(6,811)**	**1,012**	**18,500**	**-**	**-**	**12,702**
Cash and cash equivalents	**2,430**	**-**	**31**	**-**	**-**	**2,462**
Others	**19,735**	**-**	**-**	**-**	**44,620**	**64,355**
Net financial result without finance costs	**301,340**	**(1,120)**	**13,442**	**2,149**	**44,620**	**360,430**

	30 June 2014					
In thousands of EUR	**Net investment income**	**Net realized gains or losses on investments**	**Change in fair value of investments through profit or loss**	**Change in amortization and depreciation of investments**	**Other investment financial expenses**	**Total**
Investment properties	**7,618**	**3,778**	**-**	**(4,489)**	-	**6,906**
Available-for-sale	3,482	402	-	(1,491)	4,035	6,429
Share interests	**3,482**	**402**	**-**	**(1,491)**	**4,035**	**6,429**
Available-for-sale	12,245	22,019	85	(258)	-	34,091
At fair value through profit or loss	5,379	4,243	7,128	-	-	16,750
Held-for-trading	511	3,277	(1,851)	-	-	1,937
Shares and investment funds	**18,136**	**29,539**	**5,362**	**(258)**	**-**	**52,779**
Available-for-sale	222,770	2,225		1,569	8,995	235,559
At fair value through profit or loss	27,328	5,691	35,106	-	-	68,126
Held-for-trading	-	-	-	-	-	-
Unlisted at amortized cost price	358	(134)		-	-	224
Bonds	**250,457**	**7,782**	**35,106**	**1,569**	**8,995**	**303,909**
Loans, deposits and other financial investments	**15,280**	**-**	**-**	**(1,283)**	**(4,000)**	**9,997**
Held-for-trading	108	133	(2,006)	-	-	(1,765)
Held for cash flow hedging	-	-	-	-	-	-
Derivative financial instruments	**108**	**133**	**(2,006)**	**-**	**-**	**(1,765)**
Investments belonging to unit-linked insurance contracts	**10,202**	**-**	**-**	**-**	**-**	**10,202**
Cash and cash equivalents	**2,119**	**-**	**(51)**	**-**	**-**	**2,068**
Others	**26,617**	**-**	**-**	**-**	**(51,308)**	**(24,691)**
Net financial result without finance costs	**334,019**	**41,635**	**38,410**	**(5,952)**	**(42,278)**	**365,834**

Net investment income include dividends, interests as well as actuarial depreciation of premiums and discounts on bonds.

11.4 Employee benefit expenses

In thousands of EUR	30 June 2015	30 June 2014
Wages	97,802	104,243
Social security expenses	28,500	31,492
Post-employment benefits	(540)	(164)
Defined benefit schemes	15,635	16,996
Other long-term benefits	161	63
Other benefits	(12,492)	(12,363)
Others	5,817	2,868
Total of the employee benefit expenses	**134,882**	**143,133**

The amount of the expenses included in the income statement on the defined contribution pension schemes amounts to EUR 15,635 thousand in the first six months of 2015 (against EUR 16,996 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	30 June 2015	30 June 2014
Receivables	1,049,000	1,009,670
Other assets	-	-
Total assets with related parties	**1,049,000**	**1,009,670**
Insurance and investment contract liabilities	1,035,043	965,087
Financial debts	-	-
Trade and other payables	-	-
Total liabilities with related parties	**1,035,043**	**965.087**

12.1.2 Transactions related to revenues and expenses

In thousands of EUR	30 June 2015	30 June 2014
Revenues	117,243	129,244
Operating expenses	(122,863)	(120,577)
Financial revenues	18,094	20,193
Total of the revenues and expenses with related parties	**12,474**	**28,860**

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 include the following elements:

In thousands of EUR	30 June 2015	30 June 2014
Short-term benefits	1250	1325
Post-employment benefits	392	420
Termination benefits	-	-
Other long-term benefits	-	-
Remunerations and other benefits to members of management and directors	**1,642**	**1,745**

Short-term benefits consist of annual salary and other short-term benefits.

