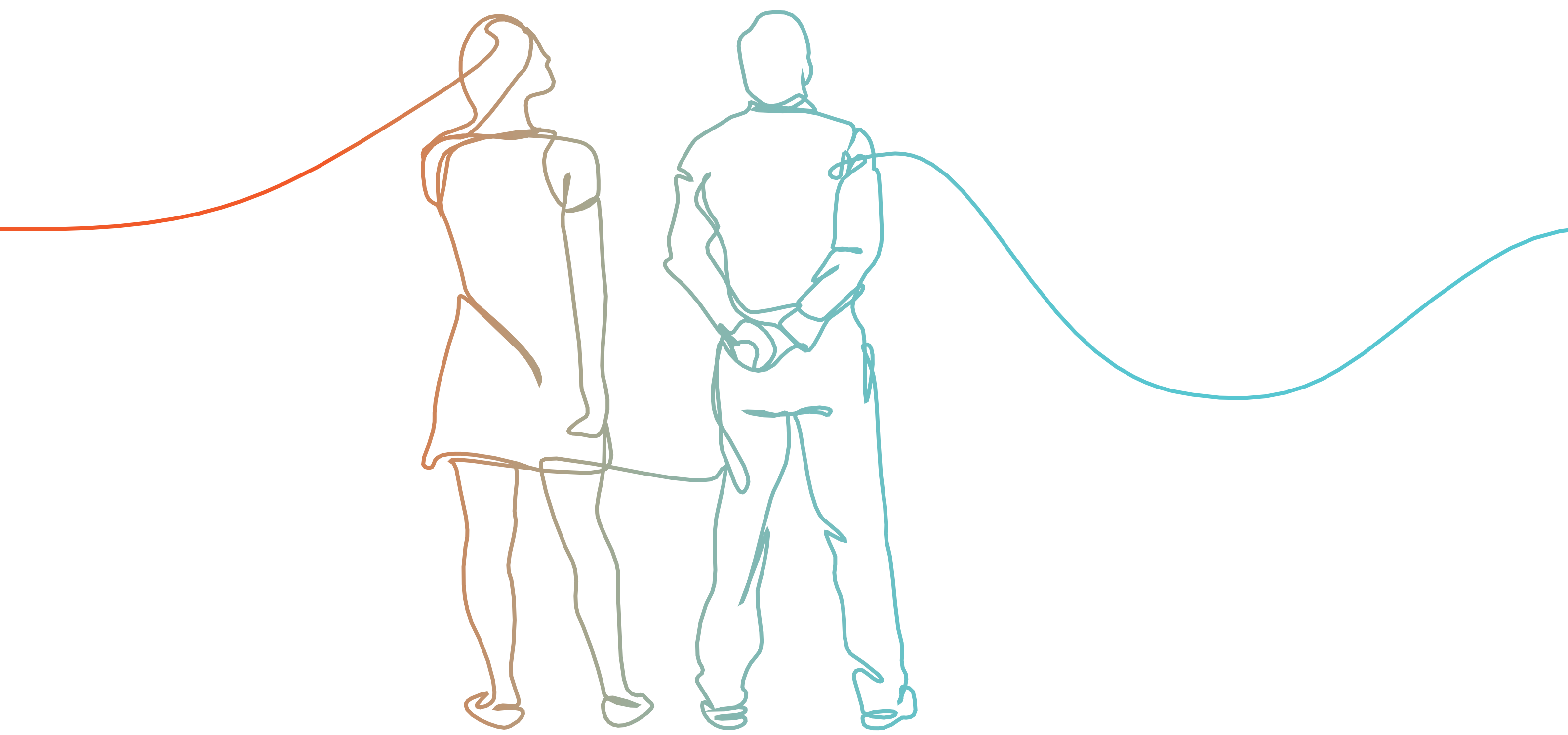
Annual Report 2017

With the customer in mind

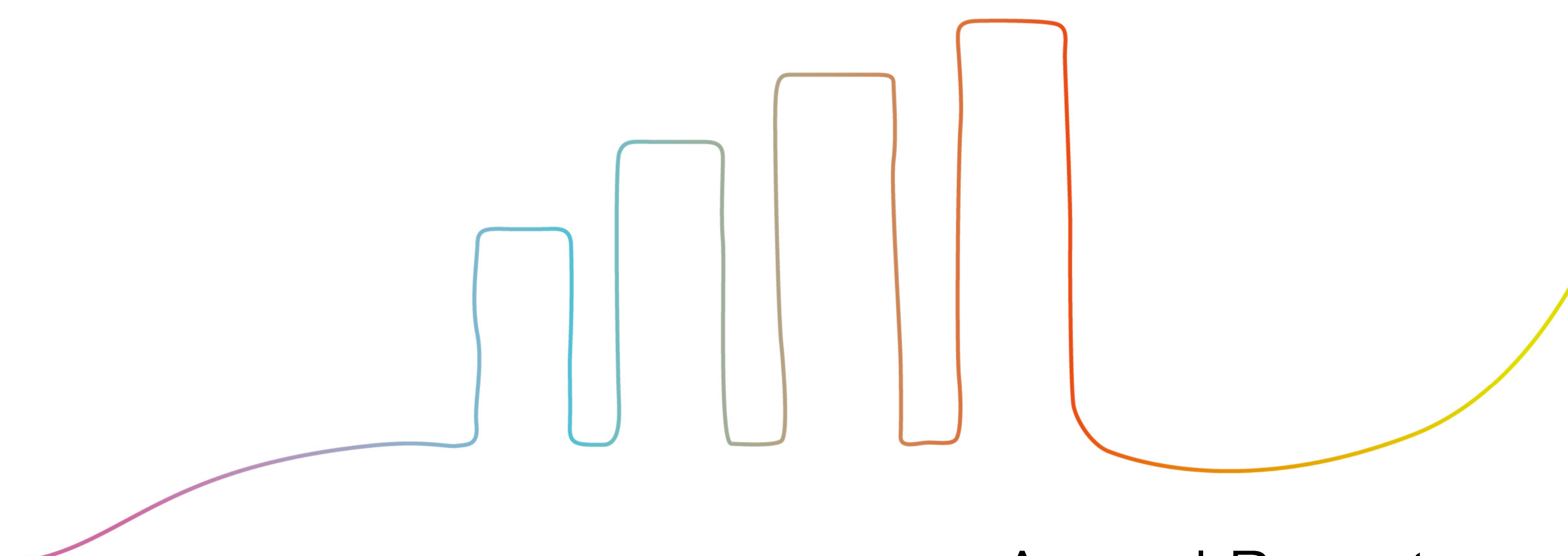


ageas

Annual Report
2017

Brussels, 6 April 2018

Report of the Board of Directors
Consolidated Financial Statements
Summarised ageas SA/NV Company Financial Statements



Annual Report
2017

Brussels, 6 April 2018

CONTENTS

Introduction

The Ageas Annual Report 2017 includes the Report of the Board of Directors of Ageas prepared in accordance with the legal and regulatory requirements applicable in Belgium (pursuant to article 96 and article 119 of the Belgian Company Code) and the Ageas Consolidated Financial Statements 2017, with comparative figures for 2016, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the Summarised Financial Statements of ageas SA/NV.

All amounts in the tables of this Annual Report are denominated in millions of euros, unless stated otherwise

Report of the Board of Directors

Ageas
An international company with a local identity and one focus:
Being there for our customers

1 General description and strategy of Ageas

Being there for our customers

Present in 15 countries across Europe and Asia, and backed by 190 years of insurance experience, Ageas offers Life and Non-life insurance solutions to millions of private and professional customers whom benefit from a broad range of channels, from traditional to the new world of digital.

At Ageas we help our customers plan for the long term while protecting them against unforeseen risks to their welfare. In short, we are there in good times, but also during life's more challenging moments.

With expertise in partnerships, Ageas has developed long term agreements with market-leading local financial institutions and distributors around the world. In many markets we are also developing direct relationships with the customer.

Wherever we work, we do so with one goal in mind: to provide our 38 million customers with peace of mind when they need it most.

#6 Values

Passionate to deliver. Entrepreneurial.
Focused on customers. Teamwork.
Trusted. Local.

#7 Strategic Choices

- CLOSE TO THE CUSTOMER
- SMART SYNERGIES
- FOCUS ON INSURANCE
- PARTNERSHIPS
- EUROPE & ASIA
- OMNI-CHANNEL
- WELL DIVERSIFIED PORTFOLIO

#5 Financial Targets

- 11-13% RETURN ON EQUITY
- LIFE OPERATING MARGIN
  GUARANTEED 85-90 BPS
  UNIT-LINKED 40-45 BPS
- <97% COMBINED RATIO NON-LIFE
- 40-50% DIVIDEND RANGE
- SOLVENCY II RATIO 175%

Ambition 2018 in action

As an insurer it is our role to help people at every stage of their life to mitigate risks related to property, casualty, life, health or pensions and to manage their assets through investment propositions.

In 2017 more than 38 million customers put their trust in Ageas expecting just that. We helped many of them achieve their personal ambitions. For others we provided peace of mind during difficult moments in their lives. To create the right solutions for our customers we listened to what they told us, we improved the dialogue, and we acted on what we heard.

As we look back at 2017 we are reaching more customers than ever before. We officially launched Troo in the Philippines and more recently our new joint venture in Vietnam provided us with an opportunity to introduce the world of Ageas to a new audience. In Portugal, Ageas Seguros has after just one year established itself as a well-recognised and well respected insurance brand.

Innovation was an important driver in our 2017 performance leading to some creative and impactful solutions from custom-made products like Elastic in the UK, new mobile applications in Asia spanning motor renewals and travel insurance and additional app based services in Belgium supporting home insurance. As we anticipated, digitisation is proving to be a major catalyst of change and our decision to invest in new technologies and skills has proven to be the right call.

2017 was also the year of Artificial Intelligence and robotics, with activations across many markets resulting in improved customer service and efficiency. And as we look at new technologies on longer term, Ageas is actively involved with the international B3i Blockchain initiative and with the Fintech incubator B-Hive in Belgium to help meet the needs of customers in the future.

Through our strategic plan, Ambition 2018, we reinforced our commitment to being close to the customer. That's why we have started to measure customer centricity for the first time across the entire Group using a number of key customer metrics. At every customer touch point we try to add value, do better, and anticipate future customer needs, while sharing what we learn across the Group.

In 2017 employees embraced the innovation challenge. Invited to think out of the box employees were challenged to come up with ways to improve the status quo or to design something unique. A group wide contest led to more than 370 individual ideas from brand new innovations, to ideas on process improvements and communications.

As Ambition 2018 is in its last year, we are already starting to think about life beyond 2018. Later this year we will set out our ambition for the coming three years. Connect 21 will be a natural evolution from Vision 2015 and Ambition 2018, but with a renewed look at choices and targets reflecting where we are, where we want to be, what we have learned, and what we need to do to deliver for all stakeholders over the next three years and beyond.

Why Connect 21? It was the obvious choice as we look to connect more closely with our different stakeholders. We are connecting the dots between different countries, regions, functions and channels. We are connecting with the digital world to provide innovative solutions to our customers. And we are connecting also to a world outside of our own sector allowing us to adapt to emerging innovations that could change the world of insurance.

Our primary goal is to stay relevant and attractive to all stakeholders. As we look to the future, customer needs will continue to evolve influenced by many different factors, and for sure customer expectations will also rise. That's how it should be, and that's the ongoing challenge we are prepared to meet. Our primary goal is to stay relevant and attractive to all stakeholders never forgetting that they have a choice.

Ageas's Ambition 2018 financial targets	Target by end 2018	Position end 2017	Position end 2016
Return on Equity of Insurance activities (excluding unrealised gains & losses)	11 - 13%	14.6%	10.6%
Life Operating Margin - Guaranteed	85 - 90 bps	93 bps	93 bps
Life Operating Margin - Unit-Linked	40 - 45 bps	27 bps	25 bps
Combined Ratio	< 97%	95.2%	101.1%
Solvency II Insurance	175%	196%	179%
Dividend Range	40 - 50%	42%	59%

2 Developments and results

2.1 Results and solvency of Ageas

The Insurance net profit amounted to EUR 960 million, compared to EUR 721 million last year driven by a record performance in both Life and Non-life and supported by a capital gain on the sale of the Italian activity. Last year's result included a capital gain on the sale of Hong Kong and the negative impact of terrorism, weather and the change in the Ogden discount rate in the UK, specifically in the fourth quarter of 2016. Excellent results in Belgium, Continental Europe and Asia were partly driven by a higher level of net capital gains. The UK result started an encouraging recovery in the post-Ogden market.

Life and Non-life

The net result of the Life activities improved substantially from EUR 505 million to EUR 623 million, excluding the EUR 199 million capital gain on last year's sale of the operations in Hong Kong. The increase primarily resulted from significantly better investment results in the non-consolidated partnerships and a positive impact of some regulatory changes.

In Belgium, the net result increased to EUR 292 million (vs. EUR 288 million). In Continental Europe, the net result grew some 30% from EUR 49 million to EUR 62 million, mainly thanks to better underwriting results in Portugal and favourable evolutions in equity markets. In Asia, the net result significantly progressed to EUR 269 million (vs. EUR 167 million excluding the gain on the sale of the Hong Kong activities) driven by increased regular premium contribution and a strong investment result.

The excellent net result of the Non-life activities benefitted from the outstanding performances in Belgium (EUR 146 million) and Continental Europe (EUR 130 million). It also included the capital gain from the sale of the Italian Non-life activities (EUR 77 million). The net result in the UK amounted to EUR 29 million including a EUR 46 million negative impact of the Ogden discount rate review. The Asian Non-life partnerships contributed EUR 24 million. Besides the sustained good operational performance, the significant progress made compared to last year also came from the combined negative impact in 2016 of terrorism and above average weather related costs in Belgium and the UK (EUR 60 million), and exceptional events in the UK totalling EUR 213 million.

The total amount of reinsured premiums at the internal Non-life reinsurer Intreas increased to EUR 58 million. The contribution to the net Non-life result amounted to EUR 8 million which corresponds to a combined ratio of 75.7%.

General Account

The General Account reported a negative result of EUR 337 million of which EUR 173 million is related to the evolution of the RPN(I) liability and EUR 100 million is explained by Ageas's decision to increase the provision for the potential Fortis settlement. The net result of the General Account benefited from EUR 10 million gain on the sale of the Italian Non-life activities. Staff and other operating expenses, after recharges, decreased to EUR 76 million (vs. EUR 95 million), with the 2016 number being inflated by exceptionally high legal charges related to the potential Fortis settlement.

Solvency

The Own Funds of the insurance activities amounted to EUR 7.9 billion, EUR 4.0 billion above SCR. This led to a strong total Insurance Solvency II_{ageas} ratio of 196%, well above the 175% target. The Insurance Solvency II_{ageas} ratios by segments were 237% for Belgium, 147% for the United Kingdom, 207% for Continental Europe and 243% for Reinsurance.

The Group Solvency II_{ageas} ratio was up from 191% at the end of 2016 to 196% at the end of 2017. The Operational Free Capital generation from the companies within Solvency II scope amounted to EUR 702 million over 2017. This amount includes EUR 114 million related to specific management actions to restore the solvency position in the UK and EUR 77 million dividends coming from the Asian non-controlled partnerships.

2.2 Statutory results of ageas SA/NV under Belgian Accounting Principles

ageas SA/NV reported for the financial year 2017 based on Belgian Accounting Principles a positive net result of EUR 289 million (2016: EUR 696 million) and a shareholders' equity of EUR 5,993 million (2016: EUR 6,351 million).

For a more detailed explanation on the non-consolidated net result of ageas SA/NV and other Belgian regulatory requirements in accordance with article 96 of the Belgian Company code, please turn to the Summarised Company Financial Statements of ageas SA/NV. KPMG has issued an unqualified auditor's report with an emphasis of matter paragraph on the ageas SA/NV Company Financial Statements.

2.3 Events after the date of the Consolidated statement of financial position

There have been no material events since the date of the Consolidated statement of financial position that would require adjustments to the Ageas Consolidated Financial Statements as at 31 December 2017.

2.4 Dividend

The Ageas Board will propose to the Annual General Meeting of Shareholders on 16 May 2018, the distribution of a total gross cash dividend of EUR 2.10 per share over 2017.

Share buy-back programmes

Ageas completed on 4 August 2017 the share buy-back programme announced on 5 August 2016 and announced on 9 August 2017 a new share buy-back programme for an amount of EUR 200 million.

For more detailed information on these share buy-back programmes, the issued shares of Ageas, dividend rights and capital structure, please refer to the Corporate Governance Statement and the note 19 Shareholders' equity.

2.5 M&A Activities / Group structure

Cargeas

Ageas reached an agreement with BNP Paribas Cardif to sell its 50% + 1 share in the share capital of Cargeas Assicurazioni, its Italian Non-life operations. The transaction was completed on 28 December 2017 for a total cash consideration of EUR 178 million.

The sale of Cargeas generated a net capital gain of EUR 77 million at Insurance level in the segment Continental Europe and an additional EUR 10 million at Group level in the General Account.

Both the capital gain and the cash impact have been recorded in the last quarter of 2017.

Dutch Offices

In 2017 the Management reviewed its Head Quarters' organization in order to improve efficiency and as a response to the changing needs of the organization. As a consequence of this review the decision was taken by ageas SA/NV to close its office established in the Netherlands and to integrate the staff in the Brussels' Head Quarter offices. The effective closing will occur in 2018.

3

Value creation in and for society

3.1 What matters to Ageas and its stakeholders

At Ageas, our ambition is to always create value in the countries in which we operate. That "value" extends to all of our stakeholders: customers, investors, partners, employees and the local community. It is a natural fit for an insurer. We create value by gaining an understanding of the expectations of our stakeholders and acting on them. If these expectations are important to us then they are considered material financial or non-financial aspects.

In order to comply with the requirements of the new Belgian law on non-financial information, we applied relevant components and expectations set out in several international frameworks[1] to determine the material aspects for Ageas as a Group.

The process we used to determine what was most important for Ageas and its stakeholders is set out in the overview below.

Material aspects identification process

We have consulted different sources to come to a long list of potential aspects:

- **International frameworks and standards**
- **Applicable and expected laws and regulations**
- **Peer group benchmarking**
- **(Intern)national CSR questionnaires**

> 60 potential aspects

Each aspect was scored on relevance by the Executive Committee (ExCo) and was subject to in depth discussions in ExCo Meetings

Selection of material aspects for Ageas and clustering in **five** domains

Validation of the material domains by previously conducted stakeholder engagement with shareholders, employees, customers and analysts

We have a responsibility towards:

Our Customers	Our Employees	Investors	Society

ACTING AS A RESPONSIBLE BUSINESS PARTNER

1 *ISO 26000, GRI standards, UNEP FI Principles for Sustainable Insurance (PSI), UN-supported Principles for Responsible Investment (PRI), OECD Guidelines for Multinational Enterprises, United Nations Environment Programme Finance Initiative (UNEP FI)*

To gain an understanding of, and engage with, our stakeholders, we maintain an open and continuous dialogue on a range of topics and issues across all levels of our organisation. As part of our strategic exercise in 2018 we will further deepen these discussions on known and emerging challenges.

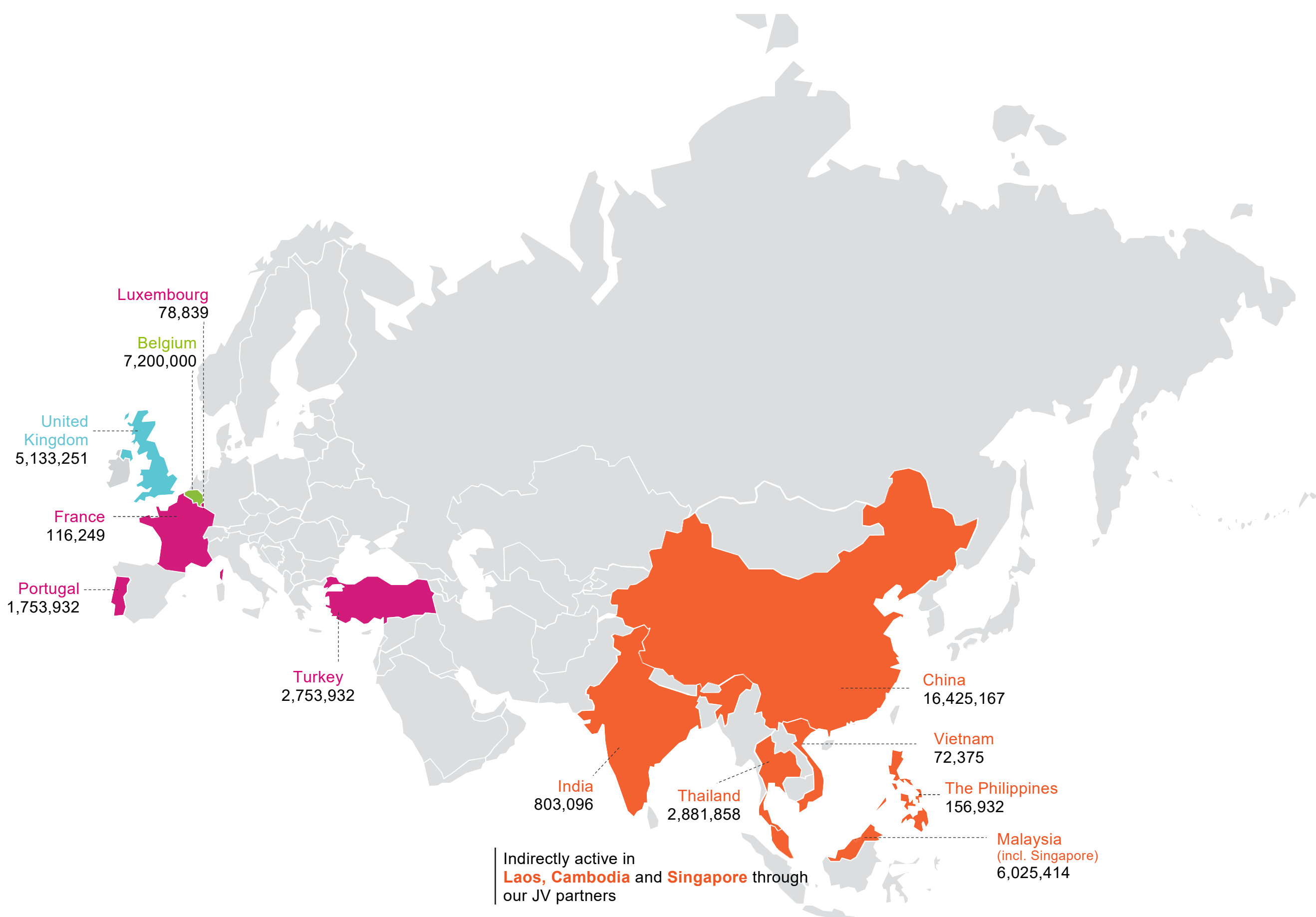
The scope of the figures is set at the level of the fully consolidated subsidiaries, so excluding our associates. Information covering the full Group including associates is marked by *.

3.2 Our responsibility to our customers

Our Ambition 2018 strategy clearly sets the tone for our responsibility towards our customers: we exist for and thanks to them. As an insurer it is our role to help people at every stage of their life to mitigate risks related to property, casualty, life, health or pensions, or in other words, to provide them with peace of mind. Furthermore, we aim to ensure the best possible customer experience leveraging our understanding of their needs and by investing in the right capabilities.

Peace of mind for our customers

In 2017 Ageas managed over 43 million* policies for its customers in the 15 countries* in which it operates in Europe and Asia. With more than 190 years of experience in insurance, Ageas offers Life and Non-life insurance solutions to individual customers and Small and Medium Enterprises through a broad range of channels, from traditional to the new world of digital, adapted to the local market. In each of our markets, we team-up with well-established brands that enjoy good customer recognition and a strong position. We are building on our extensive experience in insurance as we grow and expand; for instance in Portugal, Ageas Seguros has already established itself as a well-recognised and well respected insurance brand after just one year. In 2016 we started a new joint venture in Vietnam, and in the Philippines, together with EastWest bank, we launched Troo. In 2017 both entities made good progress and exceeded initial business plans.



Ensuring the best customer experience

Our current strategic plan reinforced our commitment to being close to the customer. This is clearly reflected in our 2017 initiatives that allow us to be where our customers want us to be, with flexible and easy to access products and services.

This commitment was put to the test during the devastating fires in Portugal when we physically relocated our staff to the affected regions, organising a rapid and human response on the ground. Also in Portugal, Médis works closely with the Portuguese association of pharmacies, on healthcare and services for the elderly through a connected and digitised offering, addressing for instance obesity.

In Belgium, we embedded this commitment into our regular operations. Our new partnership with SightCall led to a "first" in the Belgian market: a home insurance app based solution, connecting customers directly or through their brokers to AG Insurance via smartphone or tablet, incorporating software that allows customers to upload their own photos and videos in the event of small claims. AG Insurance can connect, assess remotely, make an offer, settle and pay without any delay.

The launch by Ageas UK of Elastic, a new online B2C household product was designed together with the customer. This innovative approach to home insurance puts the customer in control. The product offers full personalisation which means customers are not paying for cover they do not want or need.

We even go beyond insurance – from cure to prevention, with a local touch. In Thailand, we tied up with "Health at Home", which serves customers by providing medical assistance at home after a period of hospitalisation aiding the process of recovery for both the patient and family. Also in Thailand, we are offering myTHAIDNA, a wellness focused DNA analysis.

As part of our Ambition 2018 strategy we initiated customer centricity measurement across the entire Group using various key customer metrics like the net promotor score (NPS), and net engagement score (NES). NPS measures how likely it is that customers will recommend our products or services; NES tracks how much effort our customers personally need to make to buy their product, to arrange their claim, and to get the appropriate advice. Today, NPS is introduced in 10 out of 15* countries and others are pending. For NES 2 countries* have fully embedded this measurement and 2* have launched the first initiatives, so more work to be done. At every customer touch point we try to add value, do better, and anticipate future customer needs, and we share what we learn across the Group.

Predicting and preparing for the future

The world around us is changing and faster than ever before. This affects our industry and also our customers. We use a systematic horizon scanning to help us identify the new dynamics and trends. Once these have been identified they are further analysed and researched, both at the local and Group level. Over the past years, we have invested intensively in data analytics, digitalisation and technology, committing yearly an additional EUR 25 million between 2016 and 2018 over and above the regular annual budget for innovation and technology investments of nearly EUR 50 million. Start-up ecosystems, FinTech, robotic process automation, artificial intelligence, and voice control are on our radar screen as fundamental trends for the future. Our role is to make the link between these technological opportunities and our customers' needs. We have listened to what they tell us, we improved the dialogue, and we actively engaged. Moreover, we also challenged our personnel to propose solutions through an internal contest allowing us to act on what we hear. This focus hand in hand with our investments has benefitted our customers as a number of new solutions have been launched:

- insurance solutions that extend the cover of existing products such as car and home insurance to allow our customers to safely participate in the "shared economy". For instance household policies that also cover Airbnb and motor policies that cover carsharing;
- Vivay, designed in partnership with target customer groups, provides an innovative response to an important family protection gap. This new flexible product reimburses the costs from recurring bills, study costs, rent and childcare in case of risks that are difficult to insure like cancer, disability or unemployment;
- through "My Global Benefits" employees of corporate clients have online 24/7 access to their pension status and to comprehensive information on their healthcare cover;
- Our award-winning product Yongo harnesses the power and influence of social media to promote a learn-save-grow approach through a flexible digital savings plan for children;
- Artificial Intelligence is being applied to our Motor business to enhance accuracy and speed of response. Working in partnership with a start-up company we are now able to check recommendations on car repairs within 3 minutes after uploading an image.

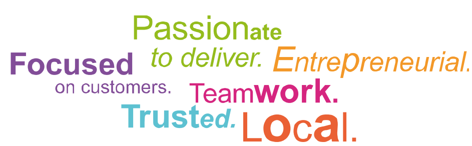
When strengthening or extending our partnerships, which are very much part of our Group DNA, we actively look for partners who can help broaden our horizon and help us to build new skills. Recent partnerships include our engagement with B-Hive and B3i:

- B-Hive is a collaborative innovation platform in Belgium in which a number of major banks, insurers and market infrastructure players join forces to explore and capitalise on the opportunities to apply technology to financial services in collaboration with start-ups;
- B3i is a joint initiative of a group of major international insurance and reinsurance entities to explore the potential of blockchain technology to increase efficiency and transparency in the exchange of data between reinsurance and insurance companies.

3.3 Our responsibility to our employees

At Ageas 50,000 colleagues* join forces to deliver on our promises to our customers. The strength of our local brands and the success of delivering on the Group business strategy and goals are directly related to the commitment of our people. We care for our people and we act according to the values of Ageas.

Our HR approach is built on a continuous dialogue with our employees: we actively listen to them and act upon their input and feedback.



Our employees in numbers

Ageas Group employs 50,000 persons*. Within the consolidated entities, headcount is 12,183, with a 46% / 54% male/female split overall (excluding Interparking). For more details on diversity, we refer to section 4 'Corporate Governance Statement'.

Our workforce evolved over the last 3 years from 13,258 to 12,183 employees (or - 8%) mainly as a result of the divestment of our Hong Kong and Italian business and the closure of our Glasgow site in UK, partly compensated by the acquisition of Ageas Seguros in Portugal. The average seniority is 11.2 years.

We listen to our employees

We treasure the input of our people, both their innovative ideas for new products and services and their feedback on how they feel about working for us. Every year we conduct an employee engagement survey which provides us with an annual update on six main questions. All employees of the consolidated entities are invited to participate. Participation levels remain high, year on year.

Four of the six measured areas showed progress. As with last year, 'I enjoy working with my team' was the most universally supported statement. The most significant improved area this year was 'I am prepared to go the extra mile to deliver good results', with 80% of employees supporting this statement, an increase of 10% compared to last year's performance. This suggests that there is a growing level of self-motivation and that energy is being unlocked to help the business succeed – one of the primary outputs of any Employee Engagement Programme. There remains a strong sense of pride in working for our organisation, as seen through the scores on 'I have trust in my manager' and 'I recommend my organisation as a place to work'. It is clear that many of the activities and actions implemented locally made a positive impact, following the last year's survey results (see 'We act upon their input and feedback'). This was particularly evident in the area of 'I enjoy the challenges my work offers me' which was the lowest performing segment last year. This score now improved by 7% and reflects the increased focus on career development and digitization.

Furthermore, we conducted for the 3rd time a Denison Organisational Cultural Survey. This survey reflects how our top 800 managers perceive the Group and the Ambition 2018 strategy. The positioning of Ageas in comparison with an international benchmark of companies showed a positive evolution over the last 3 years.

We act upon their input and feedback

We are committed to continuous improvement as an organisation and have rolled out several initiatives to further improve the employee experience and commitment:

- Welcoming our new colleagues: a pilot has been launched to improve the on-boarding experience for our new colleagues. An app bridges the period between signing up and the first day in the office ensuring an immediate close connection with our future employees. After a first test phase this pilot will be rolled out in different entities in the Group;
- Flexible reward: various entities have implemented flexible reward packages allowing employees, for example, to exchange holidays or 13th month for an electrical bicycle, train subscription or additional holidays;
- Ageas Academy: we are investing in leadership and welcomed during the last 2 years nearly 300 senior managers in our Ageas Academy for a blended learning on business wide domains: customer and business knowledge, leadership, new skills and behaviours, and financial & risk management;
- Closer to the customer (C2C) week: A special week was dedicated to enhance employees' awareness of the importance of a customer oriented approach and attitude. A mix of live web casts and posted videos from internal experts and external inspiring leaders brought our employees up to speed on good practices within the Group;
- C2C contest: As part of the C2C week an internal contest was launched. 372 ideas from teams or individual employees, were received and a top 10 was selected. Each of the ideas is currently being followed up to decide on next steps. This initiative had a dual purpose. It had a positive impact on our employees' commitment but it also provided us with a relevant response to the needs of (potential future) customers;
- Digital boost: To accelerate its digital transformation and to help prepare the organisation and distribution partners for a digital future, we organised a digital week giving employees the opportunity to attend inspirational keynotes, specific workshops and cutting-edge digital experiences. Over the course of this week, employees experienced the importance of being aligned with the customer, ensuring they are well placed in the future to meet changing customer expectations in a new digital world.

3.4 Our responsibility towards investors

In its 3-year strategic plan, Ambition 2018, Ageas clearly formulated 5 financial targets that are to be considered as the Group's commitment towards its shareholders. To find out about the progress made against these targets we refer to section 1 'General description and strategy of Ageas'.

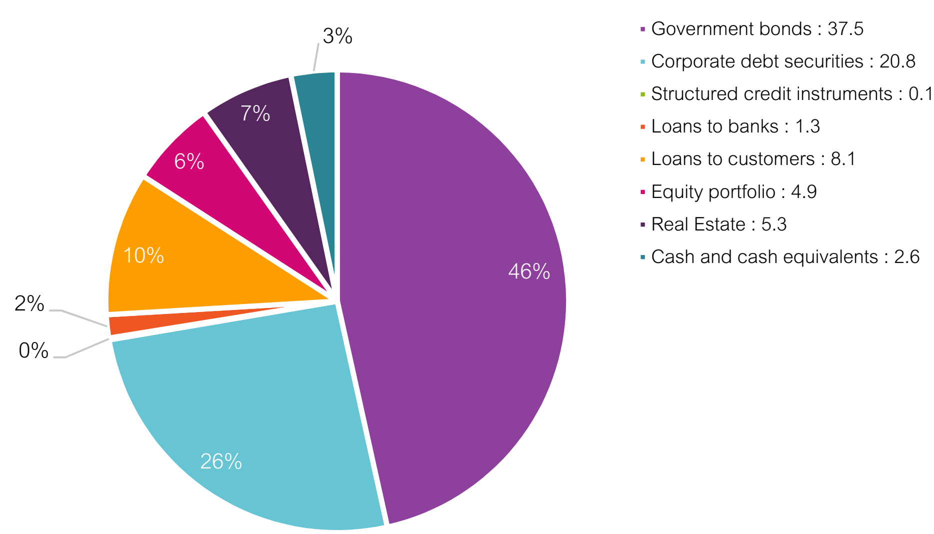
3.5 Our responsibility in society

Ageas is conscious of its role and position in society and acts on its responsibility to make a positive contribution towards society as a whole. It is about helping to create opportunities for people and businesses to grow and flourish; improving the quality of life of those we impact through our presence, the products and services we offer, our investments in the real economy, and our engagement in local communities.

Strengthening the economy and society through our investments

Ageas invests in the real economy by providing loans to (local) government(s), by acquiring government bonds, providing capital to companies or loans to private customers, and it also invests in infrastructure projects, EUR 250 million of which are related to alternative energy projects. As a Group, we hold investments for EUR 80.6 billion in a wide-ranging portfolio, financing society in the above mentioned categories.

Investment Portfolio
In EUR billion



Sustainable investment solutions – policy and beyond

Ageas's investment policy contains clear and strict criteria that exclude investments in tax havens, companies producing or associated with banned weapons or countries subject to international sanctions.

We offer our customers in Life insurance sustainable investment options. For instance:

- For group insurance policies we are able to offer an investment portfolio respecting strict sustainability criteria;
- For our retail and private customers in Belgium we offer a growing range of sustainable investment options, selecting companies based on their environmental and social performance and their corporate governance. Our offer also includes a series of investment products based on the theme of "women leadership" selecting companies who have an above average gender diversity in their Board of Directors. Ageas France also offers different sustainable funds within its unit-linked offer.

At year-end 2017 the total amount invested in sustainable solutions respecting the clearly defined ESG criteria, was EUR 4.1 billion (or 5% the portfolio).

Real estate investments

Our real estate investments amounted to EUR 5.3 billion or 7% of our investment portfolio. Through our subsidiary AG Real Estate (AGRE) we are the leading private real estate investor in Belgium. The information that follows concerns our Belgian activities primarily.

Our real estate portfolio covers different types of property: offices, warehouses, shopping centers, private housing, parking lots, infrastructure, and community buildings such as schools.

When making investment and divestment decisions we apply strict criteria: long-term financial return, (environmental) efficiency of the building, location and accessibility. Our active portfolio management allows us to generate an additional return on investments, which in turn contributes towards securing our commitments to our policyholders.

In 2017, we invested EUR 725 million in real estate, new acquisitions and renovations, and divested EUR 738 million. Also in 2017, we continued our commitment to the "Schools of Tomorrow" initiative, where we are developer, investor and property manager.

Real Estate Management

Starting from the general group policies, our AGRE sustainability policy provides more specific guidelines on our real estate business. In Belgium, AGRE is BREEAM certified level 'good' for real estate management.

By providing internal maintenance and assistance teams, supported by a 24/7 helpdesk, and by having, in Belgium all the required competences of real estate management in house, we stay close to our tenants, and as such, can make a difference. In addition, we maintain an open dialogue with our tenants through regular meetings in each building, backed with a more formal satisfaction survey.

Going for less environmental impact

It is our belief that social and environmental needs go hand in hand with commercial growth opportunities. This is demonstrated by our support to the school building programme "Schools of Tomorrow" and the opening this year of our first passive building Genesis.

We manage our property actively by monitoring the energy, water and waste consumption, already for several years.

In 2017, we implemented a real time tracking system for all office buildings, allowing us to spot unusual consumption directly and allowing us to take immediate corrective actions. It is our ambition to share this information real time with our tenants in order to increase awareness. Proactively working with and for our tenants, we have started to perform energy scans looking for opportunities to optimise energy use and directly related CO2 emissions. The results from our tests are very promising and directly benefit our tenants: when the overall energy cost goes down, tenants' invoices will go down relative to their share in the general costs of the building. The tests concerned 4 multi-occupied office buildings on which we secured a financial gain of EUR 132,000 in 2017 or an environmental impact of -414 tons CO2.

We also have ongoing solar panel studies on several of our warehouses, shopping centres and office buildings. In 2018, we plan to install solar panels on three of our shopping centres, 1 warehouse and 2 office buildings, together representing 35,600 sqm.

All of our new build and renovation projects are carried out to the highest environmental standards, BREEAM 'outstanding or excellent'. In 2017, we have started a BREEAM certification project for all our office buildings in use. The first buildings are being assessed now, compliant with the very good or excellent level. We will continue with the remaining office portfolio in 2018 with a view to have all offices certified by the end of 2018.

Strengthening local communities and their people through our local actions

We strongly believe in local empowerment and trust in our local teams to identify the right projects that allow us to help in meeting the needs of their local community and thus make a difference. We have continued to move forward with a number of existing initiatives whilst also launching new initiatives in 2017. Here is a snapshot:

- “Schools of Tomorrow”: after less than 4 years AG Real Estate has opened its 150th new school as part of Europe’s largest community infrastructure project, now providing educational facilities to 104,538 students;
- Yongo: multiple studies state that the financial literacy of Belgian children is relatively weak. AG Insurance has developed an online platform educating children to save and to invest, also engaging parents, and grandparents. Sound financial literacy will equip them to make informed and effective decisions in the future;
- drive towards zero: as insurer we are (too) often confronted with the consequences of beloved relatives or friends dying in traffic accidents. Our ambition is to reduce this number to zero. Therefore, Ageas UK has, since 2012, teamed up with the Road Safety Foundation, to campaign for improvements in the safety of Britain’s roads;
- AG Insurance in Belgium launched an investment product based on gender diversity in top management;
- bringing colour to the world of insurance: as part of its ambition to improve social integration and welfare, Ageas Seguros in Portugal has included a ColorAdd code in its communications. This code facilitates colour identification for those who are colour blind, whilst ensuring Ageas’s communication is more efficient and inclusive;
- Micro insurance: Muang Thai Life’s micro insurance initiatives allow all Thai citizens to have equal access to insurance regardless of their level of income, status or individual circumstances. This is helping to promote a stable society, and one in which all levels of consumers enjoy an improved quality of life and well-being;
- Free Mammogram Programme: through a partnership with the National Cancer Society of Malaysia, Etiqa aims in just one year to reach some 5,000 underprivileged women, aged 40+ across Peninsular Malaysia, making it possible for them to be screened for breast cancer free of charge.

3.6 We act as a responsible business partner

We want to live up to our responsibility towards our key stakeholders (customers, employees, partners and investors) and the local community, by building and maintaining trust. We set the tone at the top and expect all our employees to be a responsible partner to all our stakeholders every day, in every transaction, in every contact, acting in an ethical way, combining integrity, transparency and confidentiality, and striving for no non-compliances. We believe in treating our stakeholders as we would like to be treated ourselves and we ensure this by:

- a framework of policies; and
- a Risk management framework

For the latter we refer to note 5 Risk management in the Ageas Consolidated financial statements 2017.

Our consistent, principle based, comprehensive set of policies, covers all aspects of our business, start from our policy on Integrity e.g.:

- Anti-money laundering;
- Anti-bribery and Anti-corruption;
- Conflict of interest;
- Fraud risk management;
- Incidents report;
- Treating customers fairly.

Integrity policy and code of conduct

Our integrity policy and our code of conduct are the cornerstone for all our policies, integrating our six values and fostering an ethical principle based culture. The principles permeate all of our activities, processes and products, as well as people’s behaviour at any level. They are, as are all our policies, binding for all employees. Integrity is a personal quality. At Ageas, every employee is expected to act with respect for human dignity, human rights, and cultural differences, and reject any form of discrimination. By doing so, our employees are playing their part in taking care of our global society while performing their jobs. This is a sound basis and attitude for interacting with our customers and other stakeholders.

Treating customers fairly (TCF)

Our TCF policy builds on our customer centricity focus and provides clear guidance on how we behave towards our customers. The scope is set throughout the full product and customer life cycle e.g.:

- providing products and services that meet identified customers’ needs;
- fair communication with customers;
- a trustful information security and data protection programme and
- confidentiality of customer information.

In 2017 we launched an NPS measurement in most countries in which we operate (see section “our responsibility to our customers”).

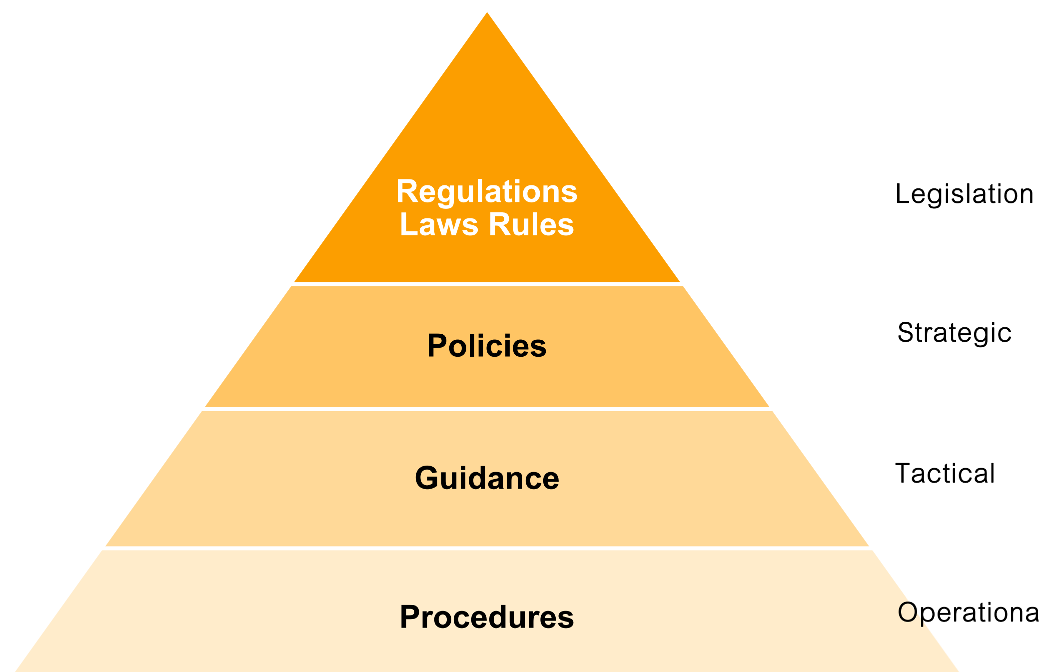
Compliance with our policies

We do not tolerate any non-compliance with our policies. In particular we actively fight against corruption and bribery. Training increases our capabilities to recognise, avoid and report any potential non-compliance situation. Ethical issues and any wrongdoing must be reported through Ageas's Internal Alert System and are dealt with in an efficient and transparent manner. As such, we guarantee our employees that it is safe to speak up.

Our compliance department follows a clear plan, agreed with the audit committee, to monitor policy compliance and to share their findings.

How our policies come to life

Expectations from our different stakeholders are captured in a comprehensive set of policies and related documents. Our policies are reviewed and updated on a regular basis to reflect changes in regulations and rules. At Ageas, the Board of Directors and the Executive Committee decide upon the policies, following our corporate governance framework. They are applicable to all our subsidiaries, taking into account local specific requirements. For our affiliates (called associates under IFRS), we apply our influence to introduce our policies in these organisations. We train our employees on the application of the policies and on the different aspects of their role within the organisation, including raising their understanding and awareness on the appropriate ethical behaviour.



4 Corporate Governance Statement

4.1 Board of Directors

The Board of Directors operates within the framework defined by Belgian legislation, National Bank of Belgium (NBB) requirements, the Belgian Corporate Governance Code, normal governance practice in Belgium and the Articles of Association. The roles and responsibilities of the Board of Directors and its composition, structure and organisation are described in detail in the Ageas Corporate Governance Charter.

4.1.1 Composition

The Board of Directors currently consists of thirteen members, namely: Jozef De Mey (Chairman), Guy de Selliers de Moranville (Vice-Chairman), Lionel Perl, Jan Zegering Hadders, Jane Murphy, Richard Jackson, Lucrezia Reichlin, Yvonne Lang Ketterer, Katleen Vandeweyer, Bart De Smet (CEO), Christophe Boizard (CFO), Filip Coremans (CRO) and Antonio Cano (COO).

In May 2017, the shareholders appointed one new independent Board member, Katleen Vandeweyer and reappointed Bart De Smet, both for four years.

The majority of the Board is composed of independent non-executive directors and four out of thirteen Ageas Board Members are female.

4.1.2 Meetings

The Board of Directors met twelve times in 2017. Attendance details can be found in section 4.5 Board of Directors.

In 2017, the Board Meetings dealt with, among others, the following matters:

- the strategy pursued by Ageas as a whole and by each business individually;
- the ongoing development of each of the Ageas businesses;
- the preparation of the General Meetings of Shareholders;
- the consolidated quarterly, semi-annual and annual financial statements;
- the 2016 Annual Report;
- the 2016 Embedded Value report;
- press releases;
- the 2018 budget;
- the solvency of the company;
- the asset management and the investment policy of the company;
- Ageas's risk policy framework;
- investor relations and corporate communications;
- reports of Board Committees following each of their meetings;
- succession planning of the Board of Directors and of the Executive Management;
- implementation of the Corporate Governance Charter by Ageas in general and by the Board Committees in particular;
- governance and performance of the Executive Committee and Management Committee;
- Remuneration Policy in general and the remuneration of the CEO and Executive Committee members in particular;
- follow-up of legal proceedings and legacy issues;
- various merger and acquisition files.

The members of the Executive Committee reported on the progress of the results and the general performance of the different businesses at the Board Meetings.

The Board conducted a self-assessment with overall very satisfactory results. The self-assessment was organised via one-to-one interviews conducted by the Chairman with each Board member. Results were shared with the Corporate Governance Committee of 20 December 2017 and discussed at the Board of 20 February 2018.

It results from the Self-Assessment that there is a complete consensus on the sound and proper functioning of the Board operating with a strong team spirit. The Executive team is being challenged by the independent directors. Eventually, the content, preparation as well as quality and constructiveness of the Board meetings and debates are solid.

The Board evaluation techniques are reviewed on a yearly basis.

4.1.3 Advisory Board Committees

The terms of reference, the role and responsibilities of each Advisory Board Committee are described in the Ageas Corporate Governance Charter. In 2017, there were no changes in the terms of reference of the Advisory Board Committees.

In line with the Ageas Governance Charter, each Advisory Board Committee is composed of non-executive directors and has a minimum of three and a maximum of five members.

Attendance details of the Board Committees can be found in section 4.5 Board of Directors.

4.1.4 The Corporate Governance Committee (CGC)

The composition of the Corporate Governance Committee changed in 2017. Following the departure of Roel Nieuwdorp, Lionel Perl joined the Corporate Governance Committee. On 31 December 2017, the Corporate Governance Committee comprised the following members: Jozef De Mey (Chairman), Guy de Selliers de Moranville, Jan Zegering Hadders and Lionel Perl. The CEO and the CRO attended the meetings, except during discussions relating to their own situation.

In 2017, the Corporate Governance Committee met on six occasions including two joint meetings with the Remuneration Committee.

The following matters were dealt with:

- assessment of Board candidates;
- succession planning of the Executive Management;
- targets of the CEO and the other members of the Executive Management;
- performance of the CEO and the other members of the Executive Management;
- disclosures regarding governance and the activities of the committee in the Ageas Consolidated Financial Statements;
- legal matters related to the contingent liabilities.

The Chairman of the Corporate Governance Committee reported on these topics to the Board of Directors after each meeting and submitted the Committee's recommendations to the Board for final decision-making.

4.1.5 The Audit Committee

The composition of the Audit Committee remained unchanged in 2017. On 31 December 2017, the Audit Committee comprised the following members: Jan Zegering Hadders (Chairman), Jane Murphy and Richard Jackson. The Audit Committee is supported by Ageas' Audit, Compliance and Finance functions and by the external auditors.

The Audit Committee met on seven occasions in 2017 including two joint meetings with the Risk & Capital Committee. The meetings were attended by the members of the Executive Committee, the internal auditor and the external auditors. The following matters were considered:

- monitoring the integrity of quarterly, half-yearly and annual consolidated financial statements, including disclosures, consistent application of or changes to the valuation and accounting principles, consolidation scope, quality of the closing process and significant issues brought to the floor by the CFO or the external auditors;
- reviewing the embedded value calculation process and validating the 2016 report;
- monitoring the findings and the recommendations of the internal and external auditors on the quality of internal and accounting processes;
- reviewing the compliance, internal and external audit plans and reporting;
- reviewing the design and operating effectiveness of the internal control system in general and of the risk management system in particular;
- assessing the overall performance of the external auditor;
- reviewing the Liability Adequacy Test Report.

In addition, a review of the tender and selection process was conducted in accordance with the Regulation (EU) No 534/2014 in order to advise the Board on the nomination of PWC as Statutory Auditor of the company for a period of three years for the financial years 2018 (effective as from the second quarter), 2019 and 2020. The appointment of PWC will be proposed to the shareholders at the Annual General Meeting.

During the joint meetings with the Risk & Capital Committee, the members discussed the SOGA (System of Governance Assessment Report), the Liability Adequacy Test Reporting, the report of the Actuarial Functions, the Information Security framework, the new organisation at ageas SA/NV and the Actuarial Function Charter.

The Chairman of the Audit Committee had quarterly one-on-one meetings with the internal and external auditors. He reported on the outcome of the committee's deliberations to the Board of Directors after each meeting and presented the recommendations of the Audit Committee to the Board for decision-making. The Audit Committee receives a written report of the Risk & Capital Committee meetings which is commented on during its meetings.

4.1.6 The Remuneration Committee (Remco)

The composition of the Remuneration Committee changed in 2017. Following the departure of Roel Nieuwdorp, Katleen Vandeweyer joined the Remuneration Committee and Lionel Perl became Chairman. On 31 December 2017, the Remuneration Committee comprised the following members: Lionel Perl (Chairman), Jane Murphy and Katleen Vandeweyer.

The Remuneration Committee is assisted by Willis Towers Watson, an external professional services company that provides market information and advice on commonly applied reward elements, best practices and expected developments. Willis Towers Watson does not provide material compensation or benefits-related services to the Executive Committee of Ageas, or to any other part of the Ageas organisation.

The CEO, the CRO and the Group Human Resources Director attended the meetings, apart from discussions relating to themselves.

The committee met on four occasions including two joint meetings with the Corporate Governance Committee.

The matters discussed by the Remuneration Committee in 2017 included:

- the alignment of the Remuneration Policy with existing and upcoming legislation and regulations, more in particular the EU-Shareholders' Right directive;
- the benchmarking of the remuneration of the members of the Management Committee against current market practices. Based on this review it was proposed to make no changes to the Executive remuneration in 2018;
- the benchmarking of the remuneration of the Board of Directors against current market practices. Based on this review it was proposed to recommend an increase of the fixed fees in 2018;
- the vesting of the Long Term Incentive plan (LTI) 2013 for the members of the Management Committee;
- the disclosure of the remuneration of Board and Executive Committee Members in the notes to the Annual Consolidated Financial Statements;
- the report of the Remuneration Committee as included in the Corporate Governance Statement;
- the share plan in favour of senior management excluding Members of the Ageas Management Committee;
- the review of the LTI-plan.

The joint Remuneration and Corporate Governance Committee discussed and advised on the following matters:

- the individual targets (quantitative and qualitative) for the members of the Management Committee;
- the targets for the business KPIs. The KPIs that were taken into account to determine the Short Term Incentive (STI) for the Executive Management for the financial year 2017 are listed under 4.7.3;
- the individual STI and LTI of the members of the Management Committee based on above assessment.

The Chairman of the Remuneration Committee reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required. Further information on the Remuneration Committee can be found in the Report of the Remuneration Committee (see section 4.7 of this chapter).

4.1.7 The Risk & Capital Committee (RCC)

The composition of the Risk & Capital Committee changed in 2017 as Lionel Perl left the Risk & Capital Committee. On 31 December 2017, the Risk & Capital Committee comprised the following members: Guy de Selliers de Moranville (Chairman), Lucrezia Reichlin and Yvonne Lang Ketterer.

The RCC met on eight occasions including two joint meetings with the Audit Committee. The meetings were attended by the members of the Executive Committee and the Group Risk Officer.

The matters discussed in the RCC in 2017 included:

- monitoring of risk management, based on reports by management;
- monitoring on a quarterly basis the performance of the asset management by segment and by asset class;
- reviewing the risk policies prepared by management, including the new Risk Appetite Framework;
- monitoring of the capital allocation and the solvency of the Ageas Group.

The Chairman of the RCC reported on the aforementioned matters to the Board of Directors after each meeting and advised the Board on decision-making when required.

During the joint meetings with the Risk & Capital Committee, the members discussed the SOGA (System of Governance Assessment Report), the Liability Adequacy Test Reporting, the report of the Actuarial Functions, the Information Security framework, the new organisation at ageas SA/NV and the Actuarial Function Charter.

4.2 Executive management

Ageas's executive management is composed of the members of the Executive Committee and the members of the Management Committee. The role of the executive management is to manage Ageas in line with the values, strategies, policies, plans and budgets endorsed by the Board.

The Executive Committee exclusively consists of members of the Board of Directors. The CEO is Chairman of the Executive Committee, which meets once a week according to a predetermined timetable. Further meetings are held whenever necessary.

At the end of 2017, the Executive Committee of Ageas was composed of:

- Bart De Smet, CEO, is responsible for the Business, Strategy and Business Development, Audit and Communications;
- Christophe Boizard, CFO, is responsible for Finance, Investments, Investor Relations and Corporate Performance Management;
- Filip Coremans, CRO, is responsible for Risk, Compliance and support functions (Legal, Human Resources, IT and Facility);
- Antonio Cano, COO, is responsible for the implementation of the Group strategy and the sharing of knowledge, innovations and best practices within the Group.

At the end of 2017, the Management Committee was composed of:

- the four members of the Executive Committee;
- the heads of the four business segments: Hans De Cuyper, CEO AG Insurance (Belgium); Steven Braekeveldt, CEO Continental Europe; Andy Watson, CEO United Kingdom, and Gary Crist, CEO Asia;
- Emmanuel Van Grimbergen, Group Risk Officer.

4.3 Internal Risk Management and Non-Financial Reporting

With regards to the risk management and internal control system, the Board approves appropriate frameworks for risk management and control. To this end, Ageas has put in place a Group-wide key risk reporting process to identify key (existing and emerging) risks that could impact the realisation of its objectives. It also assesses the control framework in place to ensure that these risks are managed on an ongoing basis. These risk and control activities are continuously exercised by the Board of Directors, Management and all employees in order to provide reasonable assurance of:

- The effectiveness and efficiency of operations;
- Qualitative information;
- Compliance with laws and regulations, and with internal policies and procedures with respect to the conduct of business;
- Safeguarding of assets and identification and management of liabilities;
- Achievement of company's objectives while implementing the company's strategy.

For detailed information on the internal control framework, please refer to note 5 Risk Management in the Ageas Consolidated Financial Statements 2017.