The key management personnel did not receive loans or advances at preferential interest rate from the Group.

12.2 Commitments

12.2.1 Received commitments

In thousands of EUR	30 June 2015	31 December 2014
Guarantee commitments	854,525	914,357
Finance commitment	-	-
Other received commitments	-	-
Total	**854,525**	**914,357**

Guarantee commitments mainly include guarantees linked to mortgage loans granted to the Group. They are mainly composed of mortgage loans called in by Ethias SA after the disposal of Ethias Bank in 2011. On 30 June 2015, this portfolio amounts to EUR 799,322 thousand (against EUR 858,680 thousand on 31 December 2014). One counts:

- mortgage loans (Stater management) for EUR 704,121 thousand on 30 June 2015 (against EUR 750,563 thousand on 31 December 2014).
- mortgage loans for EUR 91,733 thousand on 30 June 2015 (against EUR 104,650 thousand on 31 December 2014).
- public body loans for EUR 2,467 thousand on 30 June 2015 as on 31 December 2014.
- real estate loans for EUR 1,000 thousand on 30 June 2015 as on 31 December 2014.

The guarantees received from the reinsurers amount to EUR 50,672 thousand on 30 June 2015 (against EUR 51,146 thousand on 31 December 2014).

12.2.2 Given commitments

In thousands of EUR	30 June 2015	31 December 2014
Guarantee commitments with regard to financing	83,400	104,250
Other guarantee commitments	47,442	56,735
Commitments on securities	178,515	18,473
Other given commitments	129,879	116,732
Total	**439,235**	**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 30 June 2015 (against EUR 104,250 thousand on 31 December 2014).

The other guarantee commitments mainly include:

- Personal guarantees given for an amount of EUR 41,545 thousand on 30 June 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 the first six months of 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 58,100 thousand on 30 June 2015 (against EUR 60,768 thousand on 31 December 2014). These commitments relate to investment properties "Air Properties" (for EUR 36,595 thousand on 30 June 2015 as on 31 December 2014), "Real Property Invest" (for EUR 8,559 thousand in June 2015 against 13,227 thousand on 31 December 2014), "Jala / Sire" (for EUR 2 million in June 2015) as well as social buildings (for EUR 10,946 thousand on 30 June 2015 as on 31 December 2014);
- lending commitments for EUR 31,871 thousand on 30 June 2015 (against EUR 30,157 thousand on 31 December 2014). This total is composed of EUR 20,528 thousand for lending commitments for infrastructures (against EUR 22,598 thousand on 31 December 2014), EUR 9,093 thousand for financial lending commitments (against EUR 7,559 thousand on 31 December 2014), and EUR 2,250 thousand for real estate loans.
- commitments towards non-consolidated financial participations for EUR 25,832 thousand on 30 June 2015 (against EUR 25,807 thousand on 31 December 2014).

12.3 Contingent liabilities

None.

12.4 Events after the reporting period

Ethias launched an exchange offer on 29 June 2015 for its perpetual subordinated loan of EUR 250 million against a Tier 2 subordinated loan maturing in January 2026.

The operation was a real success given the high participation level of 94.4% (EUR 236 million).

Having reimbursed investors wishing to participate in the exchange offer but not having an investment with a minimum amount of EUR 100,000 (i.e. the minimum subscription amount) and having reimbursed the part of the investment not corresponding to a multiple of EUR 100,000, a new bond of EUR 231.9 million was issued on 14 July 2015, at the rate of 5%.

13. Statutory auditor's report on review of consolidated condensed financial information for the six month period ended June 30, 2015

Free translation from the French original

Introduction

We have reviewed the accompanying consolidated balance sheet of Ethias SA and its subsidiaries as of June 30, 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 six-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.

Qualified 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, 18 September 2015

The statutory auditor

PwC Reviseurs d'Entreprises sccrl / Bedrijfsrevisoren bcvba

Represented by

Kurt Cappoen

Réviseur d'Entreprises

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