4.4 Corporate Governance references and Diversity

4.4.1 Corporate Governance references

The Belgian Corporate Governance Code published on 12 March 2009 (the 2009 Code) applies to Ageas and is available on Ageas's website: https://www.ageas.com/about/governance.

The Code is based on the 'comply or explain' concept, which means that if a company chooses to deviate from any of the Code's principles, it must explain its reasons for doing so in the Corporate Governance Statement. There are no aspects of corporate governance at Ageas that require additional explanation in the light of the 2009 Code.

The current Corporate Governance Charter is available on Ageas's website: https://www.ageas.com/about/governance.

4.4.2 Diversity

There is no formally validated diversity policy on the level of Ageas Group. In line with the company values, the elaboration and implementation of diversity policies is set at the level of the operational companies. However diversity is for Ageas a clear guiding principle in the functioning of its governance bodies.

The Ageas Board is composed of five male Non – Executive directors and four female Non – Executive directors next to four male Executive directors. In terms of nationality the Board of Directors is composed of six Directors of Belgian nationality, two Directors of Dutch nationality, one director of Italian nationality, one director of French nationality, one director of Swiss nationality, one director of Canadian nationality and one director of British nationality. In the composition of the Board of Directors, Ageas ensures the diversity in terms of competences and expertise in order to obtain a well-balanced and a well- founded decision process.

The Ageas Executive Committee is composed of four male members of which two of Belgian nationality, one of French nationality and one of Dutch nationality. Specific attention is given to diversity in terms of succession planning during the yearly update to the Board of Directors. Overall the senior management population at Ageas Group level consists of 75% male senior managers and 25% female senior managers.

4.5 Board of directors


Jozef De Mey
Chairman


Bart De Smet
CEO


Guy de Selliers de Moranville
Vice Chairman / Chairman RCC


Jan Zegering Hadders
Chairman AC


Lionel Perl
Chairman Remco


Richard Jackson
Member


Jane Murphy
Member


Lucrezia Reichlin
Member


Christophe Boizard
CFO


Filip Coremans
CRO


Antonio Cano
COO


Yvonne Lang Ketterer
Member


Katleen Vandeweyer
Member

Chairman

Jozef De Mey
(1943 – Belgian – Independent - Male)
On 31 December 2017, Chairman of the Board of Directors and Chairman of the Corporate Governance Committee.
First appointed in 2009. Term runs until Annual General Meeting of Shareholders in 2019.

Non-Executive Board Members

Guy de Selliers de Moranville
(1952 – Belgian – Independent - Male)
On 31 December 2017, Vice Chairman of the Board of Directors, Chairman of the Risk & Capital Committee and Member of the Corporate Governance Committee.
First appointed in 2009. Term runs until Annual General Meeting of Shareholders in 2019.

Jan Zegering Hadders
(1946 – Dutch – Independent - Male)
On 31 December 2017, Member of the Board of Directors, Chairman of the Audit Committee and Member of the Corporate Governance Committee.
First appointed in 2009. Term runs until Annual General Meeting of Shareholders in 2019.

Lionel Perl
(1948 – Belgian – Independent - Male)
On 31 December 2017, Member of the Board of Directors, Chairman of the Remuneration Committee and Member of the Corporate Governance Committee.
First appointed in 2009. Term runs until Annual General Meeting of Shareholders in 2019.

Richard Jackson
(1956 – British – Independent - Male)
On 31 December 2017, Member of the Board of Directors and Member of the Audit Committee.
First appointed in 2013. Term runs until Annual General Meeting of Shareholders in 2020.

Jane Murphy
(1967 – Canadian – Independent - Female)
On 31 December 2017, Member of the Board of Directors, Member of the Audit Committee and Member of the Remuneration Committee.
First appointed in 2013. Term runs until Annual General Meeting of Shareholders in 2020.

Lucrezia Reichlin
(1954 – Italian – Independent - Female)
On 31 December 2017, Member of the Board of Directors and Member of the Risk & Capital Committee.
First appointed in 2013. Term runs until Annual General Meeting of Shareholders in 2020.

Yvonne Lang Ketterer
(1965 – Swiss – Independent - Female)
On 31 December 2017, Member of the Board of Directors and Member of the Risk & Capital Committee.
First appointed in 2016. Term runs until Annual General Meeting of Shareholders in 2020.

Katleen Vandeweyer
(1969 – Belgian – Independent - Female)
On 31 December 2017, Member of the Board of Directors and Member of the Remuneration Committee.
First appointed in 2017. Term runs until Annual General Meeting of Shareholders in 2021.

Members of the Executive Committee

Executive Board Members


Bart De Smet
CEO


Christophe Boizard
CFO


Filip Coremans
CRO


Antonio Cano
COO

Bart De Smet
(1957 – Belgian – Executive - Male)
Chief Executive Officer
First appointed in 2009. Term as Board member runs until Annual General Meeting of Shareholders in 2021.

Christophe Boizard
(1959 – French – Executive - Male)
Chief Financial Officer
First appointed as Board member in 2015. Term as Board member runs until Annual General Meeting of Shareholders in 2019.

Filip Coremans
(1964 – Belgian – Executive - Male)
Chief Risk Officer
First appointed as Board member in 2015. Term as Board member runs until Annual General Meeting of Shareholders in 2019.

Antonio Cano
(1963 – Dutch - Executive - Male)
Chief Operating Officer
First appointed as Board member in 2016. Term as Board member runs until Annual General Meeting of Shareholders in 2020.

Details regarding other positions held by the Board and Executive Committee members are available on the Ageas website.

Company Secretary
Valérie Van Zeveren

Attendance at Board and Committee meetings

Attendance at the meetings of the Board, Audit Committee, Risk & Capital Committee, Remuneration Committee and Corporate Governance Committee was as follows.

	Board meetings		Audit Committee meetings		Corporate Governance Committee meetings		Remuneration Committee meetings		Risk & Capital Committee meetings	
Name	Held	Attended	Held *	Attended	Held **	Attended	Held **	Attended	Held *	Attended
Jozef De Mey***	12	11 (92%)			6	6				
Guy de Selliers de Moranville***	12	10 (83%)			6	6			8	8
Lionel Perl****	12	10 (83%)			6	2	4	4	8	5
Jan Zegering Hadders	12	12 (100%)	7	7	6	6				
Bart De Smet	12	12 (100%)	7	7	6	5			8	7
Jane Murphy	12	12 (100%)	7	7			4	3		
Lucrezia Reichlin	12	10 (83%)							8	7
Richard Jackson***	12	9 (75%)	7	7						
Yvonne Lang Ketterer	12	12 (100%)							8	8
Christophe Boizard	12	12 (100%)	7	7					8	7
Filip Coremans	12	12 (100%)	7	7	6	5	4	3	8	7
Antonio Cano	12	12 (100%)	7	5					8	6
Board member who left as per May 2017 (held meetings are until the General Meeting)										
Roel Nieuwdorp	6	5 (83%)			2	2	3	3		
New Board member as per May 2017 (held meetings are since the General Meeting)										
Katleen Vandeweyer	6	5 (83%)					1	1		

* *Including the joint meetings RCC / AC.*
** *Including the joint meetings RC / CGC.*
*** *Board meetings were not attended due to conflict of interest (see in this respect, Summarised ageas SA/NV Company Financial Statements, additional disclosure, 1.3).*
**** *Mr Perl joined the CGC and left the R&CC as from June 2017.*

4.6 Consolidated information related to the implementation of the EU Takeover Directive and the Ageas Annual Report

For legal purposes, the Board of Directors hereby declares that the Ageas Annual Report 2017 has been prepared in accordance with the statutory rules implementing the EU Takeover Directive that came into force in Belgium on 1 January 2008. The Board hereby gives the following explanations concerning the respective elements to be addressed under these rules:

- comprehensive information on the prevailing capital structure can be found in note 19 Shareholders' equity and note 21 Subordinated liabilities in the Ageas Consolidated Financial Statements 2017;
- restrictions on the transfer of shares extend only to preference shares (if issued) and the securities described in note 21 Subordinated liabilities in the Ageas Consolidated Financial Statements 2017;
- Ageas lists in note 1 Legal structure of the Consolidated Financial Statements as well as under the heading 'Specifications of equity and structure of the shareholder group' in the ageas SA/NV Company Financial Statements any major shareholdings of (third) parties that exceed the threshold laid down by law in Belgium and by the Articles of Association of ageas SA/NV;
- no special rights are attached to issued shares other than those mentioned in note 19 Shareholders' equity and note 21 Subordinated liabilities in the Ageas Consolidated Financial Statements 2017;
- share option and share purchase plans, if any, are outlined in note 7 section 7.2 Employee share option and share purchase plans in the Ageas Consolidated Financial Statements 2017. The Board of Directors decides on the issuance of shares and options, as applicable, subject to local legal constraints;
- except for the information provided in note 19 Shareholders' equity, note 8 Related parties and note 21 Subordinated liabilities in the Ageas Consolidated Financial Statements 2017;
- Ageas is unaware of any agreement between shareholders that may restrict either the transfer of shares or the exercise of voting rights;

- Board Members are elected or removed by a majority of votes cast at the General Meeting of Shareholders of ageas SA/NV. Any amendment to the Articles of Association requires the General Meeting of Shareholders to pass a resolution to that effect. If fewer than 50% of the shareholders are represented, a second meeting must be convened, which will be able to adopt the resolution with 75% of the votes without any need for attendance quorum;

- the Ageas Board is entitled both to issue and to buy back shares, in accordance with authorisations granted by the General Meeting of Shareholders of ageas SA/NV. The current authorisation with regard to the shares of ageas SA/NV will expire on 17 May 2019;

- ageas SA/NV is not a direct party to any major agreement that would either become effective, be amended and/or be terminated due to any change of control over the company as a result of a public takeover bid. However, certain of its subsidiaries are subject to such clauses in case of a direct and/or indirect change of control;

- ageas SA/NV has not entered into any agreement with its Board Members or employees, which would allow the disbursement of special severance pay in the case of termination of employment as a result of a public takeover bid;

- Neither different share classes nor any preferential shares have been issued. Additional information on Ageas shares is set out in note 19 Shareholders' equity;

- Ageas shareholders are under an obligation to meet certain notification requirements when their shareholding exceeds or drops below certain thresholds, as prescribed by Belgian legislation and by the Articles of Association of ageas SA/NV. Shareholders must notify the Company as well as the FSMA when their shareholding exceeds or drops below 3% or 5% of the voting rights or any multiple of 5%. Ageas publishes such information on its website.

4.7 Report of the Remuneration Committee

In accordance with the Belgian Corporate Governance Act of 6 April 2010 the Ageas Remuneration Committee has drawn up a Remuneration report. Ageas will submit this report for approval to the General Meeting of Shareholders on 16 May 2018. The Chairman of the Remuneration Committee will give a commentary on this report. On 17 May 2017, the 2016 report was approved by 99.61% of the shareholder votes.

4.7.1 Committee membership, attendance and external advisors

The Remuneration Committee consisted of Lionel Perl (Chairman), Jane Murphy and Katleen Vandeweyer. Roel Nieuwdorp was Chairman of the Remuneration Committee until the General Meeting of Shareholders of 17 May 2017. The CEO, the CRO, in his capacity as ultimate head of HR, and the Group HR Director, attended the meetings of the Remuneration Committee, with the exception of matters relating to themselves. Attendance details can be found in section 4.5 Board of Directors.

As already mentioned, the Remuneration Committee is assisted by Willis Towers Watson, an external professional services company. Willis Towers Watson does not provide material compensation or benefits-related services to the Executive Committee of Ageas, or to any other part of the Ageas organisation.

4.7.2 Key objectives of the Remuneration Committee

The Remuneration Committee's three key objectives remain unchanged: to provide full transparency, to guarantee compliance with existing and upcoming Belgian legislation and European regulation and to be market compliant.

Transparency

In 2010 and 2011, the Board of Directors submitted for approval to the shareholders both the Remuneration Policy (for the Board and the Executive Committee as recommended by the Remuneration Committee) and the remuneration levels of the Board. The Board of Directors will continue to submit any update or modification to the shareholders for approval. The annual report of the Remuneration Committee provides insight into the work of the Remuneration Committee and the proposed evolutions, if any.

Compliance with new legislation

Ageas is closely monitoring existing and upcoming legislation trying to anticipate changes to the extent possible when appropriate.

Market compliance

The remuneration of both the Board of Directors and of the Executive Committee is intended:

- to ensure the organisation's continued ability to attract, motivate and retain executive talent in an international marketplace;
- to promote achievement of demanding performance targets and long-term sustainable growth, this in order to align the interests of executives and shareholders in the short, medium and long term;
- to stimulate, recognise and reward both strong individual contribution and solid team performance.

4.7.3 Activity report of the Remuneration Committee

The Remuneration Committee convened four times in 2017 including two joint meetings with the Corporate Governance Committee.

The Remuneration Committee discussed and submitted recommendations to the Board of Directors on:

- the alignment of the Remuneration Policy with existing and upcoming legislation and regulations more in particular the EU-Shareholders' Right directive;
- the benchmarking of the remuneration of the members of the Management Committee against current market practices. Based on this review it was proposed to make no changes to the Executive remuneration in 2018;
- the vesting of the LTI 2013 for the members of the Management Committee;
- the disclosure of the remuneration of Board and Executive Committee Members in the notes to the Annual Consolidated Financial Statements;
- the report of the Remuneration Committee as included in the Corporate Governance Statement;
- the share linked incentive plan in favour of senior management excluding Members of the Ageas Management Committee;
- the review of the LTI-plan. In the meeting of 24 January 2017 the Committee discussed the conditions of the LTI-plan. Based on the analysis of different options, the market analysis feedback provided by Willis Towers Watson and back testing of the chosen options the Remuneration Committee recommended and the Board approved to base the granting of the LTI-plan as of working year 2017 on the Ageas business score of the working year. (The Ageas business score is the result of the achievement on the targets for the business KPI's). The adjustment at vesting on 30/06 of N+4 will be based on the Total shareholder return ranking of Ageas in a peer group of 17 companies over the elapsed performance period. The updated conditions will lead to a more even distribution of the granted shares over the different years without impacting the total number of granted shares over a comparable period. The performance period and the adjustment criteria at vesting will also ensure a better alignment of shareholders and executive management's interests in creating long term shareholder value.

In the joint meeting with the Corporate Governance Committee, the following topics were discussed and submitted to the Board of Directors for validation:

- the individual targets (quantitative and qualitative) for the members of the Management Committee;
- the targets for the business KPIs. The following KPIs were taken into account to determine the STI for the Executive Management for the financial year 2017:
  - annual Net Profit of the insurance activities;
  - Return on Equity (ROE) of the insurance activities;
  - Operating Margin of the guaranteed and unit-linked products;
  - Combined Ratio of the Non-life insurance activity;
  - Value Added by New Business;
- the specific KPIs for the Group Risk Officer;
- the assessment of the results on the individual objectives and the business KPIs;
- the individual STI and LTI of the members of the Management Committee based on above assessment.

4.7.4 The Remuneration Policy

The full Remuneration Policy for Ageas Board Members and Group Executive Committee members, as approved by the General Meeting of Shareholders in April 2010 and reconfirmed by the shareholders in 2017, is attached to the Corporate Governance Charter (see annex 4 of the Corporate Governance Charter). The Remuneration Policy can be found at:
https://www.ageas.com/about/remuneration.

This policy describes the principles underlying remuneration, the relative importance of the various components of remuneration and the features of equity-linked remuneration and the applicable claw-back of variable income in the case of fraud or material misstatement.

It remains the opinion of the Remuneration Committee that the policy is aligned with the spirit of the present standards with a deferral of the LTI and parts of the STI, and assessment of the performance during the period of deferral, and as such fits in with the company strategy.

4.7.5 Implementation of Remuneration Policy in 2017

Board of Directors

The remuneration levels of the Non-Executive Members of the Board were approved by a vast majority of the shareholders in 2010. Based on the periodic review an adjustment of the fixed fee for the Chairman was proposed and approved by the General Meeting of Shareholders in 2013.

During 2017 no changes were proposed as to the remuneration levels of the Non-Executive Members of the Board.

On January 29th 2018 the Remuneration Committee recommended to the Board of Directors, who validated this proposal, to recommend to the General Meeting of Shareholders to increase the fixed fee for the Chairman of the Board from EUR 90,000 to EUR 120,000 and to increase the fixed fee for the Non-Executive Members of the Board from EUR 45,000 to EUR 60,000 as of January 1st 2018. The attendance fees for the Board and the Board Committees remain unchanged.

This recommendation takes into account that the remuneration of the Non-Executive Board Members and the Chairman has not been reviewed respectively since 2010 and 2013. The recommendation also takes into account the evolution of the Ageas Group over this period more specifically in terms of Total Shareholder Return (TSR) and share price. The rationale of the proposal is being confirmed by the results of the two-yearly benchmarking exercise provided by Willis Towers Watson and the chosen market reference of 80 to 120% around median of the peer group (BEL20 and European peers).

Non-Executive Board Members receive an attendance fee of EUR 2,000 per Board Meeting and EUR 1,500 per Board Committee Meeting. For the Chairman of the Board of Directors and of the Board Committees, the respective attendance fees are set at EUR 2,500 per Board Meeting and EUR 2,000 per Board Committee Meeting. More detailed information on the remuneration of the Non-Executive Board Members in 2017 can be found in note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements 2017.

Non-Executive Board Members do not receive annual incentives or stock options and are not entitled to pension rights. Non-Executive Board Members are not entitled to any termination indemnity.

The remuneration of the Executive Board Members is related exclusively to their position as member of the Executive Committee and is therefore determined in line with the Remuneration Policy for Executive Committee members.

In the framework of good corporate governance, to avoid the cascading of the decision process and to increase knowledge and awareness of the issues in the most important operating companies, the Board of Directors decided to assign most of its Non-Executive Members to the Boards of Directors of Ageas subsidiaries. To the extent that these positions are remunerated, the amounts paid out are disclosed in note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements 2017.

In accordance with the Remuneration Policy and the remuneration levels described above, the total remuneration of all non-executive directors amounted to EUR 1.26 million in 2017, compared to EUR 1.25 million in 2016. For more detailed information, please refer to note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements 2017.

Executive Committee

Both the level and the structure of remuneration for Ageas Executive Committee members are analysed annually. Upon the initiative of the Remuneration Committee, Ageas's competitive position is regularly reviewed by, and discussed with, Willis Towers Watson and compared with that of other major European-based international insurance firms and other organisations operating on an international basis.

Based on the assessment of the competitive positioning of the remuneration of the Executive Management in the second half of 2017, the Remuneration Committee recommended and the Board accepted to make no adjustments to Executive remuneration for 2018.

The Executive Committee consists of CEO Bart De Smet, CFO Christophe Boizard, CRO Filip Coremans and COO Antonio Cano, who are all executive members of the Board of Directors. The Remuneration Policy as described above applies to the members of the Executive Committee, and includes, but is not limited to, the rules on variable remuneration, severance pay and claw-back. In 2017, the total cash remuneration including pension contributions and fringe benefits of the Executive Committee amounted to EUR 4,400,710 compared to EUR 3.8 million in 2016. Based on the result over the working year 2017 there was a conditional granting of 43,178 shares for a total amount of EUR 1,800,000 (compared to 2016 when there were was no granting of the LTI-plan).

As foreseen by the Remuneration Policy, the Executive Committee members are entitled to a short-term (STI) and a long-term incentive (LTI) regarding their performance over the year 2017:

- long-term incentive: the granting of the LTI-plan as of working year 2017 is based on the Ageas business score of the working year. (The Ageas business score is the result of the achievement on the targets for the business KPI's). With an Ageas business score of 7 (on a range from 1 to 7) for the working year 2017, the Remuneration Committee, jointly with the Corporate Governance Committee, thus recommended a granting of 200% of the target. (Target 45% of base compensation, range 0-90% of base compensation);
- short-term incentive: two components, the Ageas component accounting for 70% and the individual component accounting for 30%, are taken into account in the calculation of the STI. The Remuneration Committee, jointly with the Corporate Governance Committee, recommended that the Board takes the results of the following KPIs into account:
  - Net Profit of the insurance activities;
  - Return on Equity (ROE) of the insurance activities;
  - Operating Margin for the guaranteed and unit-linked products;
  - Combined Ratio of the Non-life insurance activity;
  - Value Added by New Business;
- taking into account individual performances, this led to the following STI-percentages (target 50% of base compensation, range 0-100% of base compensation):
  - CEO Bart De Smet: 174.2% of target;
  - CFO Christophe Boizard: 160.1% of target;
  - CRO Filip Coremans: 167.3% of target;
  - COO Antonio Cano: 162.5% of target.

For each member of the Executive Committee, severance pay equals 12 months' salary which can in specific circumstances be increased to 18 months (including the non-competition provision).

More detailed information on the Remuneration Policy applicable to the Executive Committee is available in annex 4 of the Corporate Governance Charter: The remuneration for Ageas Board Members and Group Executive Committee members.

For more detailed information on individual remuneration and the number of granted, exercised and matured shares, share options and other rights to acquire shares, please refer to note 7 section 7.3 Remuneration of Board of Directors members and Executive Committee members in the Ageas Consolidated Financial Statements 2017.

4.7.6 Procedure followed to develop and assess/review the Remuneration Policy

Upon its appointment in April 2009, the Remuneration Committee formulated a completely new Remuneration Policy. The Remuneration Committee reassesses the different elements of the Remuneration Policy and its compliance with existing legislation and regulation on a regular basis, assisted by the external advisor Willis Towers Watson.

It remains the opinion of the Remuneration Committee that the policy, with amongst others a deferral of the LTI and parts of the STI, and assessment of the performance during the period of deferral, complies with present standards and regulations and as such fits in with the strategy of the company.

4.7.7 Outlook for Remuneration Policy in 2018

Ageas will continue to benchmark the structure of its Remuneration Policy against the competitive and regulatory environment as it has done in the past and will, if required, propose modifications or updates. Any modifications of the Remuneration Policy will be submitted for approval to the General Meeting of Shareholders.

Brussels, 27 March 2018

Board of Directors

AGEAS Consolidated Financial Statements 2017

Consolidated statement of financial position

(before appropriation of profit)

	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents	*10*	2,552.3	2,180.9
Financial investments	*11*	63,372.8	66,571.4
Investment property	*12*	2,649.1	2,772.5
Loans	*13*	9,416.0	8,685.0
Investments related to unit-linked contracts		15,827.3	14,355.7
Investments in associates	*14*	2,941.6	2,855.7
Reinsurance and other receivables	*15*	2,185.9	2,192.3
Current tax assets		40.0	67.1
Deferred tax assets	*23*	149.7	171.5
Accrued interest and other assets	*16*	1,857.8	1,906.1
Property, plant and equipment	*17*	1,183.9	1,172.3
Goodwill and other intangible assets	*18*	1,122.6	1,217.7
Assets held for sale		41.8	145.3
Total assets		103,340.8	104,293.5
Liabilities			
Liabilities arising from Life insurance contracts	*20.1*	27,480.8	28,218.1
Liabilities arising from Life investment contracts	*20.2*	31,350.6	31,902.2
Liabilities related to unit-linked contracts	*20.3*	15,816.2	14,353.3
Liabilities arising from Non-life insurance contracts	*20.4*	7,575.0	7,975.2
Subordinated liabilities	*21*	2,261.3	2,322.7
Borrowings	*22*	1,969.3	2,495.8
Current tax liabilities		72.6	94.2
Deferred tax liabilities	*23*	1,054.9	1,350.6
RPN(I)	*24*	448.0	275.0
Accrued interest and other liabilities	*25*	2,412.1	2,659.3
Provisions	*26*	1,178.1	1,067.2
Liabilities related to written put options on NCI	*27*	1,559.7	1,374.9
Total liabilities		93,178.6	94,088.5
Shareholders' equity	*19*	9,610.9	9,560.6
Non-controlling interests	*28*	551.3	644.4
Total equity		10,162.2	10,205.0
Total liabilities and equity		103,340.8	104,293.5

Consolidated income statement

	Note		2017		2016
Income					
- *Gross premium income*		*8,445.0*		*9,276.7*	
- *Change in unearned premiums*		*47.0*		*(9.7)*	
- *Ceded earned premiums*		*(237.5)*		*(265.7)*	
Net earned premiums	*32*		8,254.5		9,001.3
Interest, dividend and other investment income	*33*		2,754.0		2,938.7
Unrealised gain (loss) on RPN(I)	*24*		(173.0)		82.7
Result on sales and revaluations	*34*		278.5		645.7
Investment income related to unit-linked contracts	*35*		785.9		425.7
Share in result of associates	*36*		409.8		249.8
Fee and commission income	*37*		279.8		370.8
Other income	*38*		159.7		199.4
Total income			12,749.2		13,914.1
Expenses					
- *Insurance claims and benefits, gross*		*(7,762.0)*		*(8,834.1)*	
- *Insurance claims and benefits, ceded*		*299.7*		*174.4*	
Insurance claims and benefits, net	*39*		(7,462.3)		(8,659.7)
Charges related to unit-linked contracts			(887.3)		(488.7)
Financing costs	*40*		(116.8)		(167.2)
Change in impairments	*41*		(21.8)		(64.7)
Change in provisions	*26*		(99.3)		(892.7)
Fee and commission expenses	*42*		(1,110.7)		(1,177.3)
Staff expenses	*43*		(825.4)		(846.0)
Other expenses	*44*		(1,117.4)		(1,183.1)
Total expenses			(11,641.0)		(13,479.4)
Result before taxation			1,108.2		434.7
Tax income (expenses)	*45*		(258.2)		(211.9)
Net result for the period			850.0		222.8
Attributable to non-controlling interests	*28*		226.8		195.7
Net result attributable to shareholders			623.2		27.1
Per share data (EUR)					
Basic earnings per share	*4*		3.09		0.13
Diluted earnings per share	*4*		3.09		0.13

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be presented as below.

	Note	2017	2016
Gross premium income		8,445.0	9,276.7
Inflow deposit accounting (directly recognised as liability)	*32*	1,614.6	1,333.7
Gross inflow		10,059.6	10,610.4

Consolidated statement of comprehensive income

	Note	2017		2016	
COMPREHENSIVE INCOME					
Items that will not be reclassified to the income statement:					
Remeasurement of defined benefit liability		*(1.3)*		*(100.9)*	
Related tax		*(16.2)*		*31.0*	
Remeasurement of defined benefit liability	7	(17.5)		(69.9)	
Total of items that will not be reclassified to the income statement:			(17.5)		(69.9)
Items that are or may be reclassified to the income statement:					
Change in amortisation of investments held to maturity		*15.0*		*20.3*	
Related tax		*(5.1)*		*(5.1)*	
Change in investments held to maturity	11	9.9		15.2	
Change in revaluation of investments available for sale [1)]		*262.1*		*(562.6)*	
Related tax		*295.1*		*186.5*	
Change in revaluation of investments available for sale	11	557.2		(376.1)	
Share of other comprehensive income of associates	14	(99.0)		(217.7)	
Change in foreign exchange differences		(173.1)		(425.1)	
Total items that are or may be reclassified to the income statement:			295.0		(1,003.7)
Other comprehensive income for the period			277.5		(1,073.6)
Net result for the period			850.0		222.8
Total comprehensive income for the period			1,127.5		(850.8)
Net result attributable to non-controlling interests		226.8		195.7	
Other comprehensive income attributable to non-controlling interests		140.9		(106.6)	
Total comprehensive income attributable to non-controlling interests			367.7		89.1
Total comprehensive income attributable to shareholders			759.8		(939.9)

1) Change in revaluation of investments available for sale, gross includes the revaluation of cash flow hedges and is net of currency differences and shadow accounting.

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Other reserves	Currency translation reserve	Net result attributable to shareholders	Unrealised gains and losses	Share holders' equity	Non-controlling interests	Total equity
Balance as at 1 January 2016	1,656.0	2,644.8	2,838.1	511.9	770.2	2,955.1	11,376.1	598.9	11,975.0
Net result for the period					27.1		27.1	195.7	222.8
Revaluation of investments						(484.2)	(484.2)	(94.4)	(578.6)
Remeasurement IAS 19			(57.0)				(57.0)	(12.9)	(69.9)
Foreign exchange differences				(425.8)			(425.8)	0.7	(425.1)
Total non-owner changes in equity			(57.0)	(425.8)	27.1	(484.2)	(939.9)	89.1	(850.8)
Transfer			770.2		(770.2)				
Dividend			(338.3)				(338.3)	(134.5)	(472.8)
Increase of capital								12.2	12.2
Treasury shares			(244.3)				(244.3)		(244.3)
Cancellation of shares	(53.4)	(198.1)	251.5						
Share-based compensation		3.5					3.5		3.5
Impact written put option on NCI [1]			(289.0)				(289.0)	77.2	(211.8)
Other changes in equity [2]			(7.5)				(7.5)	1.5	(6.0)
Balance as at 31 December 2016	1,602.6	2,450.2	2,923.7	86.1	27.1	2,470.9	9,560.6	644.4	10,205.0
Net result for the period					623.2		623.2	226.8	850.0
Revaluation of investments						318.7	318.7	149.4	468.1
Remeasurement IAS 19			(11.8)				(11.8)	(5.7)	(17.5)
Foreign exchange differences				(170.3)			(170.3)	(2.8)	(173.1)
Total non-owner changes in equity			(11.8)	(170.3)	623.2	318.7	759.8	367.7	1,127.5
Transfer			27.1		(27.1)				
Dividend			(419.4)				(419.4)	(206.2)	(625.6)
Increase of capital								16.6	16.6
Treasury shares			(247.8)				(247.8)		(247.8)
Cancellation of shares	(53.0)	(191.2)	244.2						
Share-based compensation		(7.5)					(7.5)		(7.5)
Impact written put options on NCI [1]			(41.8)				(41.8)	(143.0)	(184.8)
Sale of Cargeas								(100.2)	(100.2)
Other changes in equity [2]			7.0				7.0	(28.0)	(21.0)
Balance as at 31 December 2017	1,549.6	2,251.5	2,481.2	(84.2)	623.2	2,789.6	9,610.9	551.3	10,162.2

1. *Relates to the put option on AG Insurance shares and the put option on Interparking shares (see note 27 Liabilities related to written put options NCI).*
2. *Other changes in shareholders' equity includes an indemnity paid to BNP Paribas Fortis for the Ageas shares held related to the CASHES securities and the payment to holders of FRESH securities.*

Consolidated statement of cash flow

	Note	2017	2017	2016	2016
Cash and cash equivalents as at 1 January	10		2,180.9		2,394.3
Result before taxation			1,108.2		434.7
Adjustments to non-cash items included in result before taxation:					
Remeasurement RPN(I)	24	173.0		(82.7)	
Result on sales and revaluations	34	(278.5)		(645.7)	
Share in result of associates	36	(409.8)		(249.8)	
Depreciation, amortisation and accretion	44	742.9		748.8	
Impairments	41	21.8		64.7	
Provisions	26	106.3		892.7	
Share-based compensation expense	43	5.4		5.5	
Total adjustments to non-cash items included in result before taxation			*361.1*		*733.5*
Changes in operating assets and liabilities:					
Derivatives held for trading (assets and liabilities)	11	(90.5)		49.3	
Loans	13	(619.4)		(1,469.8)	
Reinsurance and other receivables	15	29.8		(294.4)	
Investments related to unit-linked contracts		(1,471.6)		(41.5)	
Borrowings	22	(481.3)		53.9	
Liabilities arising from insurance and investment contracts	20.1 & 20.2 & 20.4	118.3		1,601.0	
Liabilities related to unit-linked contracts	20.3	1,163.7		(38.2)	
Net changes in all other operational assets and liabilities		(764.6)		(509.1)	
Dividend received from associates	14	162.8		151.2	
Income tax paid		(242.0)		(265.8)	
Total changes in operating assets and liabilities			*(2,194.8)*		*(763.4)*
Cash flow from operating activities			(725.5)		404.8
Purchases of financial investments	11	(6,970.8)		(8,834.1)	
Proceeds from sales and redemptions of financial investments	11	8,902.3		8,518.7	
Purchases of investment property	12	(189.3)		(98.8)	
Proceeds from sales of investment property	12	50.5		117.6	
Purchases of property, plant and equipment	17	(63.4)		(89.7)	
Proceeds from sales of property, plant and equipment	17	10.2		5.6	
Acquisitions of subsidiaries and associates (including capital increases in associates)	3	(183.7)		(372.8)	
Divestments of subsidiaries and associates (including capital repayments of associates)	3	438.7		1,026.4	
Purchases of intangible assets	18	(37.4)		(24.5)	
Proceeds from sales of intangible assets	18	11.0		8.9	
Cash flow from investing activities			1,968.1		257.3
Redemption of subordinated liabilities	21			(76.0)	
Proceeds from the issuance of other borrowings	22	22.1		4.4	
Payment of other borrowings	22	(13.9)		(56.2)	
Purchases of treasury shares	19	(247.8)		(244.3)	
Dividends paid to shareholders of parent companies		(419.4)		(338.3)	
Dividends paid to non-controlling interests		(206.2)		(134.5)	
Cash flow from financing activities			(865.2)		(844.9)
Effect of exchange rate differences on cash and cash equivalents			(6.0)		(30.6)
Cash and cash equivalents as at 31 December	10		2,552.3		2,180.9
Supplementary disclosure of operating cash flow information					
Interest received	33	2,147.7		2,321.1	
Dividend received from financial investments	33	144.4		136.2	
Interest paid	40	(115.5)		(175.2)	

General Notes

1 Legal structure

ageas SA/NV, incorporated in Belgium with its registered office at Rue du Marquis 1/Markiesstraat 1, Brussels, Belgium, is the parent company of the Ageas Group. The Consolidated Financial Statements include the Summarised Financial Statements of ageas SA/NV and its subsidiaries.

A list of all Group companies and other participating interests has been filed with the National Bank of Belgium in Brussels. The list is available upon request, free of charge, from Ageas in Brussels.

Ageas shares are listed on the regulated market of Euronext Brussels. Ageas has a sponsored ADR programme in the United States.

The main third-party shareholders of Ageas, based on the official notifications, as at 31 December 2017 are:

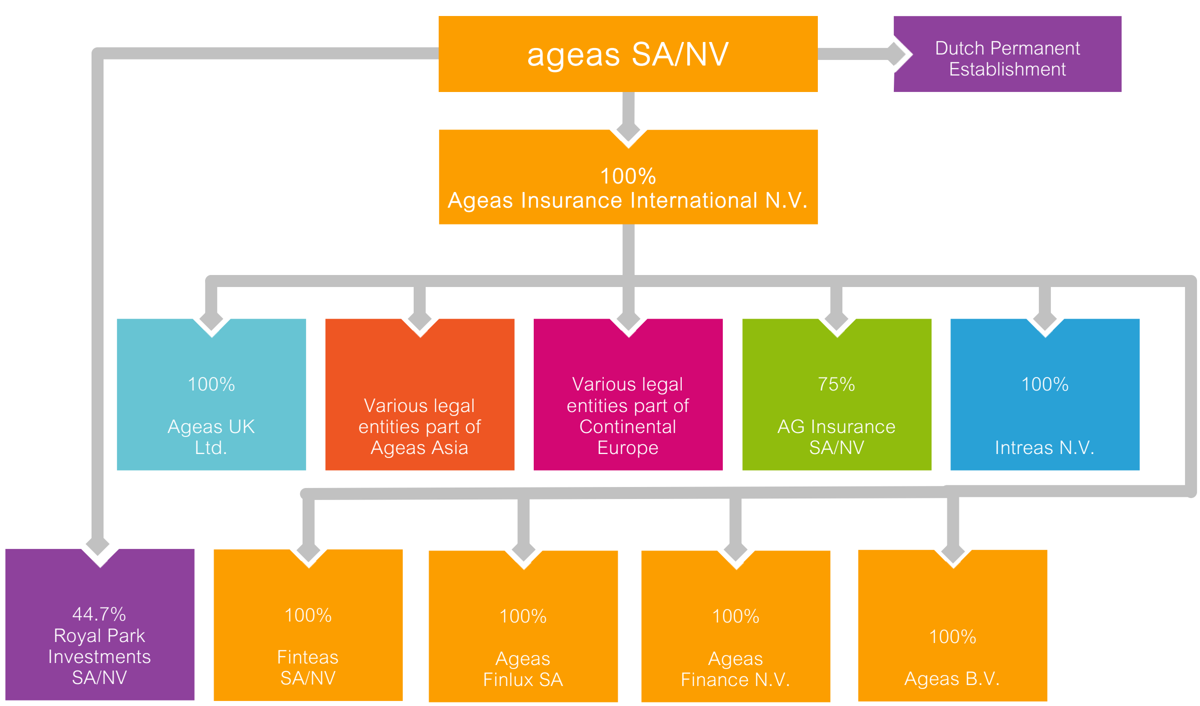
- Ping An 5.17%;
- BlackRock, Inc 4.98%;
- Schroders Plc* 5.01%;
- Fosun 3.01%.

Besides these third-party shareholders, ageas SA/NV and its subsidiaries hold 3.35%* of its own shares. This interest is related to the FRESH (see note 19 Shareholders' equity and note 21 Subordinated liabilities), restricted share programmes and the share buy-back programmes (see note 19 Shareholders' equity).

* Official notifications were made early 2018 by both Schroders Plc and Ageas informing about changes in their shareholding; for more information on this and regarding the shareholding structure see the ageas' website (https://www.ageas.com/investors/shareholders).

Ageas has pledged 46,715 shares of AG Insurance (6.3%) to BNP Paribas Fortis SA/NV as security for the complete and timely performance of the Relative Performance Note secured obligations (see note 24 RPN(I)).

The legal structure of Ageas is as follows.



Fully consolidated entities of Ageas in Continental Europe are in Portugal, Millenniumbcp Ageas (51%), Ocidental Seguros (100%), Médis (100%), Ageas Portugal Vida (100%) and Ageas Portugal Seguros (100%) and in France, Ageas France (100%).

2 Summary of accounting policies

The Ageas Consolidated Financial Statements 2017 comply with International Financial Reporting Standards (IFRS) as at 1 January 2017, as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) on that date.

2.1 Basis of accounting

The accounting policies are consistent with those applied for the year ended 31 December 2016. Amended IFRS policies effective on 1 January 2017 and with importance for Ageas (and endorsed by the EU) are listed in paragraph 2.2. The accounting policies mentioned here are a summary of the complete Ageas accounting policies, which can be found at:
https://www.ageas.com/about/supervision-audit-and-accounting-policies.

The Ageas Consolidated Financial Statements are prepared on a going concern basis and are presented in euros, the functional currency of the parent company of Ageas.

Assets and liabilities recorded in the statement of financial position of Ageas have usually a duration of more than 12 months, except for cash and cash equivalents, reinsurance and other receivables, accrued interest and other assets, accrued interest and other liabilities and current tax assets and liabilities.

The most significant IFRS standards for the measurement of assets and liabilities as applied by Ageas are:

- IAS 1 for presentation of financial statements;
- IAS 16 for property, plant and equipment;
- IAS 19 for employee benefits;
- IAS 23 for loans;
- IAS 28 for investments in associates;
- IAS 32 for written put options on non-controlling interests;
- IAS 36 for the impairment of assets;
- IAS 38 for intangible assets;
- IAS 39 for financial instruments;
- IAS 40 for investment property;
- IFRS 3 for business combinations;
- IFRS 4 for the measurement of insurance contracts;
- IFRS 7 for the disclosures of financial instruments;
- IFRS 8 for operating segments;
- IFRS 10 for consolidated financial statements;
- IFRS 12 for disclosure of interests in other entities;
- IFRS 13 for fair value measurements.

2.2 Changes in accounting policies

The following new or revised standards, interpretations and amendments to standards and interpretations became effective on 1 January 2017 (and are endorsed by the EU) but are not relevant or do not significantly impact the financial position or financial statements:

- Amendments to IAS 7 - Disclosure Initiative with respect to statement of cash flows resulted in additional disclosures on financial liabilities;
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses;
- Improvements to IFRS (2014-2016 cycle): IFRS 12 Disclosure of Interests in Other Entities is effective on 1 January 2017.

Upcoming changes in IFRS EU

IFRS 15 Revenue from Contracts with Customers

IFRS 15 ‘Revenue from Contracts with Customers’ is endorsed by the EU and will become effective for Ageas on 1 January 2018. IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue and several IFRIC and SIC interpretations) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as insurance contracts, lease contracts or financial instruments.

The standard outlines the principles to measure and recognize revenue and the related cash flows. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 offers two methods for initial application: a full retrospective approach with certain practical expedients or a modified retrospective approach with the cumulative effect of initial application of this standard recognized at the date of initial application with certain additional disclosures.

The standard has no material impact on Shareholder’s equity, Net result and/or Other Comprehensive Income.

The following new or revised standards, interpretations and amendments to standards and interpretations become effective on 1 January 2018 and are not yet endorsed by the EU. These changes are not relevant or do not significantly impact the financial position or financial statements:

- Amendments to IAS 40: Transfers of investment property;
- Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration;
- Improvements to IFRS (2014-2016 cycle): IFRS 1 First time adoption of International Financial Reporting Standards and IAS 28 Investment in Associates and Joint Ventures.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and endorsed by the EU in November 2016. The new requirements will become effective in 2018, except for insurance companies that make use of one of the options offered in the amendments of IFRS 4 (see below).

IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

The classification and measurement of financial assets under IFRS 9 will depend on both the entity's business model and the instrument's contractual cash flow characteristics. The classification of financial liabilities remains unchanged. The recognition and measurement of impairment under IFRS 9 is on an expected loss basis. As in IAS 39 losses are recognised when incurred, under the new standard losses are recognised earlier. The hedge accounting requirements of IFRS 9 aim at simplifying general hedge accounting.

The IASB discussed in December 2017 the proposed project plan to develop a dynamic risk management accounting model. Specifically, the Board decided:

- to focus first on developing a core model for the most important issues;
- to seek feedback on the feasibility of the core model. The manner in which feedback is obtained will be determined at a later date;
- to address the non-core issues as a final step.

In order to prevent challenges for insurance companies to implement IFRS 9 before the effective date of IFRS 17 'Insurance Contracts' (1 January 2021), the IASB issued 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' in September 2016. The amendments are endorsed by the EU in November 2017. The amended standard offers two options to minimise the effect of different effective dates. These options are:

- The overlay approach – an option for all entities that issue insurance contracts to adjust profit or loss by removing any additional accounting volatility that may arise from qualifying financial assets caused by implementation of IFRS 9, and
- The deferral approach – an optional temporary exemption from applying IFRS 9 no later than reporting periods beginning on or after 1 January 2021 for entities whose predominant activity is issuing insurance contracts.

Ageas will apply the deferral of IFRS 9 as Ageas activities are predominantly issuing contracts within the scope of IFRS 4 Insurance Contracts. In this way, the implementation of IFRS 9 and the new insurance standard IFRS 17 will be aligned.

IFRS 17, together with IFRS 9, will result in a significant change to the accounting in IFRS financial statements for insurance companies and the financial impact on Shareholder's equity, Net result and/or Other Comprehensive Income is expected to be significant.

IFRS 16 Leases

IFRS 16 'Leases' is issued on 13 January 2016 and will become effective as per 1 January 2019. The standard is endorsed by the EU in October 2017.

IFRS 16 replaces IAS 17 and establishes principles for the recognition, measurement, presentation and disclosure of leases. Upon lease commencement a lessee recognises a right-of-use asset and a lease liability initially measured at the present value of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. After lease commencement, a lessee shall measure the right-of-use asset using a cost model (some exceptions apply).

The interest expense on the lease liability is separated from the depreciation expense of the right-of-use asset and reported as financing activity. The standard includes two recognition exemptions for lessees of "low-value" assets and short-term leases.

The standard has no material impact on Shareholder's equity, Net result and/or Other Comprehensive Income. As most long-term lease contracts must be recognised in the balance sheet there will only be an impact on ratio's based on total assets or total liabilities.

IFRS 17 Insurance Contracts

IFRS 17 'Insurance Contracts' was issued on 18 May 2017 and is effective as per 1 January 2021. The Board is currently undertaking a number of activities to support implementation of the Standard, and has established a Transition Resource Group.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005.

IFRS 17 introduces an accounting model for insurance contracts that is more useful and consistent for insurers in contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, The IFRS 17 model is a current value model.

The main features of the new accounting model for insurance contracts are as follows:

- the measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- a Contractual Service Margin (CSM) that is deferring any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period);
- certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- the effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- amounts that the policyholder will always receive, regardless of whether an insured event happens (non distinct investment components), are not presented in the income statement, but are recognised directly on the balance sheet;
- insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;
- extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2.3 Accounting estimates

The preparation of the Ageas Consolidated Financial Statements in conformity with IFRS, requires the use of certain estimates at the end of the reporting period. In general these estimates and the methods used have been consistent since the introduction of IFRS in 2005. Each estimate by its nature carries a significant risk of material adjustments (positive or negative) to the carrying amounts of assets and liabilities in the next financial year.

The key estimates at the reporting date are shown in the table below.

31 December 2017	
Assets	Estimation uncertainty
Available for sale securities	
Financial instruments	
- Level 2	- The valuation model - Inactive markets
- Level 3	- The valuation model - Use of non-market observable input - Inactive markets
Investment property	- Determination of the useful life and residual value
Loans	- The valuation model - Parameters such as credit spread, maturity and interest rates
Associates	- Various uncertainties depending on the asset mix, operations and market developments
Goodwill	- The valuation model used - Financial and economic variables - Discount rate - The inherent risk premium of the entity
Other intangible assets	- Determination of the useful life and residual value
Deferred tax assets	- Interpretation of complex tax regulations - Amount and timing of future taxable income
Liabilities	
Liabilities for insurance contracts	
- Life	- Actuarial assumptions - Yield curve used in liability adequacy test - Reinvestment profile of the investment portfolio, credit risk spread and maturity, when determining the shadow LAT adjustment
- Non-life	- Liabilities for incurred but not reported claims - Claim adjustment expenses - Final settlement of outstanding claims
Pension obligations	- Actuarial assumptions - Discount rate - Inflation/salaries
Provisions	- The likelihood of a present obligation due to events in the past - The calculation of the best estimated amount
Deferred tax liabilities	- Interpretation of complex tax regulations
Written put options on NCI	- Estimated future fair value - Discount rate

For more detailed information on the application of these estimates, please refer to the applicable notes in the Ageas Consolidated Financial Statements. Note 5 Risk Management describes the way Ageas mitigates the various risks of the insurance operations.

2.4 Events after the reporting period

Events after the reporting period relate to events that occur between the end of the reporting period and the date when the Consolidated Financial Statements are authorised for issue by the Board of Ageas. Two types of events can be identified:

- events leading to an adjustment of the Consolidated Financial Statements if they provide evidence of conditions that existed at the reporting date;
- events result in additional disclosures if they are indicative of conditions that arose after the date of the statement of financial position, and if relevant and material.

See note 48, Events after the date of the statement of financial position.

2.5 Segment reporting

Operating segments

Ageas's reportable operating segments are primarily based on geographical regions. The regional split is based on the fact that the activities in these regions share the same nature and economic characteristics and are managed as such.

The operating segments are:

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- Reinsurance;
- General Account.

Activities not related to insurance and Group elimination differences are reported separately from the Insurance activities in the operating segment: General Account. The General Account comprises activities not related to the core insurance business, such as Group financing and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments, the liabilities related to RPN(I) and the written put option on AG Insurance shares.

Transactions or transfers between the operating segments are made under normal commercial terms and conditions that would be available to unrelated third parties. Eliminations are reported separately.

2.6 Consolidation principles

Subsidiaries

The Ageas Consolidated Financial Statements include those of ageas SA/NV (the parent company) and its subsidiaries. Subsidiaries are those companies, over which Ageas, either directly or indirectly, has the power to govern financial and operating policies so as to obtain benefits from the activities ('control'). Subsidiaries are consolidated from the date on which effective control is transferred to Ageas and are no longer consolidated from the date on which control ceases. Subsidiaries acquired exclusively with a view to resale are accounted for as non-current assets held for sale. The result on a sale of a portion of an interest in a subsidiary without a change in control is accounted for in equity.

Intercompany transactions, balances, and gains and losses on transactions between Ageas companies are eliminated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether Ageas controls another entity.

Associates

Investments in associates are accounted for using the equity method. These are investments over which Ageas has significant influence, but does not control. The investment is recorded as Ageas's share of the net assets of the associate. The initial acquisition is valued at cost. In subsequent measurement the share of net income for the year is recognised as share in result of associates and Ageas's share of the investment's post-acquisition direct equity movements is recognised in equity.

Gains on transactions between Ageas and investments accounted for using the equity method are eliminated to the extent of Ageas's interest. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Losses are recognised until the carrying amount of the investment is reduced to nil and further losses are only recognised to the extent that Ageas has incurred legal or constructive obligations or made payments on behalf of an associate.

Disposal of subsidiaries, businesses and non-current assets

A non-current asset (or disposal group, such as subsidiaries) is classified as 'held for sale' if it is available for immediate sale in its present condition and its sale is highly probable. A sale is highly probable where:

- there is evidence of management commitment;
- there is an active programme to locate a buyer and complete the plan;
- the asset is actively marketed for sale at a reasonable price compared to its fair value;
- the sale is expected to be completed within 12 months of the date of classification; and
- actions required to complete the plan indicate that it is unlikely that there will be significant changes to the plan or that it will be withdrawn.

The probability of shareholder's approval is considered as part of the assessment of whether the sale is highly probable. If regulatory approval is needed, a sale is only considered to be highly probable after this approval.

Non-current assets (or disposal groups) classified as held for sale are:
- measured at the lower of the carrying amount and fair value less costs to sell (except for the assets that are exempt from this rule such as IFRS 4 insurance rights, financial assets, deferred taxes and pension plans);
- current assets and all liabilities are measured in accordance with the applicable IFRS;
- not depreciated or amortised; and
- presented separately in the balance sheet (assets and liabilities are not offset).

The date of disposal of a subsidiary or disposal group is the date on which control passes. The Consolidated Income Statement includes the results of a subsidiary or disposal group up to the date of disposal. The gain or loss on disposal is the difference between (a) the proceeds of the sale and (b) the carrying amount of the net asset plus any attributable goodwill and amounts accumulated in other comprehensive income (for example, foreign translation adjustments and available-for-sale reserves).

2.7 Foreign currency

For individual entities of Ageas, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end are translated at year-end exchange rates for monetary items.

Non-monetary items carried at historical cost are translated using the historical exchange rate that existed at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate on the date that the fair values are determined. The resulting exchange differences are recorded in the Income Statement as foreign currency gains (losses), except for those non-monetary items whose fair value change is recorded as a component of equity.

The distinction between exchange differences (recognised in the Income Statement) and unrealised fair value results (recognised in equity) on available-for-sale financial assets is determined according to the following rules:
- the exchange differences are determined based on the evolution of the exchange rate calculated on the previous balances in foreign currency;
- the unrealised (fair value) results are determined based on the difference between the balances in euros of the previous and the new period, converted at the new exchange rate.

Foreign currency translation

Upon consolidation, the income statement and cash flow statement of entities whose functional currency is not the euro are translated into euros, at average daily exchange rates for the current year (or exceptionally at the exchange rate at the date of the transaction if exchange rates fluctuate significantly) and their statements of financial position are translated using the exchange rates prevailing at the date of the statement of financial position.

Translation exchange differences are recognised in equity. On disposal of a foreign entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Exchange differences arising on monetary items, borrowings and other currency instruments, designated as hedges of a net investment in a foreign entity are recorded in equity, until the disposal of the net investment, except for any hedge ineffectiveness that is immediately recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate on the date of the statement of financial position. All resulting differences are recognised in equity until disposal of the foreign entity when a recycling to the income statement takes place.

The following table shows the exchange rates of the most relevant currencies for Ageas.

	Rates at year end		Average rates	
1 euro =	2017	2016	2017	2016
Pound sterling	0.89	0.86	0.88	0.82
US dollar	1.20	1.05	1.13	1.11
Hong Kong dollar	9.37	8.18	8.80	8.59
Turkey lira	4.55	3.71	4.12	3.34
China yuan renminbi	7.80	7.32	7.63	7.35
Malaysia ringgit	4.85	4.73	4.85	4.58
Philippines Peso	59.79	52.27	56.97	52.56
Thailand baht	39.12	37.73	38.30	39.04
Vietnamese Dong	27,027	23,810	25,641	25,000

2.8 Measurement bases used in preparing the financial statements

The classification and measurement of assets and liabilities are based on the nature of the underlying transactions.

2.8.1 Financial assets

Management determines the appropriate classification of its investment securities at the time of purchase. Investment securities with a fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity. Investment securities with fixed or determinable payments that are not quoted in an active market and that upon initial recognition are not designated as held-for-trading nor as available-for-sale, are classified as loans and receivables. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or to changes in interest rates, exchange rates or equity prices, are classified as available for sale. Investment securities that are acquired for the purpose of generating short-term profits are considered to be held for trading.

Held-to-maturity investments are carried at amortised cost less any impairment charges. Any difference with the initial recognition amount resulting from transaction costs, initial premiums or discounts is amortised over the life of the investment using the effective interest method. If a held-to-maturity investment is determined to be impaired, the impairment is recognised in the income statement.

Loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in the income statement. Gains and losses are recognised in the income statement when the investments are de-recognised or impaired, as well as through the amortisation process. For floating rate instruments, the cash flows are periodically re-estimated to reflect movements in market interest rates. If the floating rate instrument is initially recognised at an amount (almost) equal to the principal repayable, the re-estimation will have no significant effect on the carrying amount of the instrument and there will be no adjustment to the received interest, reported on an accrual basis. However, if a floating rate instrument is acquired at a significant premium or discount, this premium or discount will be amortised over the expected life of the instrument and included in the calculation of the EIR. The carrying amount is recalculated each period by computing the present value of estimated future cash flows at the actual effective interest rate. Any adjustments are recognised in profit or loss.

Held-for-trading assets, derivatives and assets designated as held at fair value through profit or loss are carried at fair value. Changes in the fair value are recognised in the income statement. The (realised and unrealised) results are included in ‘Result on sale and revaluations’. Interest received (paid) on assets (liabilities) held for trading is reported as Interest income (expense). Dividends received are included in ‘Interest, dividend and other investment income’.

The majority of Ageas financial assets (being bonds and equity shares) are classified as available-for-sale and measured at fair value. Changes in the fair value are recognised directly in equity until the asset is sold, unless the asset is hedged by a derivative. These investments are carried at fair value with movements in fair value recognised through the income statement for the part attributable to the hedged risk and through equity for the remaining part.

For the insurance portfolios, where unrealised gains and losses on bonds have a direct impact on the measurement of the insurance liabilities, Ageas applies shadow accounting in accordance with IFRS 4. This means that the changes in the unrealised gains and losses will affect the measurement of the insurance liabilities and are therefore not part of equity.

Transaction costs of financial instruments are included in the initial measurement of financial assets and liabilities other than those measured at fair value through profit or loss, in that case transaction costs are directly expensed. Transaction costs refer to incremental costs directly attributable to the acquisition or disposal of a financial asset or liability. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

All purchases and sales of financial assets requiring delivery within the time frame established by regulation or market convention are recognised on the trade date, which is the date when Ageas becomes a party to the contractual provisions of the financial assets. Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are recognised as derivative forward transactions until settlement.

2.8.2 Investment property and property held for own use

For reasons of comparability of performance in the Ageas Consolidated Financial Statements, Ageas applies a cost model both for investment property and for property held for own use. After recognition as an asset, all property is carried at cost less any accumulated depreciation and any accumulated impairments. As a consequence, changes in the fair value of the property are not recognised in the income statement or in shareholders' equity, unless the property is impaired.

2.8.3 Investment in Associates

For associates where Ageas has significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee (but is not in control), Ageas applies the equity method of accounting for these associates. Ageas's share of the profit or loss is recognised in the income statement and revaluations are reported in shareholders' equity, while distributions received from the associate reduce the carrying amount of the investment.

2.8.4 Goodwill and other intangible assets

Goodwill arising from business combinations as from 1 January 2010

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over:

- Ageas's share in the net identifiable assets acquired and liabilities assumed, and
- net of the fair value of any previously held equity interest in the acquiree.

Any acquisition costs are directly expensed, except for the costs of issuing debt or equity securities, which are recognised in accordance with IAS 32 and IAS 39.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

If the business combination is achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Goodwill arising from business combinations prior to 1 January 2010

In comparison with the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured as the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additionally acquired share of interest did not affect previously recognised goodwill.

A contingent consideration was recognised if, and only if, Ageas had a present obligation, economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Value of business acquired (VOBA)

Value of business acquired represents the difference between the fair value at acquisition date measured using Ageas's accounting policies and the subsequent carrying value of a portfolio of insurance and investment contracts acquired in a business or portfolio acquisition.

VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts acquired. Each reporting date VOBA is part of the Liability Adequacy Test to assess whether the liabilities arising from insurance and investment contracts are adequate.

Other intangible assets with finite life

Other intangible assets include intangible assets with a finite life, such as parking concessions, internally developed software that is not an integral part of the related hardware and licences that are generally amortised over their useful life using the straight-line method.

2.8.5 Deferred acquisitions costs

The costs of new and renewed insurance business, principally commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business, are deferred and amortised. The method for amortisation is based on expected earned premium or estimated gross profit margins. Deferred acquisition costs ('DAC') are periodically reviewed to ensure they are recoverable based on estimates of future profits of the underlying contracts in the Liability Adequacy Test.

2.8.6 Financial liabilities

Subordinated liabilities and borrowings are initially recognised at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.

2.8.7 Liabilities arising from (re) insurance and investment contracts

General
These liabilities relate to (re) insurance contracts, investment contracts with discretionary participation features (DPF) and investment contracts without DPF.

The DPF component concerns a conditional promise related to unrealised gains and losses. This promise remains therefore part of the unrealised gains and losses as included in equity. Once the promise becomes unconditional, the related amount is transferred to liabilities arising from Life insurance contracts.

Investment contracts without discretionary participation features are initially recognised at fair value and subsequently measured at amortised cost and reported as a deposit liability.

Life insurance
For Life insurance contracts, future policy benefit liabilities are calculated using a net level premium method (present value of future net cash flows) on the basis of actuarial assumptions as determined by historical experience and industry standards. Participating policies include any additional liabilities relating to any contractual dividends or participation features. For some designated contracts, the future policy benefit liabilities have been re-measured to reflect current market interest rates.

Minimum guaranteed returns
For Life insurance contracts with minimum guaranteed returns, additional liabilities have been set up to reflect expected long-term interest rates.

Unit-linked contracts
Ageas's non-participating insurance and investment contracts are primarily unit-linked contracts where the investments are held on behalf of the policyholder and measured at fair value. The liabilities are measured at unit value (i.e. fair value of the fund in which the unit-linked contracts are invested divided by the number of units of the fund).

Certain products contain guarantees, which are also valued at fair value and included in liabilities related to unit-linked contracts, with the change in the fair value recognised in the income statement. Insurance risks are taken into account on the basis of actuarial assumptions.

Shadow accounting
In some of Ageas's businesses, realised gains or losses on assets have a direct effect on all or part of the measurement of its insurance liabilities and related deferred acquisition costs. Ageas applies shadow accounting to the changes in fair value of the available-for-sale investments and of assets and liabilities held for trading that are linked to, and therefore affect, the measurement of the insurance liabilities.

Shadow accounting means that unrealised gains or losses on the assets, which are recognised in equity without affecting profit or loss, are reflected in the measurement of the insurance liabilities (or deferred acquisition costs or value of business acquired) in the same way as realised gains or losses. This adjustment also covers the situation when market rates drop below any guaranteed rates. In that case an additional shadow accounting adjustment is made. This adjustment is also referred to as the shadow LAT (liability adequacy test). This adjustment is calculated based on the expected investment returns of the current portfolio till maturity and a risk free reinvestment rate after maturity.

The remaining unrealised changes in fair value of the available-for-sale portfolio (after application of shadow accounting) that are subject to discretionary participation features are classified as a separate component of equity.

An additional deferred profit sharing liability (DPL) is accrued based on a constructive obligation or the amount legally or contractually required to be paid on differences between statutory and IFRS income and unrealised gains or losses recorded in equity.

Non-life insurance
Claims and claim adjustment expenses are charged to the income statement as incurred. Unpaid claims and claim adjustment expenses include estimates for reported claims and provisions for claims incurred but not reported. Non-life liabilities for workmen's compensation business are presented at their net present value. Ageas does not discount its liabilities for claims other than for claims with determinable and periodic payment terms.

Liability Adequacy Test
The adequacy of insurance liabilities (liability adequacy test) is tested by each company at each reporting date. The tests are generally performed on legal fungible level for Life and on the level of line of business for Non-life. Ageas considers current best estimates of all contractual cash flows, including related cash flows such as commissions, reinsurance and expenses. For Life Insurance contracts, the tests include cash flows resulting from embedded options and guarantees and investment income. The present value of these cash flows is determined by (a) using the current book yield of the existing portfolio, based on the assumption that reinvestments after the maturity of the financial instruments will take place at a risk-free rate plus volatility adjustment and (b) a risk-free discount rate allowing a company specific volatility adjustment based on EIOPA methodology (after the last liquid point the so called ultimate forward rate extrapolation is used). The contract boundaries of Solvency II are applied. Local insurance companies can apply stricter local requirements for the liability adequacy test.

The net present value of the cash flows is compared with the corresponding technical liabilities. Any shortfall is recognised immediately in profit or loss, either as a DAC or VOBA impairment or as a loss recognition. If, in a subsequent period, the shortfall decreases, the decrease will be reversed through profit or loss.

2.9 Measurement of impaired assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Ageas reviews all of its assets at each reporting date for objective evidence of impairment. The carrying amount of impaired assets is reduced to the estimated recoverable amount and the impairment is recognised in the income statement.

The recoverable amount is measured as the higher of the fair value less cost of disposal and the value in use. Fair value less cost of disposal is the price that would be received to sell an asset in an orderly transaction between market participants, after deducting any direct incremental disposal costs. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

If in a subsequent period the amount of the impairment on assets other than goodwill or available-for-sale equity instruments decreases, due to an event occurring after the write-down, the amount is reversed by adjusting the impairment and is recognised in the income statement. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment been recognised for the asset in prior years.

Financial assets

A financial asset (or group of financial assets) classified as available for sale, loans or receivables or held to maturity is impaired if there is objective evidence of one or more events (loss events or triggers, e.g. significant financial difficulty of the issuer) that occurred after the initial recognition of the asset and that loss event (or events) has (or have) an impact on the estimated future cash flows of the financial asset (or group of financial assets) that can be reliably estimated.

For equity securities, the triggers used to determine whether there is objective evidence of impairment include, amongst others, the consideration whether the fair value is significantly (25%) below cost or has been below cost for a prolonged period (four consecutive quarters) at the date of the statement of financial position.

If an available-for-sale investment security is determined to be impaired, the impairment is recognised in the income statement. For impaired available-for-sale investments, unrealised losses previously recognised in equity are transferred to the income statement when the impairment occurs.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, the impairment is reversed, with the amount of the reversal recognised in the income statement. Impairments of investment in equity instruments classified as available for sale are not reversed through the income statement but through equity.

Investment property and property held for own use

Property is measured according to the cost model and impaired when the carrying amount exceeds the recoverable amount, which is the higher of either 'fair value less costs to sell' or 'value in use' (the expected present value of future cash flows, without deduction of transfer tax). At the end of each reporting period, Ageas assesses whether there is any indication that an asset may be impaired, considering various external (e.g. significant changes in the economic environment) and internal sources of information (e.g. plan to dispose). If any such indication exists (and only then), Ageas will estimate the recoverable amount of the property. Any impairment identified is recognised in the income statement. After the recognition of an impairment, the depreciation for future periods is adjusted based on the revised carrying amount less its residual value over the asset's remaining useful life.

Goodwill and other intangible assets

Goodwill is an intangible asset with an indefinite life and is like all other intangible assets with indefinite lives not amortised but tested for impairment at least annually. For the purpose of impairment testing, the goodwill acquired in a business combination is allocated to cash-generating units. Intangible assets with finite lives are amortised over the estimated useful life and reviewed at each reporting date. Any impairment identified is recognised in the income statement.

2.10 Revenue recognition

2.10.1 Gross premium income

Premium income received
Premiums from Life insurance policies and investment contracts with discretionary participation features that are considered long duration type contracts are recognised as revenue when due from the policyholder. Estimated future benefits and expenses are offset against such revenue in order to recognise profits over the estimated life of the policies. This matching is accomplished by the establishment of liabilities of the insurance policies and investment contracts with discretionary participation features and by the deferral and subsequent amortisation of policy acquisition costs.

Premium income earned
For short duration type contracts (principally Non-life), premiums are recorded as written upon inception of the contract. Premiums are recognised in the income statement as earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of the coverage.

2.10.2 Interest, dividend and other investment income
Interest income and interest expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price including direct transaction costs. Interest income includes coupons earned on fixed and floating rate income instruments and the accretion or amortisation of the discount or premium.

Once a financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the effective interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Dividends are recognized in the income statement when they are declared.

Rental income and other income is recognised on an accrual basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

2.10.3 Realised and unrealised gains and losses
For financial instruments classified as available for sale, realised gains or losses on sales and divestments represent the difference between the proceeds received and the initial book value of the asset sold, minus any impairments recognised in the income statement after adjustment for the impact of any hedge accounting.

For financial instruments carried at fair value through profit or loss, the difference between the carrying value at the end of the current reporting period and the previous reporting period is included in 'Result on sales and revaluations'.

For derivatives, the difference between the carrying clean fair value (i.e. excluding the unrealised portion of the interest accruals) at the end of the current reporting period and the previous reporting period is included in 'Result on sales and revaluations'.

Previously recognised unrealised gains and losses recorded directly in equity are transferred to the income statement upon derecognition or upon impairment of the financial asset.

2.10.4 Fee and commission income

Fees as integral part of effective interest rate
Fees that are an integral part of the effective interest rate of a financial instrument are generally treated as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value through profit or loss, the fees are recognised as revenue when the instrument is initially recognised.

Fees recognised when services are provided
Fees are generally recognised as revenue when services are provided. If it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not considered a derivative, the commitment fee is recognised as revenue on a time proportion basis over the commitment period.

Fees recognised upon completion of the underlying transaction
Fees arising from negotiating, or participating in the negotiation of, a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fee revenue from investment contracts
This relates to contracts, without discretionary participation features, issued by insurance companies that are classified as investment contracts, because the covered insurance risk is not significant. Revenues from these contracts consist of fees for the coverage of insurance, administration fees and surrender charges. Fees are recognised as revenue when services are provided. Expenses include mortality claims and interest credited.

3 Acquisitions and disposals

The following significant acquisitions and disposals were made in 2017 and 2016. Details of acquisitions and disposals, if any, which took place after the date of the statement of financial position, are included in note 48 Events after the date of the statement of financial position.

3.1 Acquisitions in 2017

AG Insurance

AG Insurance and AG Real Estate acquired in 2017 several small subsidiaries for a total amount of around EUR 50 million. Furthermore, AG Insurance made some other acquisitions and capital increases in equity associates for a total amount of around EUR 20 million.

3.2 Disposals in 2017

Cargeas Assicurazioni

Ageas confirmed on 28 December 2017, the completion of the sale of its 50% + 1 share in the share capital of Cargeas Assicurazioni (Cargeas), its Italian Non-life operation, to BNP Paribas Cardif. The total cash consideration of the transaction amounted to EUR 178 million.

The sale of Cargeas generated a net capital gain of EUR 77 million at Insurance level in the segment Continental Europe and an additional EUR 10 million at Group level in the General Account.

Total net result of Cargeas for the period until the disposal amounted to EUR 16.4 million (see note 9 Information on operating segments).

The impact of the sale of Cargeas on Ageas's Consolidated statement of financial position at the date of the sale was as follows.

Divestment of Cargeas Assicurazioni

Assets		Liabilities	
Cash & cash equivalents	36	Liabilities arising from insurance contracts	551
Financial investments	515	Borrowings	13
Reinsurance and other receivables	132	Current and deferred tax liabilities	13
Current and deferred tax assets	17	Accrued interest and other liabilities	68
Goodwill and other intangibles	96		
Other assets	49	Total liabilities	645
		Shareholders' equity	100
		Non-controlling interests	100
Total Assets	845	Total liabilities and equity	845

Other disposals

In January 2017, AG Real Estate sold 50% of the shares in BG1 (owning the building PWC Lux in Luxembourg) to Sogecap for EUR 71.5 million. Being no longer in control, BG1 has been deconsolidated and a capital gain at 100% of EUR 73 million has been recognised. The remaining participation of 50% is now reported as an associate.

In January 2017, AG Real Estate subsidiary, Immo Nation sold 100% of its shares in Fontenay SAS, a warehouse in France. The total sales price amounted to EUR 38.4 million of which EUR 15.8 million for the shares and EUR 22.6 million refinancing of an intercompany loan (granted by Immo Nation) by the buyer. This transaction resulted in a capital gain of EUR 7.8 million.

3.3 Acquisitions in 2016

Ageas Seguros

On 1 April 2016, Ageas completed the acquisition of AXA's Portuguese insurance operations comprising a Non-life business (99.7% stake), a Direct/internet Non-life business (100% stake) and a Life business (95.1% stake) for a total cash consideration of EUR 172.4 million. In this transaction was also included the acquisition of the 4.9% minority stake in the Life business from a third party. In the third quarter of 2016, Ageas acquired the remaining non-controlling stake of 0.3% in the Non-life business. AXA Portugal has been renamed Ageas Seguros.

The combined operations propelled Ageas from number 6 to number 2 in Non-life in Portugal (based on gross written premiums), with a combined market share of 14.4% in 2015, alongside the existing leading position in Life.

Ageas Seguros realised in 2017 a net loss of EUR 2 million (2016: net loss of EUR 11 million).

The impact of Ageas Seguros on Ageas's Consolidated statement of financial position at the date of the acquisition was as follows.

Acquisition of Ageas Seguros

Assets		Liabilities	
Cash & cash equivalents	15	Liabilities arising from insurance and investment contracts	1,494
Financial investments and loans	1,379	Liabilities related to unit-linked contracts	93
Investment property	47	Current and deferred tax liabilities	25
Investments related to unit-linked contracts	96	Accrued interest and other liabilities	87
Reinsurance and other receivables	56		
Current and deferred tax assets	82		
Goodwill and other intangibles	164	Total liabilities	1,699
Other Assets	32	Cost price	172
Total Assets	1,871	Total liabilities and equity	1,871

Life insurance joint venture in Vietnam

In August 2015, Ageas and Muang Thai Life Assurance signed an agreement with Military Commercial Joint Stock Bank (Military Bank) to establish a joint venture in Vietnam, which is branded MB Ageas Life.

Under the agreement, Ageas has an equity shareholding of 29% in the new company, Muang Thai Life Assurance 10%, and Military Bank 61%. It was further agreed that Military Bank and MB Ageas Life enter into a 15-year exclusive bancassurance agreement. The total capital investment for the three partners amounts to around EUR 46 million.

Other acquisitions

In the first quarter of 2016, AG Real Estate acquired for an amount of EUR 28 million, 80% of the shares of Seniorenzentren Deutschland Holding. Seniorenzentren Deutschland Holding holds 100% of TSC Holding S.à.r.l. which owns 12 nursing homes in Germany. Furthermore, AG Insurance made some other acquisitions and capital increases in equity associates for a total amount of around EUR 75 million.

3.4 Disposals in 2016

Life insurance business in Hong Kong

On 12 May 2016, Ageas confirmed the completion of the sale of its Life insurance business in Hong Kong (AICA) to JD Capital (Beijing Tongchuangjiuding Investment Management Co.) for a total consideration of EUR 1.22 billion.

After closing adjustments, the transaction generated a net capital gain of EUR 403 million in total of which EUR 199 million is reported in the Asian Insurance Results and EUR 204 million in the General Account. The positive impact on the net cash position amounted to EUR 1.26 billion including the impact of the novation of debt.

Total net result of the Life insurance business in Hong Kong for the period until the disposal amounted to EUR 12.6 million (see note 9 Information on operating segments).

The impact of the sale of AICA on Ageas's Consolidated statement of financial position at the date of the sale was as follows.

Divestment of AICA

Assets		Liabilities	
Cash & cash equivalents	339	Liabilities arising from insurance and investment contracts	2,334
Financial investments and loans	2,529	Liabilities related to unit-linked contracts	977
Investments related to unit-linked contracts	977	Borrowings	595
Reinsurance and other receivables	121	Current and deferred tax liabilities	3
Current and deferred tax assets	155	Accrued interest and other liabilities	50
Goodwill and other intangibles	426		
Other assets	427	Total liabilities	3,959
		Equity	1,015
Total Assets	4,974	Total liabilities and equity	4,974

Other disposals

On 24 June 2016, AG Real Estate sold the holding company with a controlling interest in the Wiltcher's Complex to AXA Investment Managers-Real Assets, acting on behalf of one of its clients. The transaction was valued at approximately EUR 120 million.

3.5 Assets and liabilities of acquisitions and disposals

The table below provides details of the assets and liabilities resulting from the acquisition or disposal of subsidiaries and/or associates at the date of acquisition or disposal.

		2017		2016
	Acquisitions	Disposals	Acquisitions	Disposals
Assets and liabilities of acquisitions and disposals				
Cash and cash equivalents	6.7	(43.7)	17.6	(347.2)
Financial investments		(515.6)	1,343.8	(2,399.6)
Investment property	147.6	(305.4)	205.8	(77.5)
Loans			35.5	(182.2)
Investments related to unit-linked contracts			95.5	(977.1)
Investments in associates, including capital (re)payments	152.8	32.6	187.1	(22.1)
Reinsurance and other receivables	26.6	(121.6)	66.6	(126.2)
Current and deferred tax assets	4.8	(19.4)	82.2	(8.8)
Accrued interest and other assets	4.9	(66.1)	25.8	(586.6)
Property, plant and equipment	23.9	(0.4)	3.9	(4.8)
Goodwill and other intangible assets	43.9	(97.5)	187.3	(437.5)
Assets held for sale		(145.3)		
Liabilities arising from insurance and investment contracts		(551.2)	1,493.4	(2,334.9)
Liabilities related to unit-linked contracts			92.9	(977.1)
Borrowings	105.5	(162.6)	119.4	(595.8)
Current and deferred tax liabilities	5.8	(20.2)	40.1	(4.1)
Accrued interest and other liabilities	95.8	(96.2)	89.6	(169.9)
Provisions		(0.5)	4.7	(0.2)
Non-controlling interests	13.7	(167.1)	20.6	(6.5)
Changes in equity related to acquisitions and divestments		(9.8)		(203.5)
Net assets acquired / Net assets disposed of	190.4	(274.8)	390.4	(877.6)
Result of disposal, gross		207.6		496.0
Result on discontinued operations, net of taxes		207.6		496.0
Cash used for acquisitions / received from disposals:				
Total purchase consideration / Proceeds from sale	(190.4)	482.4	(390.4)	1,373.6
Less: Cash and cash equivalents acquired / divested	6.7	(43.7)	17.6	(347.2)
Cash used for acquisitions / received from disposals	(183.7)	438.7	(372.8)	1,026.4

The total purchase consideration for acquisitions of subsidiaries and associates amounted to EUR 190.4 million in 2017 (2016: EUR 390.4 million). There was no capital increase provided by non-controlling interests in 2017 (2016: EUR 12.2 million).

4
Earnings per share

The following table details the calculation of earnings per share.

	2017	2016
Net result attributable to shareholders	623.2	27.1
Weighted average number of ordinary shares for basic earnings per share (in thousands)	201,765	208,521
Adjustments for:		
- restricted shares (in thousands) expected to be awarded	226	410
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	201,991	208,931
Basic earnings per share (in euro per share)	3.09	0.13
Diluted earnings per share (in euro per share)	3.09	0.13

In 2017, weighted average options on 479,690 shares (2016: 969,877) with a weighted average exercise price of EUR 154.32 per share (2016: EUR 217.94 per share) were excluded from the calculation of diluted EPS because the exercise price of the options was substantially higher than the average market price of the shares.

During 2017 and 2016, 3.97 million Ageas shares arising from the FRESH were excluded from the calculation of diluted earnings per share because the interest per share saved on these securities was higher than the basic earnings per share.

Ageas shares totalling 3.96 million (31 December 2016: 3.96 million) issued in relation to CASHES are included in the ordinary shares although they are not entitled to dividend nor do they have voting rights (see also note 46 Contingent liabilities).

5 Risk Management

As a multinational insurance provider, Ageas creates value through the acceptance, warehousing, and transformation of risks that can be properly managed either at the individual or at the overall portfolio level. Ageas's insurance operations provide both Life and Non-life insurances and as such face a number of risks that, whether internal or external, may affect Ageas's operations, its earnings, its share price, the value of its investments or the sale of certain products and services. Besides insurance operations, the General Account mainly comprises activities not related to the core insurance business, such as the management of the Fortis legacies, Group Risk & Finance and other holding activities.

Ageas' overall risk strategy consists of:

- maximising shareholder value within the constraints of the Risk Appetite Framework, while taking into account the protection of policyholders. Ageas' risk taking is both controlled and directed towards businesses that provide attractive risk-adjusted returns;
- avoiding undesired concentrations of exposure to either an individual risk or collective risk. We achieve this by having consistent limit systems in place and policies for all risk categories both at the group and business levels;
- taking risks that we understand and that we can value and manage appropriately (either at the individual or overall portfolio level). We do not take risks of which the consequences and potential losses are unclear or unlimited;
- integrating risk management into strategic (i.e. annual Strategic Planning) and decision making processes;
- using models as an intrinsic part of gathering information, determining forecasts and projections based on specific events and parameters. Models are complemented by expert judgement, which are jointly fundamental in the business and risk strategies;
- creating an open environment conductive to effective communications about risks and risk management throughout the group.

The embedding of the Risk Strategy takes place in the Performance Management cycle, articulated around the annual Strategic Planning and ORSA (Own Risk and Solvency Assessment) process, supported by relevant modelling approaches.

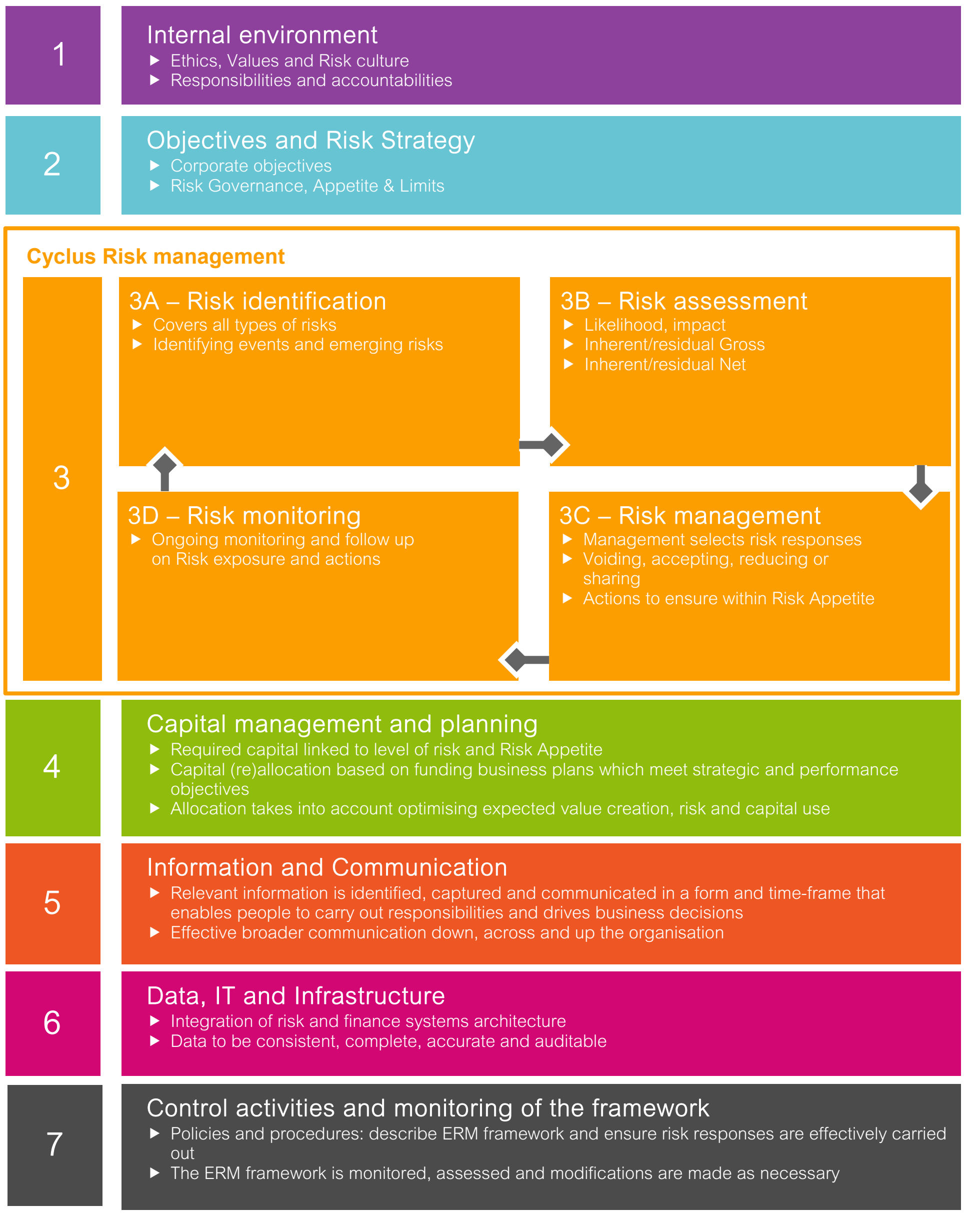
5.1 Risk Management Framework

Ageas defines risk as the deviation from anticipated outcomes that may have an impact on the solvency, earnings or liquidity of Ageas, its business objectives or future opportunities. Ageas risks stem from its exposure to external or internal risk factors in conducting its business activities.

To ensure that all material risks are understood and effectively managed, Ageas put in place an Enterprise Risk Management (ERM) framework that:

- ensures that risks which affect the achievement of business and strategic objectives are identified, assessed, monitored and managed;
- defines a risk appetite to ensure that the risk of insolvency is kept at all times within acceptable levels and that the risk profile is kept within the risk appetite;
- supports the decision making process by ensuring that consistent, reliable and timely risk information is available to the decision makers;
- creates a culture of risk awareness in which each manager carries out his duty to be aware of the risks of his business, to manage them adequately and report them transparently.

Schematically, the Risk Management Framework can be further described as below:



Ageas's risk taxonomy will be described next, followed by a description of Ageas's Risk Appetite Framework.

5.1.1 Risk taxonomy

Ageas's risk taxonomy has been developed to ensure a consistent and comprehensive approach to risk identification, assessment, management and monitoring by highlighting and defining all identified risks within the Group. It serves as the basis for all risk management efforts. It is divided into four broad categories: financial risks, insurance liability risks, operational risks and strategic & business risks.

Ageas has in place a Group-wide Key Risk report process to identify key risks that could impact the realisation of its objectives. It also assesses the control framework in place to ensure that these risks are managed on an on-going basis. Each business follows up on their key risks at least on a quarterly basis and the most significant risks are also monitored at Group level. A wide range of internal and external sources is used in the identification of the key risks.

Identified risks, categorised in accordance with the Ageas risk taxonomy are assessed and reported to Ageas Group by the various entities using a standard likelihood and impact grid which provides an overview of the overall level of concern that each risk represents (i.e. their materiality). The risks are qualitatively assessed in relation to the objectives that they are associated with.

Group Risk consolidates all reports and the consolidated view is then discussed at the level of the Ageas Risk Committee, Executive Committee, Management Committee, Risk & Capital Committee as well as the Board of Directors. These bodies are described in section 5.2.

Total Risk

Financial Risk	Insurance Liability Risk	Operational Risk	Strategic & Business Risk
Market Risk ▶ Interest rate (real & nominal) ▶ Equity ▶ Spread ▶ Currency ▶ Property ▶ Market Risk Concentration Default Risk ▶ Counterparty Default ▶ Investment Default Liquidity Risk	Life Underwriting Risk ▶ Mortality ▶ Longevity ▶ Disability/Morbidity ▶ Lapse/Persistency ▶ Expense ▶ Revision Non-life Underwriting Risk ▶ Premium ▶ Reserve ▶ Lapse Health Underwriting Risk Similar to Life Techniques ▶ Mortality ▶ Longevity ▶ Disability/Morbidity ▶ Lapse/Persistency ▶ Expense ▶ Revision Non-Similar to Life Techniques ▶ Premium ▶ Reserve ▶ Lapse Catastrophe Risk	Clients, Products and Business Practices Execution, Delivery and Process Management Business Disruption and System Failures Employee Practices & Workplace Safety Internal Fraud External Fraud Damage to Physical Assets	Regulatory change Risk Competitor Risk Distribution Risk Reputation Risk Country Risk Environment Risk Concentration Risk Intangible Asset Risk Strategic Risk

5.1.2 Measuring capital adequacy

Under Solvency II, Ageas uses a Partial Internal Model (PIM) (for Non-life at the level of some entities) to measure its Solvency Capital Requirement under pillar 1. Ageas supplements the PIM Non-life with its own internal view to measure its Solvency Capital Requirements (called SCR_{ageas}) under pillar 2. On top of the Partial Internal Model Non-life, the SCR_{ageas} enhances the standard formula with the following elements:

- Reviewed spread risk treatment:
  - Inclusion of fundamental spread for EU sovereign (& equivalent) exposures;
  - Exclusion of non-fundamental spread on other debt;
- Internal model for Real Estate (including parking concessions);
- Exclusion of transitional measures.

The SCR_{ageas} is a one-year value at risk (VaR) measure for Solvency II own funds corresponding to a 99.5% probability of solvency over one year (the 1 in 200).

This SCR_{ageas} is then compared with qualifying own funds to determine the Group's overall capital adequacy, providing the Solvency II_{ageas} ratio.

For more information on Solvency II, please see also note 6 Regulatory supervision and solvency.

Overall capital adequacy is verified on a Group-wide basis, quarterly and annually:

- through a quarterly Solvency and Capital report, Ageas's Board of Directors ensures that capital adequacy continues to be met on a current basis;
- Ageas's Board also proactively assesses and steers the Group's capital adequacy on a multi-year basis, taking into account strategy and forecasted business and risk assumptions. This is done through a process called Own Risk & Solvency Assessment, which is embedded into Ageas's multi-year budgeting and planning process.

5.1.3 Risk Appetite

Ageas's Risk Appetite Framework applies to all subsidiaries of Ageas (defined as entities of which Ageas, directly or indirectly is a shareholder, and holds operational control), and on a best effort basis to affiliates (defined as entities of which Ageas, directly or indirectly is a shareholder, but does not hold operational control).

The Risk Appetite Framework of Ageas - approved by its Board of Directors - provides the formal boundaries for risk taking. The purposes of the Risk Appetite are to ensure that:

- the exposure to a number of key risks of each subsidiary and the Group as a whole remain within known, acceptable and controlled levels;
- Risk Appetite criteria are clearly defined, so that actual exposures and activities can be compared to the criteria agreed at Board level, allowing monitoring and positive confirmation that risks are controlled and that the Board is able and willing to accept these exposures;
- Risks limits are linked to the actual risk taking capacity of a subsidiary and Group in a transparent and straightforward way.

The Risk Appetite Framework consists of criteria that are used to formulate the willingness of management to take on risk in a specific area. Criteria can be expressed in either quantitative or qualitative terms, depending on their nature. The Group and each subsidiary are therefore required to formulate a Risk Appetite Statement, which contains:

- the criteria which define their Risk Appetite;
- the measures to be employed for each criterion;
- the quantitative or qualitative limits that are to be adhered to for each criterion.

At Group level, the following criteria are subjected to limits:

- Solvency;
- Earnings;
- Liquidity.

Ageas's Risk Appetite Statements concerning solvency

Ageas's risk exposures must be limited in order to ensure that at all times its:

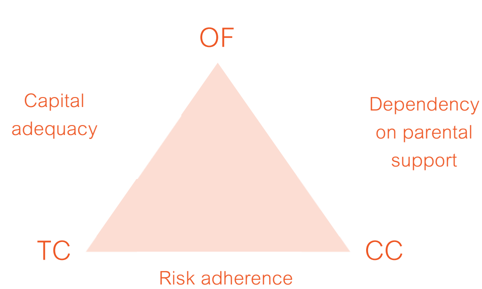
- Risk consumption (RC) remains below Ageas's Risk Appetite (RA) budget, set at 40% of own funds (OF), net of expected dividends;
- Capital consumption (CC) remains below target capital (TC), set at 175% of SCR_{ageas} at the level of total Insurance;
- Own funds remain higher than minimum acceptable capital (MAC).

In these statements:

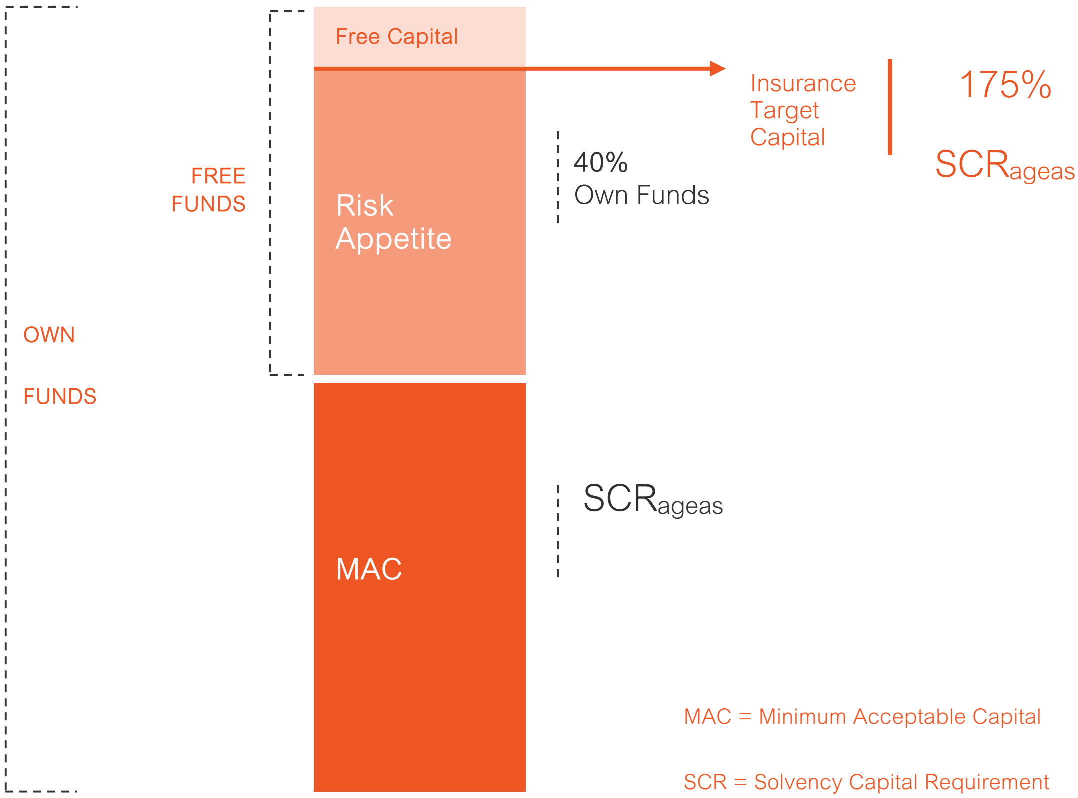
- RC is the level of buffer capital being consumed by Ageas's current risk profile, consistent with a 1 in 30 year loss;
- RA is the level of capital in excess of the minimum acceptable capital which is made available to the Group or to its subsidiaries in order to take risks. It is expressed as a percentage of the own funds, net of expected dividends;
- CC is the total level of capital being consumed by Ageas or its subsidiaries based on its current risk profile, defined as the sum of the minimum available capital and the risk consumption;
- TC is the total level of capital that the Group or its subsidiaries is expected to hold for risk taking purposes. It is defined as a multiple of the SCR_{ageas};
- MAC is the level of capital below which the Group or subsidiary is considered to be in financial distress. It is defined as 100% of SCR_{ageas} under Solvency II. For the definition of SCR_{ageas} see note 6 Regulatory supervision and solvency.

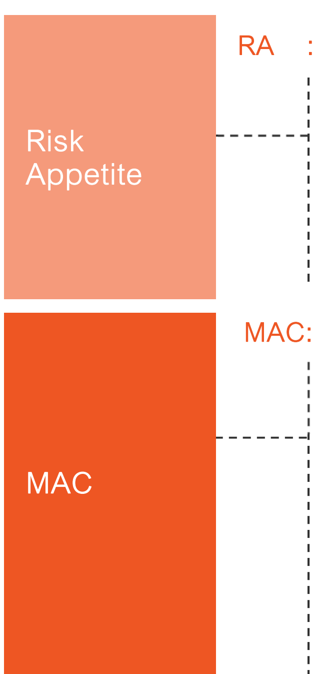
When Risk Consumption exceeds Risk Appetite at either Group or subsidiary level, it is the responsibility of the Executive Committee to recommend remedies to the (Group or subsidiary) Boards for them to take action.

This framework supports both the capital management and risk management activities of Ageas:



OF = Own Funds
TC = Target Capital
CC = Capital Consumption





RA : Risk Appetite

- Budget agreed upon within the Board for taking risk in pursuit of strategic objectives
- RA limited to 40% Insurance Own Funds
- Measured under 1/30 loss event
- Quarterly stress test on actual Risk Consumption
- Local risk profile & local risk appetite

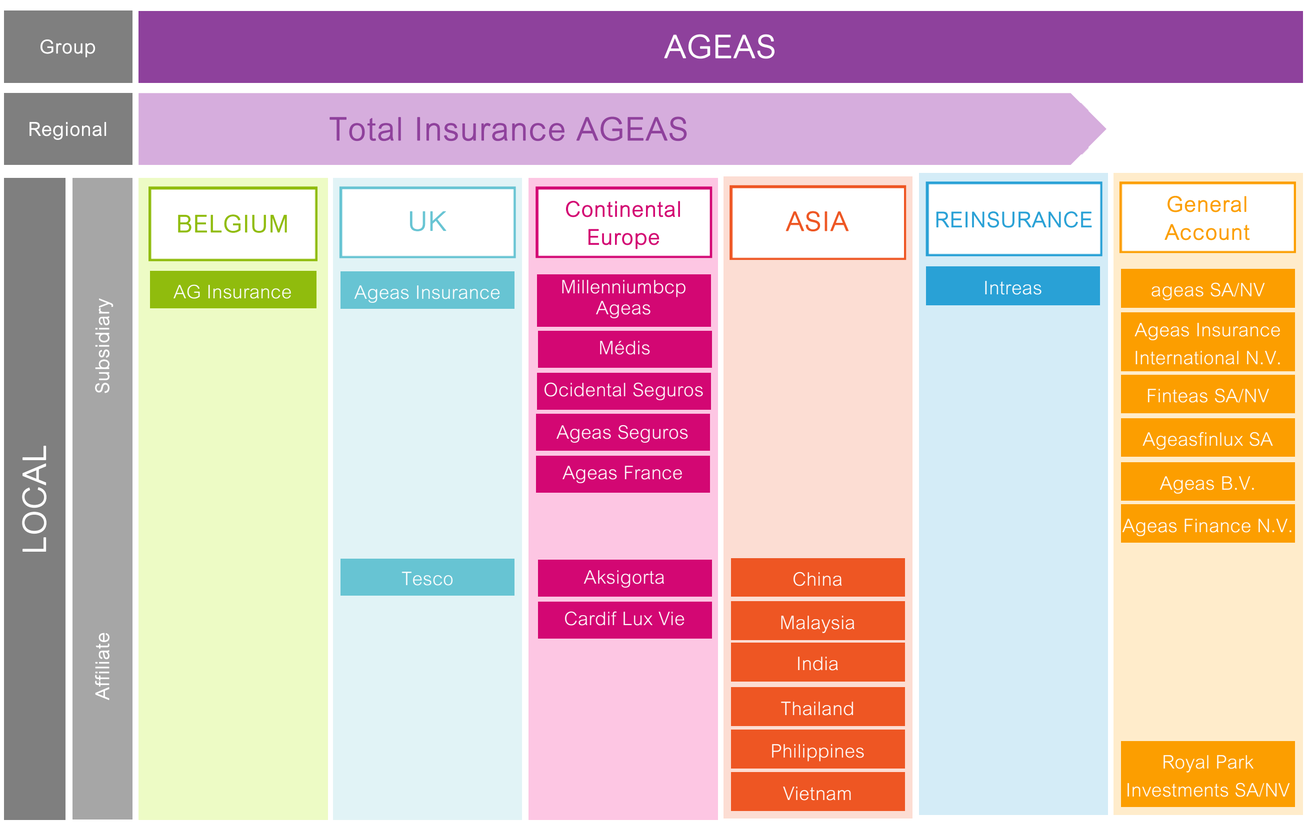
MAC: Minimum Acceptable Capital

- Capitalisation level we want to protect
- Group target: MAC = 100% of SCR_{ageas}

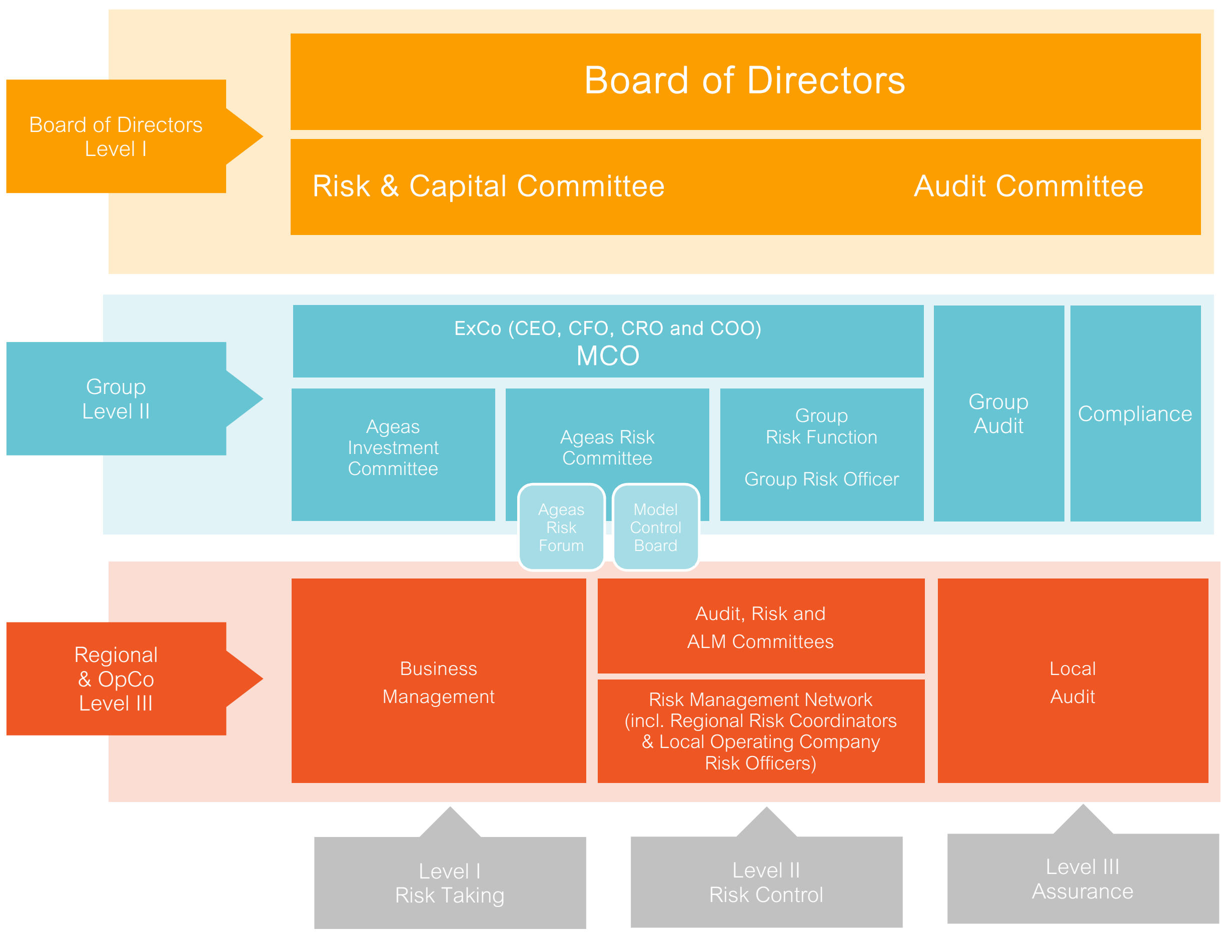
5.2 Risk management organisation and governance

The Ageas Risk Management Framework takes into account the management structure of Ageas, which is articulated around the Ageas Group, regions (set of entities with common regional oversight) and local entities. A company at local level is considered either an operating company (also referred to as OpCo or subsidiary) or a non-controlled participation (also called equity associate or affiliate).

Management is further organised around the concept of Governance unit defined by the Ageas Board as a legal entity or a set of legal entities sharing identical boards regardless of regulatory supervision. Governance units can be present at regional and/or local level.



The Board is ultimately responsible for the overall Risk Management. It is assisted in the discharge of its duties by several key governance bodies as depicted below and explained further in this section.



To monitor the design of the overall risk and control framework, detect deficiencies and optimise its risk management framework, Ageas has adopted a 'three lines of defence' approach:

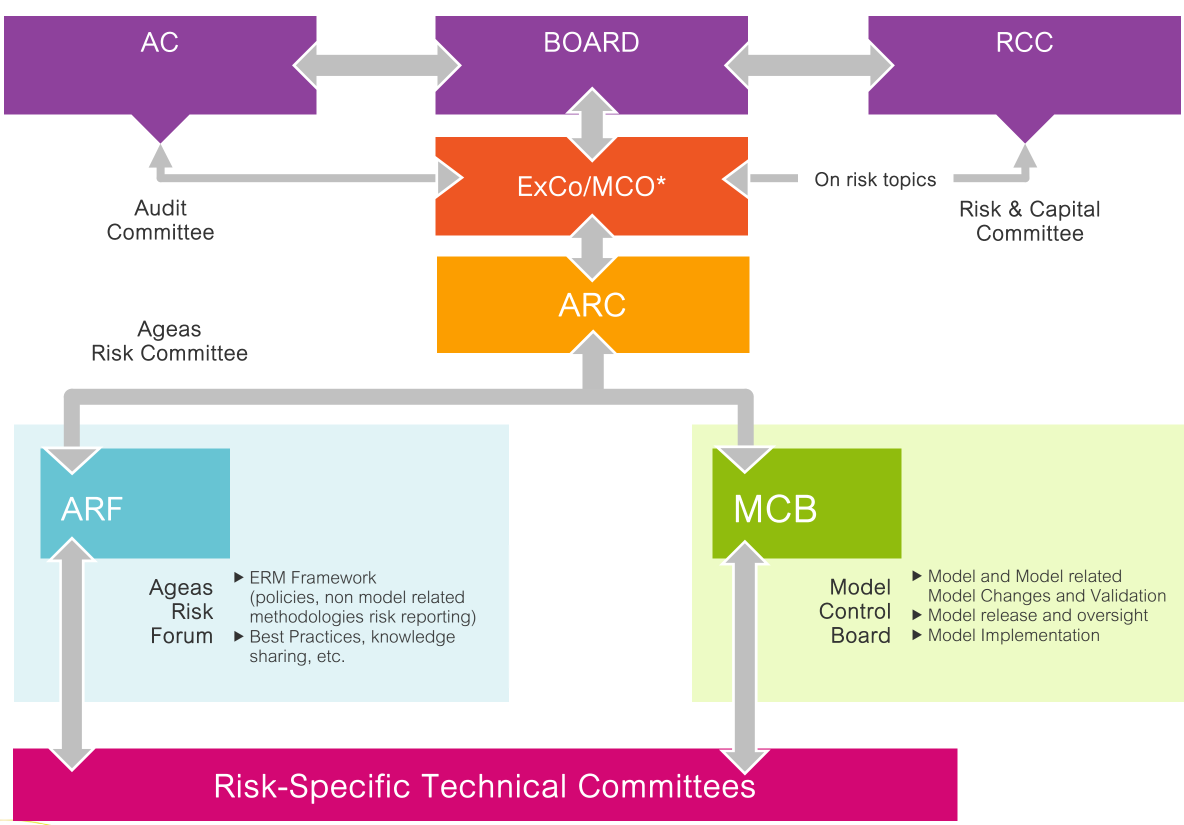
- First line of defence: Local businesses have the primary responsibility to ensure that Ageas cannot suffer from unexpected events and to manage the full taxonomy of risks arising in their areas. They are responsible for the execution of the business strategy ranging from the CEO, line management and business managers to employees at the business lines. They must have a robust risk culture and risk awareness in place all the way down to the deepest levels of their organisation. They are responsible for managing risks in line with local internal requirements, which are designed to be consistent with Group requirements. They are responsible for ensuring that appropriate processes and controls are in place and duly implemented.

- Second line of defence:
  - Risk Management provides guidance to management, but is not responsible for the management decisions or their execution. Its role is primarily one of advising senior management on the setting of high level strategies and aggregate risk appetite and to coordinate, monitor, challenge and provide support for its management. The Group Risk and Local Risk Functions ensure high standards of risk management throughout the organisation through the development of the enterprise risk management (ERM) framework and more specifically through risk type specific policies, limits and minimum standards. They coordinate the implementation of risk initiatives and raise senior management's awareness of risk at the consolidated level, and assist the ExCo or local management committee and Board to optimise Ageas's overall risk appetite, risk limits, risk/return profile and utilisation of risk bearing capacity. Moreover, they are responsible for communicating and embedding risk strategy, risk awareness and risk management throughout the entire organisation.
  - The role of the Actuarial Function is based on specific technical expertise and experience gained by the function. It coordinates the calculation of the technical provisions and acts independently from model managers, implementation managers and model users in order to issue an opinion about the reliability and adequacy of the technical provisions. It also issues an opinion on the appropriateness of the underwriting practices and the reinsurance arrangements.
  - Compliance has a reasonable assurance role in which it makes sure that the company and its employees comply with laws, regulations, internal rules and ethical standards. Compliance ensures that policies (both risk and compliance related) are in place and that they abide by internal and external rules and requirements.
- Third line of defence: Internal Audit provides assurance on the proper design and implementation of the risk governance framework and observance of guidelines, policies and processes.

A. RISK MANAGEMENT ORGANISATION AT GROUP LEVEL

The Board is ultimately responsible for the overall Risk Management. It is assisted in the discharge of its duties by several key governance bodies as depicted below and explained further down in this section:

The boards and committees have the following responsibilities with respect to risk:



*Executive Committee / Management Committee

Board of directors

The Board of Directors is the ultimate decision-making body of Ageas without prejudice to the competences of the General Meeting. The Board determines Ageas's strategy, risk appetite and overall risk tolerance limits. Among other matters, it approves the appropriate frameworks for risk management and controls, supervises the performance of external and internal audits and monitors the performance of Ageas against its strategic goals, plans, risk profiles and budgets.

Risk & Capital Committee

The role of the Risk & Capital Committee is to advise the Board by making recommendations on all risk and capital matters and in particular on (i) the definition, supervision and monitoring of the risk profile of Ageas, compared to the targeted level of risk appetite as determined by the Board; (ii) capital adequacy and capital allocation with regards to the strategy and strategic initiatives including the Own Risk & Solvency Assessment (ORSA); (iii) strategic asset allocation; (iv) Ageas's risk governance framework and its processes; and (v) all financial aspects of the legacy issues related to the former Fortis.

Audit Committee

The Audit Committee assists the Board to fulfil its supervision and monitoring responsibilities in respect of internal control in the broadest sense within Ageas, including internal control over financial and risk reporting.

Executive Committee

The Board has assigned the Executive Committee the task of drawing up proposals related to the business strategy that take into account the risk and financial management requirements it has set. Among other matters, the Executive Committee also monitors Ageas's performance as a whole, including key findings reported through the Risk Management function and committees. It implements adequate systems of internal controls, including for the governance and reporting of risks and financial reports. It ensures that appropriate effective internal audit, risk management and compliance functions and processes are in place. It advises the Risk & Capital Committee, Board and the markets/shareholders on the above.

Management Committee

The Management Committee advises the Executive Committee with regards to the strategy and business development, Ageas-wide policies including financial management (e.g. funding strategy, solvency matters, but excluding dividend policy) and risk management (e.g. risk appetite).

The following bodies provide advice – ultimately to the Executive Committee and/or the Board, unless they have been explicitly mandated by Executive Committee and/or Board to take decisions on specific tasks.

Ageas Investment Committee

Ageas Investment Committee (AGICO) advises the Executive Committee and monitors overall asset exposures to ensure that they are managed in accordance with the risk framework and within agreed limits. It advises management on decisions regarding investments. Its role also includes making recommendations relating to the Strategic Asset Allocation and Asset & Liability management and aims to optimise the overall investment strategy of the Group and ensures that risk mitigation actions are taken when necessary. This committee is split into an Asian part and a European part to ensure relevant regional focus.

Ageas Risk Committee (ARC)

Ageas Risk Committee (ARC) advises the Executive Committee on all risk related topics ensuring that all risks that affect the achievement of strategic, operational and financial objectives are promptly identified, measured, managed, reported and monitored (through adequate risk appetite limits) and that adequate risk management governance and organisations are in place and followed (as stipulated in the context of the ERM Framework). The Chief Risk Officers and Chief Financial Officers from the regions are members of the ARC, which ensures that decisions or recommendations made by the ARC take into account the views and expertise of the operations. The most significant risk issues and methodologies are also reviewed and decided upon by the Executive Committee and by the Board. The ARC is itself advised by the Ageas Risk Forum on topics related to the risk management framework and by the Ageas Model Control Board that makes sure the models used are appropriate and suited to the task they are used for.

Ageas Risk Forum (ARF)

Ageas Risk Forum (ARF) advises the Ageas Risk Committee on topics related to the enterprise risk management framework. Regional Risk Officers are members of the ARF, ensuring knowledge and best practice sharing to further develop and continuously improve the Group's enterprise risk management framework. The ARF itself is advised by Risk-Specific Technical Committees where appropriate.

Ageas Model Control Board (MCB)

Ageas Model Control Board (MCB) advises the Ageas Risk Committee on topics related to the models and methodology. The MCB is composed of Group Risk Model Managers and representatives from all regions, allowing for the proper interactions with the local Model Control Boards. The MCB ensures that the models used are appropriate and suited to the task they are used for. The MCB is itself advised by Risk-Specific Technical Committees where appropriate.

Risk-specific technical committees

Risk-specific technical committees, such as the Ageas Financial Risk Technical Committee, Ageas Life Technical Committee, Ageas Non-life Technical Committee and Ageas Operational Risk Technical Committee act as technical expert bodies. They assure consistency of methodology and modelling approaches across Ageas's local operating companies. They facilitate the collection of business requirements and align Ageas Group platforms supporting the relevant risk assessments with business requirements and overall regulatory requirements. They act as advisory bodies to the ARF and MCB.

Group Risk Function

The Group Risk Function - headed by the Group Risk Officer - is responsible for monitoring and reporting on the overall risk profile of the Group including the aggregate risk profile of the insurance companies. It develops, proposes and implements the ERM framework that it documents through regularly updated risk policies. It ensures the appropriateness of the overall model governance taking into account remarks made by Ageas's independent Model Validation team. It also coordinates major risk related projects.

The above-mentioned structures favour consistency, transparency, sharing of knowledge and make sure that Group-wide developments benefit from the practical experience and expertise of local operating companies.

B. RISK MANAGEMENT ORGANISATION AT OPERATING COMPANY LEVEL

Each local operating company:

- is responsible for ensuring that it has a comprehensive risk management framework in place;
- is responsible for managing its risks within the limits, policies and guidelines set by regulators, Ageas Group and its local Board.

Local operating companies are required to have the following in place:

- a Board level Risk Committee and Audit Committee to assist the Board in fulfilling its supervision;
- a Management Risk Committee, which supports its management team in ensuring that key risks are well understood and appropriate risk management procedures are in place;
- an ALM Committee whose role includes the monitoring of market risks to ensure they are managed in accordance with the risk framework and within agreed limits and to make specific decisions or recommendations relating to ALM;
- a local Model Control Board which coordinates with the Ageas MCB;
- a risk function (or Risk Officer) to support the work of the Risk Committee and to provide risk reporting and opinions to the local CEO, local Board and to Group management;
- an actuarial function in line with Solvency II regulatory requirements;
- a compliance function that advises the administrative or management body on compliance with laws, regulations and administrative requirements and Group and local policies where these set additional requirements. Compliance assesses the possible impact of any changes in the legal environment on the operations of the undertaking concerned and identifies any compliance risk;
- an internal audit function assessing the adequacy and effectiveness of the internal control system and other elements of the risk governance system.

5.3 Risk Management Processes

Ageas has in place a Group-wide Key Risk report process to identify key (existing and emerging) risks that could impact the realisation of Ageas's objectives. It also assesses the control framework in place to ensure that these risks are managed on an on-going basis. Each business follows up on their key risks at least on a quarterly basis and the most significant risks are also monitored at Group level. A wide range of internal and external sources is used in the identification of the key risks. The main sources used are:

- Internal Control Adequacy Assessment;
- ERM review including Model (Self) Assessments;
- Actuarial opinions;
- Independent Model Validation Reports;
- Internal / External Audit Reports;
- Compliance Reports;
- Legal Reports;
- Performance notes /Performance targets (MYB);
- Key Risk Reports.

Process

At least once a year, a full bottom-up risk and control self-assessment exercise is conducted, identifying the key risks that the company is confronted with.

The identified risks, categorised in accordance with Ageas's risk taxonomy are assessed and reported to Ageas Group by the various entities using a standard likelihood and impact grid which provides an overview of the overall level of concern they represent (i.e. their materiality in terms of their potential financial and/or non-financial impact). The risks are qualitatively described and explained in relation to the objectives they are associated with.

The list of the top risks is reviewed quarterly by the Risk & Capital Committee and Ageas Board.

Risk Officers from each local business and region (and Corporate Function) provide quarterly updates on those risk statements to Ageas's Group Risk. Group Risk consolidates all reports and a consolidated view is then discussed at the level of the ARC and Executive Committee.

Local, regional and Group CROs issue monthly statements to the ARC, elaborating on any major evolutions in reported risks, and any identification of new and/or emerging risks.

5.4 Details of various risk exposures

The following sections explain Ageas's various risk exposures in more detail.

5.4.1 Financial risk

Financial risk encompasses all risks relating to the value and performance of assets and liabilities that may affect solvency, earnings and liquidity due to changes in financial circumstances. These include:

- Market risk;
- Default risk;
- Liquidity risk.

Financial risk is the most significant risk for many of Ageas's operations. The risk framework in place at all operations combines investment policies, limits, stress tests and regular monitoring in order to control the nature and level of financial risks and to ensure that risks being taken are appropriate for both customer and shareholder and are appropriately rewarded.

The overall asset mix is determined by local businesses based on asset mix studies to identify the appropriate strategic assets, their adequacy from an ALM perspective and on regular monitoring of the market situation and prospects to decide on the tactical allocation. The decision process needs to balance risk appetite, capital requirements, long-term risks and return, policyholder expectations, profit sharing requirements, tax and liquidity issues to arrive at an appropriate target mix. The mission of the Group Risk function includes monitoring aggregate risk appetite covering financial risks and working with the local businesses to develop the policies and best practice, which must be adopted by the local Boards to ensure they become part of the local regular activity.

5.4.1.1 Market risk

Market risk arises from adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets and liabilities. It is composed of the following sub-risks:

a. interest rate risk;
b. equity risk;
c. spread risk;
d. currency risk;
e. property risk;
f. market risk concentrations.

A. INTEREST RATE RISK

Interest rate risk exists for all assets and liabilities sensitive to changes in the term structure of interest rates or interest rate volatility. This applies to both real and nominal term structures. Changes in interest rate risk can also impact the products the insurance companies sell, for example, through guarantees, profit sharing and the value of Ageas's investments. This risk arises as a result of a mismatch between the interest rate sensitivity of assets and liabilities to changes in interest rates and associated volatility.

Ageas measures, monitors and controls its interest rate risk using a number of indicators including cash flow mismatch analysis and stress testing. The investment and ALM policies usually require close matching unless specifically approved otherwise. Longer term business can be difficult to match due to lack of availability of suitable assets. The matching strategy will be determined taking into account risk appetite, availability of (long-term) assets, current and prospective market rates and levels of guarantee. Derivatives are sometimes used to hedge interest rate risk. Note that low interest rate has been defined as a strategic risk with focus on fixed/variable cost structure.

The typically long insurance liabilities and lack of long-term assets imply a negative gap in the long maturity buckets and a positive one at the shorter end of the curve.

The table below shows the gross impact on the IFRS income statement and IFRS equity as a result of a decrease or increase in the interest rate by 100 basis points (never below zero, on the bond portfolio - including the risk free bonds and the floating rate bonds until the interest reset date).

		2017		2016
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Interest - rate down (100 bp)	(0.8)	104.9	(1.4)	31.5
Interest - rate up + 100 bp	0.8	(932.7)	1.4	(532.2)

B. EQUITY RISK

Equity risk arises from the sensitivity of assets and liabilities and financial instruments to changes in the level or volatility of market prices for equities or their yield.

This risk is controlled through limit setting based on the risk appetite and by investment policies that require a range of controls to be in place including the action that will be taken in the event of significant decreases in value. Earlier pro-active management of this risk has resulted in the rapid reduction in exposure to equity risk through sales and hedging. This helps to limit losses and to ensure that the insurance companies remain solvent throughout a financial crisis.

For risk management purposes, Ageas bases its definition of equity exposure on the economic reality of underlying assets and risks. Taking a risk based approach; the total economic exposure to equities at fair value is given in the table below together with the reconciliation to the IFRS reported figures.

	2017	2016
Type of asset		
Direct equity investments	3,570.3	2,700.8
Equity funds	253.1	268.8
Private equity	73.4	67.2
Asset allocation funds	59.1	67.5
Total Economic equity exposure	3,955.9	3,104.3
Debt funds	441.6	772.8
Money market funds	70.4	0.5
Real estate funds (SICAFI/REITS)	494.7	603.9
Total IFRS equity exposure	4,962.6	4,481.5
of which:		
Available for Sale (see note 11)	4,857.5	4,299.7
Held at Fair Value (see note 11)	105.1	181.8

Sensitivities

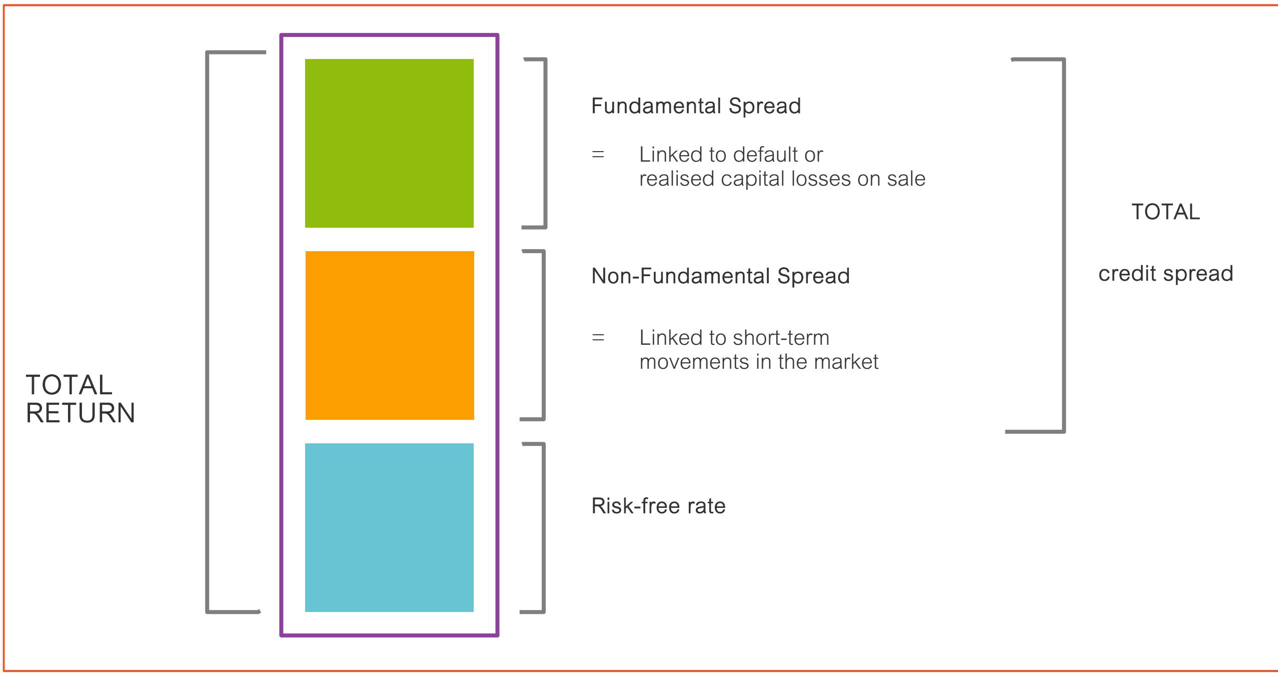
The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of an equity down (-30%) sensitivity shock.

		2017		2016
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Equity - market risk	(130.8)	(580.4)	(79.3)	(560.8)

C. SPREAD RISK

Spread risk results from the sensitivity of the value of assets and liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

A significant portion of Ageas's liabilities are relatively illiquid. Ageas generally aims to hold credit assets to maturity. This limits the long-term impact of spread risk significantly because liabilities that are relatively illiquid mean that Ageas can hold these assets to maturity. Although short-term volatility can be important, it is unlikely that Ageas would be forced to sell at distressed prices, but Ageas can choose to sell if it considers this to be the best course of action. This is also why Ageas uses an internal measure of fundamental spread risk, which takes into account only that part of spread risk that is related to default and downgrade of credit ratings that could lead to an actual loss. This evolution is aligned with the Solvency II concept of volatility adjustment ignoring short-term spread volatility not resulting in realised losses.



Ageas's spread risk treatment in the SCR_{ageas} is as follows:

- Inclusion of fundamental spread for EU sovereign and equivalent exposures;
- Exclusion of non-fundamental spread for other debt.

Sensitivities

The impact of spread risk is measured based on a factor times duration. The table below shows the factors from AAA to B corporate with a modified duration up to five years and equal to ten years, which are applied to the credit exposure to measure the impact on the IFRS income statement and IFRS equity.

	Impact on income statement	Impact on IFRS Equity
Stress - AAA (5 year / 10 year)	+ 54 bps / + 42 bps	+ 68 bps / + 53 bps
Stress - AA (5 year / 10 year)	+ 66 bps / + 51 bps	+ 83 bps / + 64 bps
Stress - A (5 year / 10 year)	+ 84 bps / + 63 bps	+ 105 bps / + 79 bps
Stress - BBB (5 year / 10 year)	+ 150 bps / + 120 bps	+ 188 bps / + 150 bps
Stress - BB (5 year / 10 year)	+ 270 bps / + 210 bps	+ 338 bps / + 263 bps
Stress - B (5 year / 10 year)	+ 450 bps / + 351 bps	+ 563 bps / + 439 bps
Spread - risk	(3.8)	(915.5)

D. CURRENCY RISK

Currency risk arises from the sensitivity of assets and liabilities to changes in the level of currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities. At Group level, this includes situations where Ageas has assets (in subsidiaries and equity associates) or liabilities (from funding) that are non-euro denominated.

Ageas's investment policy limits this risk by requiring the currency mismatch between assets and liabilities at subsidiaries to be minimised and in most cases it is eliminated entirely.

Ageas's policy is not to hedge equity investments and permanent funding for subsidiaries and equity associates in foreign currency. Ageas accepts the mismatch arising from ownership of local operating companies in non-euro currencies as a consequence of being an international group.

The main currency risk exposures to foreign currencies are stated in the following table. The exposures shown are net (assets minus liabilities), after any hedging denominated in euros.

At 31 December 2017	HKD	GBP	USD	CNY	INR	MYR	PHP	THB	VND	RON	TRY	Other
Total assets	67.7	3,688.4	2,342.0	845.1	34.0	387.0	80.3	710.5	12.8	24.4	105.8	34.0
Total liabilities	6.6	2,985.0	675.4							1.4		34.9
Total assets minus liabilities	61.1	703.4	1,666.6	845.1	34.0	387.0	80.3	710.5	12.8	23.0	105.8	(0.9)
Off balance		(29.9)	(1,415.3)									
Net position	61.1	673.5	251.3	845.1	34.0	387.0	80.3	710.5	12.8	23.0	105.8	(0.9)
Of which invested in subsidiaries and equity associates	67.7	851.5	83.3	845.1	26.1	387.0	56.8	710.5	10.0	24.4	105.8	

At 31 December 2016	HKD	GBP	USD	CNY	INR	MYR	PHP	THB	VND	RON	TRY	Other
Total assets	83.6	3,627.2	2,968.5	968.9	34.0	365.5	80.6	562.5	13.2	21.1	167.8	24.6
Total liabilities	7.3	2,982.2	574.6			34.1	24.2			1.2		2.2
Total assets minus liabilities	76.3	645.0	2,393.9	968.9	34.0	331.4	56.4	562.5	13.2	19.9	167.8	22.4
Off balance		98.6	(1,547.4)									
Net position	76.3	743.6	846.5	968.9	34.0	331.4	56.4	562.5	13.2	19.9	167.8	22.4
Of which invested in subsidiaries and equity associates	83.6	815.1	99.7	968.9	23.6	365.5	71.8	562.5	13.2	21.1	115.7	

E. PROPERTY RISK

Property risk arises as a result of sensitivity of assets and liabilities to the level or volatility of market prices of property or their yield.

For risk management purposes, Ageas defines the exposure to real estate based on the market value of these assets including assets held for own use. This differs from the exposure reported under IFRS definitions, which excludes unrealised gains or losses. The following table identifies what Ageas considers economic exposure to real estate and how this is reconciled to the figures reported under IFRS.

Note that Ageas moved during 2016 to an internal model real estate for risk management purposes. As such, the parking concessions have no longer been derecognised, a related deferred tax liability and non-transferable own funds have been recognised while also the shocks applied to property are in line with an internal calibration in function of the specific type of real estate.

	2017	2016
Type of asset		
Carrying amount		
Investment properties (see note 12)	2,649.1	2,772.5
PP&E: land and buildings for own use (see note 17)	1,055.7	1,036.0
Property intended for sale (see note 16)	144.1	82.4
Total (at amortised cost)	3,848.9	3,890.9
Real estate funds (at fair value)	494.7	603.9
Total IFRS real estate exposure	4,343.6	4,494.8
Unrealised capital gain (Economic exposure)		
Investment properties (see note 12)	1,149.5	1,073.0
PP&E: land and buildings for own use (see note 17)	450.0	416.5
Total Economic real estate exposure	5,943.1	5,984.3

Sensitivities

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of a property down by 20% shock.

		2017		2016
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Real estate risk	(189.5)	(317.2)	(226.1)	(286.2)

F. MARKET RISK CONCENTRATIONS

Market risk concentrations refers to risks stemming from a lack of diversification in the asset portfolio originated from a large exposure by a single issuer of securities or a group of related issuers.

Concentration risk can arise due to large aggregate exposures to single counterparties or an aggregate of exposures to a number of positively correlated counterparties (i.e. tendency to default under similar circumstances) with the potential to produce a significant amount of impairments due to a bankruptcy or failure to pay.

Avoidance of concentration is therefore fundamental to Ageas credit risk strategy of maintaining granular, liquid and diversified portfolios. Each local business is responsible for its own counterparty limits, taking into account its particular situation and any Group requirements. Each local business is in charge of continuous monitoring. Periodic reporting allows the Group to check these limits and monitor the overall position.

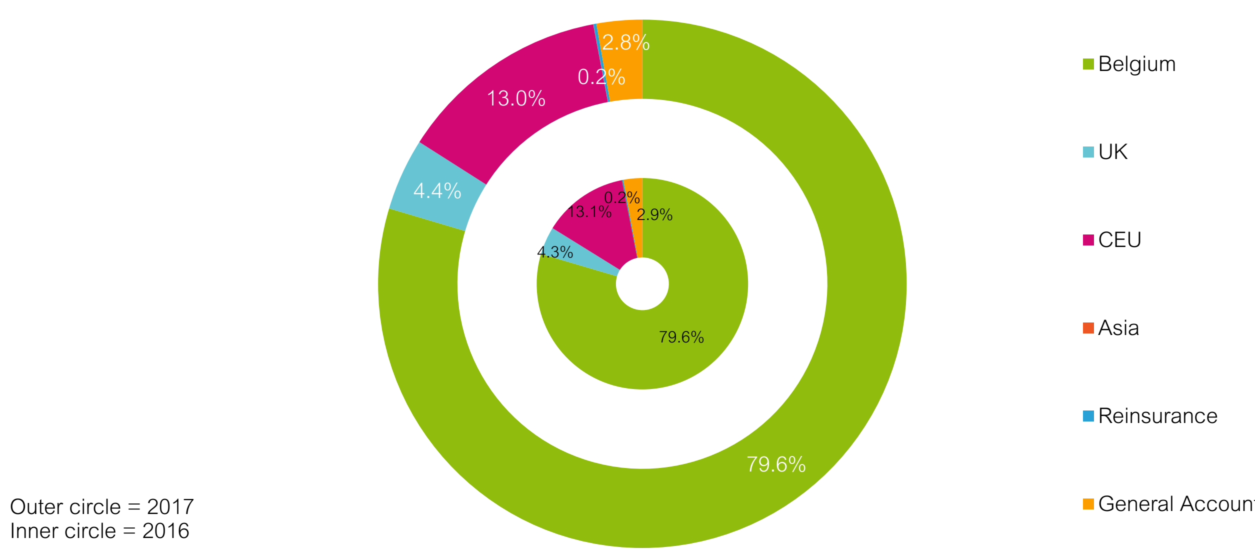
To manage the concentration of credit risk, Ageas's investment limits aim to spread the credit risk across different sectors and countries. Ageas monitors its largest exposures to individual entities, groups of companies (Total One Obligor) and other potential concentrations such as sectors and geographic areas to ensure adequate diversification and identification of significant concentration risk.

The table below provides information on the concentration of credit risk by type and by location of the Ageas entity.

31 December 2017	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	35,185.8	8,193.8	12,784.8	1,503.1	158.4	57,825.9
UK	703.4	841.4	1,583.9		77.7	3,206.4
Continental Europe	6,092.8	1,588.1	1,437.6	22.5	305.6	9,446.6
- France	*1,748.3*	*366.1*	*318.5*	*22.2*	*251.0*	*2,706.1*
- Italy						
- Portugal	*4,344.5*	*1,222.0*	*1,119.1*	*0.3*	*54.6*	*6,740.5*
Asia		4.4			0.7	5.1
Reinsurance		53.1	79.3		6.5	138.9
General Account	0.4	1,766.5	8.3		245.3	2,020.5
Total	41,982.4	12,447.3	15,893.9	1,525.6	794.2	72,643.4

31 December 2016	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	35,277.6	9,208.1	13,741.5	1,529.2	90.0	59,846.4
UK	401.3	866.7	1,873.4		70.5	3,211.9
Continental Europe	5,972.6	1,863.8	1,829.5	25.0	141.6	9,832.5
- France	*1,582.4*	*640.0*	*392.0*	*24.7*	*99.2*	*2,738.3*
- Italy	*415.8*	*54.8*	*205.1*		*1.2*	*676.9*
- Portugal	*3,974.4*	*1,169.0*	*1,232.4*	*0.3*	*41.2*	*6,417.3*
Asia		5.0			0.8	5.8
Reinsurance		42.1	91.2		3.6	136.9
General Account	35.2	1,695.6	204.6		245.0	2,180.4
Total	41,686.7	13,681.3	17,740.2	1,554.2	551.5	75,213.9

The chart below shows Ageas's credit risk as at 31 December, broken down by operating segments (as described in section 5.2).

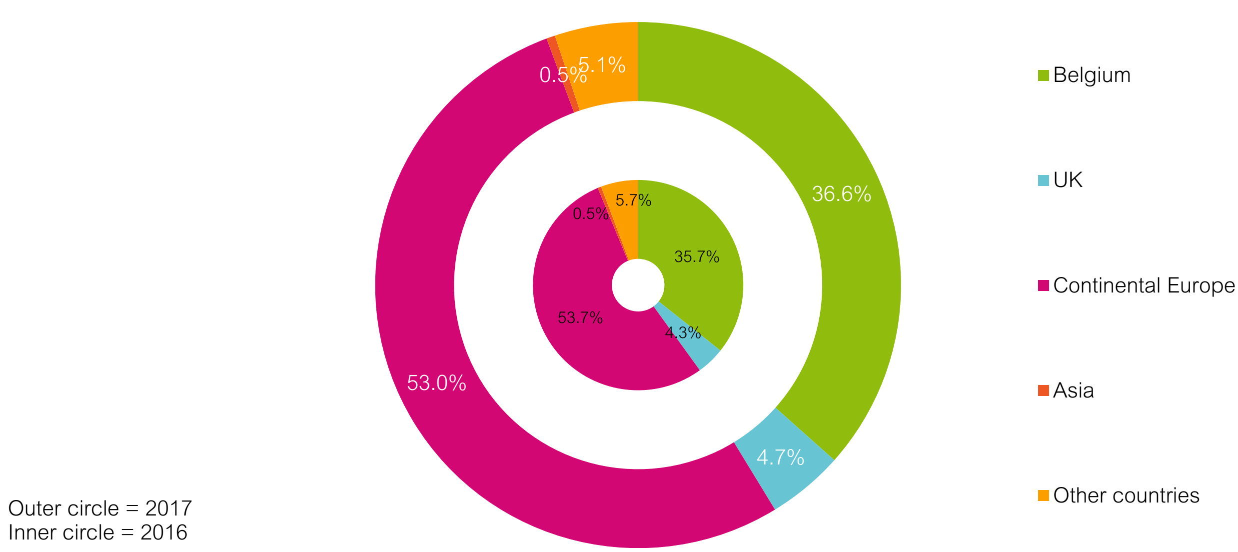


The table below provides information on the concentration of credit risk by type and location of counterparty.

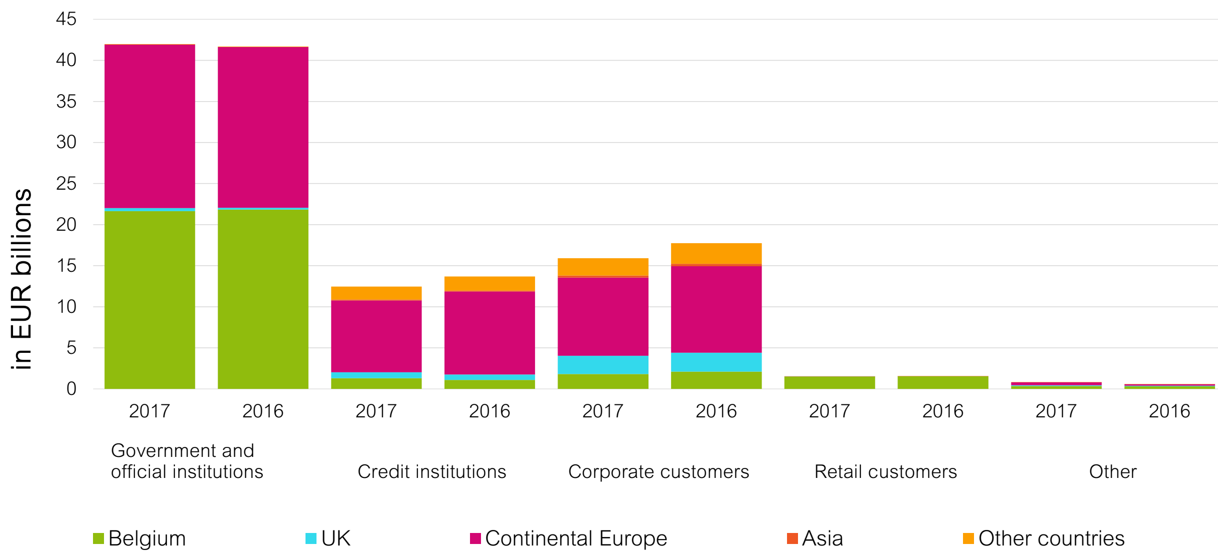
31 December 2017	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	21,635.8	1,295.3	1,805.8	1,503.0	345.2	26,585.1
UK	369.4	718.9	2,222.3		96.8	3,407.4
Continental Europe	19,916.4	8,741.7	9,508.0	22.6	348.4	38,537.1
- France	*6,454.1*	*2,276.5*	*3,211.0*	*22.2*	*272.8*	*12,236.6*
- Italy	*1,227.4*	*141.4*	*774.3*		*1.6*	*2,144.7*
- Portugal	*2,709.3*	*279.4*	*297.1*	*0.3*	*54.8*	*3,340.9*
- Other	*9,525.6*	*6,044.4*	*5,225.6*	*0.1*	*19.2*	*20,814.9*
Asia		120.2	263.5		3.0	386.7
Other countries	60.8	1,571.2	2,094.3	0.3	0.8	3,727.1
Total	41,982.4	12,447.3	15,893.9	1,525.6	794.2	72,643.4

31 December 2016	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	21,827.9	1,083.9	2,088.9	1,529.1	304.6	26,834.4
UK	221.1	666.3	2,306.4		73.5	3,267.3
Continental Europe	19,580.1	10,086.9	10,539.3	24.8	170.4	40,401.5
- France	*6,318.2*	*2,673.3*	*3,349.1*	*24.7*	*102.6*	*12,467.9*
- Italy	*1,504.4*	*128.9*	*933.4*		*2.9*	*2,569.6*
- Portugal	*2,369.9*	*238.1*	*332.2*		*44.4*	*2,984.6*
- Other	*9,387.6*	*7,046.6*	*5,924.6*	*0.1*	*20.5*	*22,379.4*
Asia		121.5	282.5		2.4	406.4
Other countries	57.6	1,722.7	2,523.1	0.3	0.6	4,304.3
Total	41,686.7	13,681.3	17,740.2	1,554.2	551.5	75,213.9

The chart below shows the concentration of credit risk as at 31 December by location of counterparty. The main investment of each region is predominantly in the own regional environment. Given that AG Insurance diversifies to a large extent throughout Europe, the main counterparties are located in Continental Europe.



The graph below shows the concentration of credit risk as at 31 December by type of counterparty.



The table below shows the highest exposures to ultimate parents measured at fair value and nominal value with their ratings.

Highest Exposure Top 10	Group Rating	Fair Value	Nominal Value
Kingdom of Belgium	AA-	18,467.1	15,619.6
French Republic	AA	7,532.7	5,795.1
Republic of Austria	AA+	2,976.2	2,302.1
Portuguese Republic	BBB-	2,732.8	2,462.2
Federal Republic of Germany	AAA	2,032.6	1,540.7
Kingdom of Spain	BBB+	1,454.8	1,163.2
European Investment Bank	AAA	1,320.1	1,049.8
BNP Paribas	A	1,314.8	1,611.9
Republic of Italy	BBB	1,245.3	1,452.9
Kingdom of the Netherlands	AAA	1,104.5	984.0
Total		40,180.8	33,981.5

The top 10 exposure shows the same top counterparties as last year. The Kingdom of Belgium remains the top counterparty in line with the strategy to 're-domesticate' at the cost of increasing the risk towards the home country. BNP Paribas, the only non-sovereign counterparty in the list, moves one step down in the list.

5.4.1.2 Default risk

Default risk is composed of two sub-risks:

a. investment default risk;
b. counterparty default risk.

The following table provides an overview of the credit risk to which Ageas is exposed.

31 December 2017	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total Ageas
Cash and cash equivalents (see note 10)	1,022.6	232.0	425.1	4.4	22.5		1,706.6	845.7		2,552.3
Derivatives held for trading (assets) (see note 11)	26.3		9.5				35.8			35.8
Loans	8,616.8	60.5	22.8				8,700.1	1,388.4	(661.7)	9,426.8
Impairments	(10.4)		(0.4)				(10.8)			(10.8)
Total Loans, net (see note 13)	8,606.4	60.5	22.4				8,689.3	1,388.4	(661.7)	9,416.0
Interest bearing investments	47,384.1	2,006.9	8,670.9		106.6		58,168.5	226.3		58,394.8
Impairments	(0.1)		(20.3)				(20.4)			(20.4)
Total Interest bearing investments, net (see note 11)	47,384.0	2,006.9	8,650.6		106.6		58,148.1	226.3		58,374.4
Reinsurance and other receivables	776.1	907.0	318.3	0.7	9.8	(24.4)	1,987.5	251.0	(4.8)	2,233.7
Impairments	(6.7)	(2.7)	(38.4)				(47.8)			(47.8)
Total Reinsurance and other receivables, net (see note 15)	769.4	904.3	279.9	0.7	9.8	(24.4)	1,939.7	251.0	(4.8)	2,185.9
Total credit risk exposure, gross	57,825.9	3,206.4	9,446.6	5.1	138.9	(24.4)	70,598.5	2,711.4	(666.5)	72,643.4
Impairments	(17.2)	(2.7)	(59.1)				(79.0)			(79.0)
Total credit risk exposure, net on balance	57,808.7	3,203.7	9,387.5	5.1	138.9	(24.4)	70,519.5	2,711.4	(666.5)	72,564.4
Off Balance commitments (see note 30)	3,753.5						3,753.5	1.1		3,754.6
Total credit risk exposure, off balance	3,753.5						3,753.5	1.1		3,754.6
Total credit risk exposure, net	61,562.2	3,203.7	9,387.5	5.1	138.9	(24.4)	74,273.0	2,712.5	(666.5)	76,319.0

31 December 2016	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total Ageas
Cash and cash equivalents (see note 10)	869.2	157.0	335.8	5.0	13.3		1,380.3	800.6		2,180.9
Derivatives held for trading (assets) (see note 11)	5.0		3.0				8.0			8.0
Loans	7,818.1	63.6	25.2				7,906.9	1,458.0	(668.6)	8,696.3
Impairments	(10.3)		(1.0)				(11.3)			(11.3)
Total Loans, net (see note 13)	7,807.8	63.6	24.2				7,895.6	1,458.0	(668.6)	8,685.0
Interest bearing investments	50,313.8	2,209.5	9,111.1		99.2		61,733.6	371.0		62,104.6
Impairments	(1.1)		(21.6)				(22.7)			(22.7)
Total Interest bearing investments, net (see note 11)	50,312.7	2,209.5	9,089.5		99.2		61,710.9	371.0		62,081.9
Reinsurance and other receivables	840.3	781.8	357.4	0.8	24.4	(27.1)	1,977.6	252.8	(6.3)	2,224.1
Impairments	(6.4)	(1.2)	(24.2)				(31.8)			(31.8)
Total Reinsurance and other receivables, net (see note 15)	833.9	780.6	333.2	0.8	24.4	(27.1)	1,945.8	252.8	(6.3)	2,192.3
Total credit risk exposure, gross	59,846.4	3,211.9	9,832.5	5.8	136.9	(27.1)	73,006.4	2,882.4	(674.9)	75,213.9
Impairments	(17.8)	(1.2)	(46.8)				(65.8)			(65.8)
Total credit risk exposure, net on balance	59,828.6	3,210.7	9,785.7	5.8	136.9	(27.1)	72,940.6	2,882.4	(674.9)	75,148.1
Off Balance commitments (see note 30)	4,486.4						4,486.4	2.1		4,488.5
Total credit risk exposure, off balance	4,486.4						4,486.4	2.1		4,488.5
Total credit risk exposure, net	64,315.0	3,210.7	9,785.7	5.8	136.9	(27.1)	77,427.0	2,884.5	(674.9)	79,636.6

The table below provides information on the impaired credit risk exposure as at 31 December.

	2017			2016		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
Interest bearing investments (see note 11)	6.4	(20.4)	318.8%	23.4	(22.7)	97.0%
Loans (see note 13)	57.4	(9.9)	17.2%	57.5	(10.5)	18.3%
Other receivables (see note 15)	20.4	(47.8)	234.3%	39.7	(31.8)	80.1%
Total impaired credit exposure	84.2	(78.1)	92.8%	120.6	(65.0)	53.9%

A. INVESTMENT DEFAULT RISK

The investment default risk represents the risk of actual default of Ageas's investments. Value movements due to market short-term volatility are covered under market risk. This does not include contracts covered under counterparty default risk (see section B).

This risk is managed through limits which take into account the type of credit exposure, credit quality and, where needed, maturity, and through regular monitoring and early warning systems.

Investment exposures are monitored through a quarterly Limit Breach Report. Limits are monitored on fair values based on asset classification. The limits are defined by the following categories.

Limits on government bonds are defined by country in multiple ways:

- 'macro limits', defined as percentages of gross domestic product (GDP), government debt and investment assets;
- Total One Obligor (TOO) limits defined as maximum exposure to one obligor based on credit ratings;
- (re-)investment restrictions: Increases in exposure to euro countries rated BBB are only allowed on the condition of having a stable outlook. No new investments in sovereign debt with a rating below BBB without the approval of the ARC.

Limits on corporate bonds are also defined on multiple criteria:

- total corporate bonds exposure as a percentage of the portfolio;
- limits in function of the solvency capital required for spread risk;
- limits by sector based on the credit ratings;
- monitoring of concentrated exposure;
- Total One Obligor.

Ageas also has a risk appetite stress scenario for single investment defaults in which the largest single sovereign investment default, as well as the largest single corporate investment default should remain within the solvency Risk Appetite budgets.

Equity investments are allowed when the subsidiary assures that the indicators remain within the risk appetite limits.

The credit rating applied by Ageas is based on the second best of available ratings from Moody's, Fitch and Standard & Poor's. In the paragraphs hereafter, more detail is provided on the credit quality of:

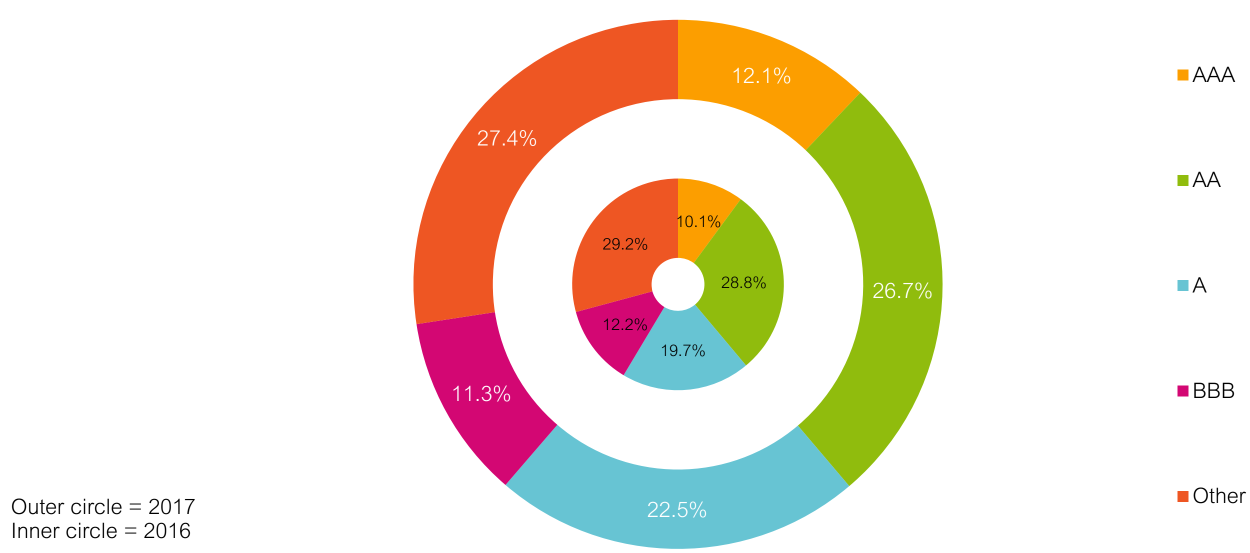
- loans;
- interest bearing investments:
  - government bonds;
  - corporate bonds;
  - banks and other financials.

1 Loans

The table below provides information on the credit quality of loans as at 31 December.

	2017		2016	
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	1,141.1	12.1%	880.9	10.1%
AA	2,514.0	26.7%	2,500.9	28.8%
A	2,121.9	22.5%	1,712.1	19.7%
BBB	1,062.9	11.3%	1,064.0	12.2%
Investment grade	6,839.9	72.6%	6,157.9	70.8%
Below investment grade	68.6	0.7%		
Unrated	1,296.6	13.7%	1,249.8	14.4%
Residential mortgages	1,221.7	13.0%	1,288.6	14.8%
Total investments in loans, gross	9,426.8	100.0%	8,696.3	100.0%
Impairments	(10.8)		(11.3)	
Total investments in loans, net (see note 13)	9,416.0		8,685.0	

The chart below shows the credit quality of loans.



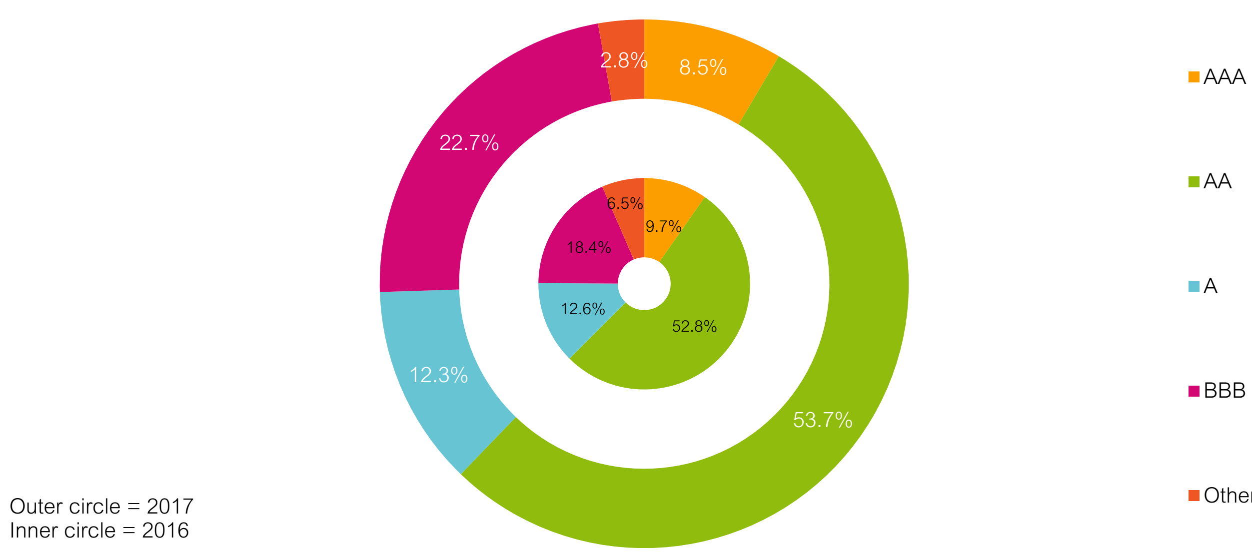
The proportion of investment grade loans represents mainly an increase in loans towards sovereigns.

2 *Interest bearing investments*

The table below outlines the credit quality of interest bearing investments showing a constant proportion of investment grade investments as at 31 December.

	2017		2016	
	Carrying value	Percentage	Carrying value	Percentage
Investment grade				
AAA	4,984.2	8.5%	6,008.6	9.7%
AA	31,317.8	53.7%	32,798.2	52.8%
A	7,204.5	12.3%	7,824.2	12.6%
BBB	13,264.9	22.7%	11,437.4	18.4%
Investment grade	56,771.4	97.2%	58,068.4	93.5%
Below investment grade	327.6	0.6%	2,942.1	4.8%
Unrated	1,275.4	2.2%	1,071.4	1.7%
Total investments in interest bearing securities, net	58,374.4	100.0%	62,081.9	100.0%
Impairments	20.4		22.7	
Total investments in interest bearing securities, gross (see note 11)	58,394.8		62,104.6	

The chart below shows the credit quality of interest bearing investments.



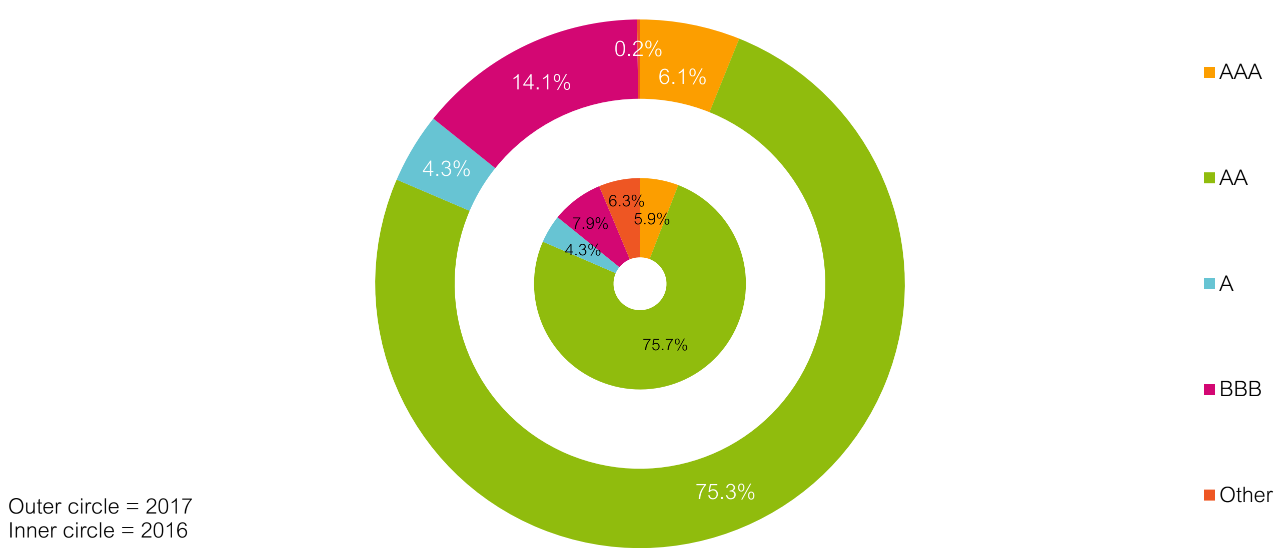
The bond portfolio is highly geared towards government and other investment grade bonds. Investment grade bonds make up 97.2% (2016: 93.5%) of the portfolio with 74.5% (2016: 75.1%) rated A or higher and more than 50% invested in AA. The percentage below investment grade strongly reduces thanks to the upgrade of Portugal to BBB at the end of 2017. The main exposure to AA rated bonds consists of Belgian exposure.

GOVERNMENT BONDS

The table below provides information on the credit quality of government bonds.

	31 December 2017	Percentage	31 December 2016	Percentage
By IFRS classification				
Available for sale	32,941.7	87.8%	33,197.4	87.7%
Held at fair value through profit or loss	1.1	0.0%		
Held to maturity	4,559.5	12.2%	4,641.4	12.3%
Total government bonds (see note 11)	37,502.3	100.0%	37,838.8	100.0%
By rating				
AAA	2,291.2	6.1%	2,216.1	5.9%
AA	28,258.6	75.3%	28,636.0	75.7%
A	1,610.4	4.3%	1,621.0	4.3%
BBB	5,278.8	14.1%	2,993.6	7.9%
Total investment grade	37,439.0	99.8%	35,466.7	93.7%
Below investment grade	25.2	0.1%	2,321.4	6.1%
Unrated	38.1	0.1%	50.7	0.1%
Total non-investment grade and unrated	63.3	0.2%	2,372.1	6.3%
Total government bonds	37,502.3	100.0%	37,838.8	100.0%

The chart below shows the increase for BBB-rated bonds in line with the credit rating upgrade of Portugal.



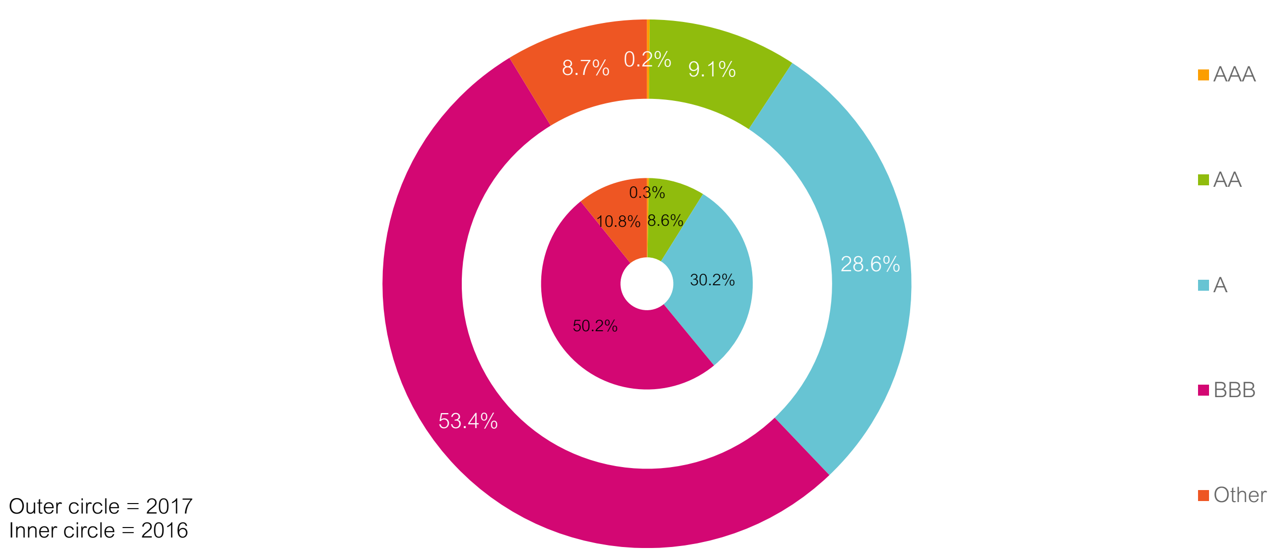
The held to maturity exposure is completely represented by Belgian and Portuguese government bonds. The main part of the government bond portfolio is invested in AA bonds, to a large extent explained by the exposure to Belgian government bonds. The switch from 'Below investment grade' to BBB is mainly explained by the credit rating upgrade of Portugal.

CORPORATE BONDS

The table below provides information on the credit quality of corporate bonds.

	31 December 2017	Percentage	31 December 2016	Percentage
By IFRS classification				
Available for sale	12,378.3	100.0%	13,688.3	99.6%
Held to maturity			60.3	0.4%
Total corporate bonds (see note 11)	12,378.3	100.0%	13,748.6	100.0%
By rating				
AAA	20.8	0.2%	38.4	0.3%
AA	1,125.7	9.1%	1,177.8	8.6%
A	3,542.5	28.6%	4,153.7	30.2%
BBB	6,612.8	53.4%	6,899.2	50.2%
Total investment grade	11,301.8	91.3%	12,269.1	89.2%
Below investment grade	268.4	2.2%	549.3	4.0%
Unrated	808.1	6.5%	930.2	6.8%
Total non-investment grade and unrated	1,076.5	8.7%	1,479.5	10.8%
Total corporate bonds	12,378.3	100.0%	13,748.6	100.0%

The chart below shows the credit quality of corporate bonds.



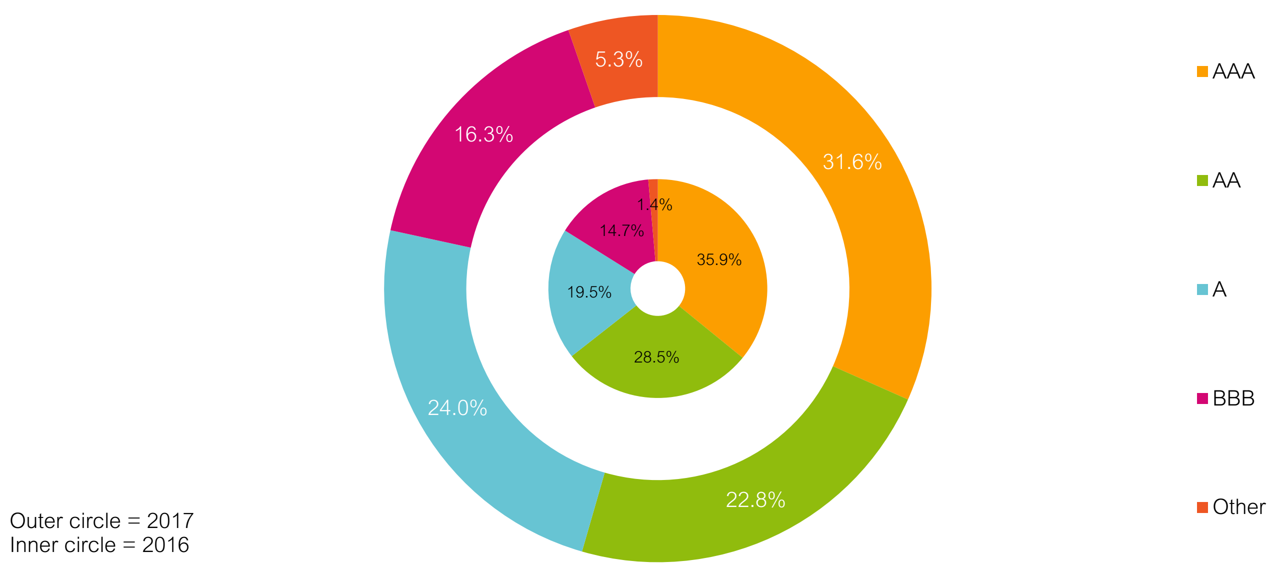
The corporate bond portfolio remains dominated by investment grade bonds. These bonds comprise 91.3% (2016: 89.2%) of the portfolio with 37.9% (2016: 39.0%) rated A or higher.

BANKS AND OTHER FINANCIALS

The table below provides information on the credit quality of banks and other financial institutions.

	31 December 2017	Percentage	31 December 2016	Percentage
By IFRS classification				
Available for sale	8,307.6	98.7%	10,293.6	99.2%
Held at fair value through profit or loss	107.8	1.3%	69.3	0.7%
Held to maturity			13.6	0.1%
Total banking and other financials (see note 11)	8,415.4	100.0%	10,376.5	100.0%
By rating				
AAA	2,663.3	31.6%	3,719.4	35.9%
AA	1,920.5	22.8%	2,960.3	28.5%
A	2,015.7	24.0%	2,019.8	19.5%
BBB	1,369.7	16.3%	1,529.6	14.7%
Total investment grade	7,969.2	94.7%	10,229.1	98.6%
Below investment grade	32.5	0.4%	70.1	0.7%
Unrated	413.7	4.9%	77.3	0.7%
Total non-investment grade and unrated	446.2	5.3%	147.4	1.4%
Total banks and other financials	8,415.4	100.0%	10,376.5	100.0%

The chart below shows the credit quality of banks and other financials.



The exposure to banks and other financial institutions is in particular geared to investment grade (94.7%) with 78.4% rated A or above.

B. COUNTERPARTY DEFAULT RISK

The counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts (such as reinsurance arrangements, securitisations and derivatives) cash, receivables from intermediaries and other credit exposure not elsewhere covered (guarantees, policyholders, etcetera).

Counterparty default risk can arise due to the purchase of re-insurance, other risk mitigation and 'other assets'. Ageas minimises this risk through policies on counterparty selection, collateral requirements and diversification.

Within Ageas, this risk is mitigated through the application of Ageas's Default Risk Policy and close monitoring of outstanding counterparty default positions. Diversification and avoidance of low rated exposures are key elements in the mitigation of this risk.

Impairment for specific credit exposures is established if there is objective evidence that Ageas will not be able to collect all amounts due in accordance with contractual terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount. In the case of market traded securities, the recoverable amount is the fair value.

Impairments are based on Ageas's latest estimate of the recoverable amount and represent the loss that Ageas considers it will incur. Conditions for write-off may be that the obligor's bankruptcy proceedings have been finalised and securities have been exhausted, the obligor and/or guarantors are insolvent, all normal recovery efforts have been exhausted, or the economic loss period (i.e. the period within which all expenses will exceed the recoverable amount) has been reached.

5.4.1.3 Liquidity risk

Liquidity risk is the risk of being unable to liquidate investments and other assets in order to settle financial obligations when they fall due. For example, this is the risk that expected and unexpected cash demands of policyholders, and other contract holders, cannot be met without suffering losses or without endangering the business franchise due to constraints on liquidating assets. These constraints may be structural or due to market disruption.

The financial commitments of Ageas and its local businesses are often long-term, and generally assets held to back these would be long-term and may not be liquid. Claims and other outflows can be unpredictable and may differ significantly from expected amounts. If liquid resources are not available to meet a financial commitment as it falls due, liquid funds will need to be borrowed and/or illiquid assets sold (which may trigger a significant loss in value) in order to meet the commitment. Losses would arise from any discount that would need to be offered to liquidate assets.

As an insurance group, Ageas is normally cash accretive and hence this risk is relatively remote. Recent years have been dominated by the effects of the (European) debt crises. The European Central Bank pursues a liquidity enhancing monetary policy to overcome these crises. Ageas keeps a significant cash position in order to be able to withstand (relatively) adverse liquidity conditions if and when arising. Special attention is paid to the messages from ECB on potential changes in monetary policy stance.

The investment horizon for general account assets has been set in function of the expected payment dates of the amounts provisioned for in the WCAM settlement proposal. In managing the remainder of the cash position, the potential exercise of the AG put option in the first half of 2018 plays a dominant role: assets are held in (near-) cash format to assure that cash reserves together with proceeds from envisaged debt issuance cover the potential liability. Dividend payments to shareholders together with holding costs are financed by dividend upstream from Ageas operating insurance entities.

Causes of liquidity risk in the operating companies can be split into elements that can create a sudden increase in the need for cash and elements that can reduce unexpectedly the availability of expected resources to cover cash needs. Types of liquidity risk are the following:

- *Underwriting liquidity risk* is the risk that Ageas or a local business needs to pay a material amount to cover unanticipated changes in customer behaviour (lapse risk), sudden rise in frequency claims or sudden large claims resulting from large or catastrophic events such as windstorms, ash clouds, flu pandemic, etc.;
- *market liquidity risk* is the risk that the process of selling in itself results in losses due to market conditions or high concentrations;
- *funding liquidity risk* is the risk that Ageas or a local business will not be able to obtain sufficient outside funding, in case its assets are illiquid, at the time it is needed (for example, to meet an unanticipated large claim).

Each business has to ensure they can meet all liquidity requirements by identifying and monitoring liquidity risk, so that the circumstances under which liquidity issues could be possible are known and understood (i.e. unexpected adverse change in liability run-off profile, mass lapse event, slowdown in new business, change in rating), as well as the business's ability to respond to such issues (i.e. liquidity of assets in a crisis) is clear.

The principle of liquidity risk management applied at Ageas is ensuring that, under both normal and stressed conditions, there is no gap in the short and medium term liquidity needed to meet commitments to policyholders and other creditors. The implementation of the liquidity risk policy sets-out the approach towards liquidity risk as follows:

- Have a view on the liquidity profile in a Base Case scenario: Cash flow projections should ensure that obligations are fulfilled as they fall due;
- Liquidity of assets and liabilities is assessed and the overall liquidity position is monitored through ratio's and limits:
  - Base Case Liquidity Ratio
    The Base Case (BC) Liquidity Ratio is a metric that allows assessing if Ageas' cash inflows ensure the liquidity position to operate efficiently, maintain the Ageas' reputation in the market and allow to cover cash outflows in standard market conditions.
  - Stress Liquidity Ratio
    The Stress Liquidity Ratio is a set of metrics that allows assessing if the Ageas' cash inflows ensure sufficiently the liquidity position to operate efficiently, maintain the Ageas' reputation in the market and avoid losses from obligations in its liabilities under stressed liquidity conditions.
  - Mitigation actions
    Mitigation actions have to be considered when liquidity ratios drop below predefined thresholds. Operating companies have the opportunity to activate additional liquidity measures in order to ensure their short and mid-term obligations towards policyholders, shareholders and creditors.

Underlying these key ratios are the following components.

Base Case:
What are expected cash flow projections for coming year?

- Base Case Cash & Cash Inflow:
  - Available cash and cash equivalents;
  - Principal, interests, rents and dividends on investments;
  - Other expected cash inflows such as incoming premiums or other financials.
- Base Case Liability Outflow: Payment of:
  - For Life business and Health SLT (Similar to Life Techniques), the considered base cash flows cover the existing business in a run off mode.
  - For Non-life business and Health Non-SLT, the base cash flows cover by nature the renewal of the existing business every year and the budgeted new business.
  - Principal, interests, rents and dividends on financial liabilities.
  - Other liabilities, such as derivatives. Ageas maintains derivative positions with banks as counterparties; all derivatives are governed by specific ISDA documentation (ISDA = International Swaps and Derivative Association) with underlying Credit Support Annexes (CSA). These CSA describe the required daily exchange of collateral, mostly in the form of cash. When derivative valuations turn into a liability from Ageas' perspective, Ageas receives a margin call from its counterparty and needs to provide cash. These margin calls can create substantial cash needs; margin calls are taken into account when monitoring liquidity risks.

Stress Event:
How does the liquidity position of the company evolve in stressed conditions? Leveraging on existing stress scenarios and application of Solvency II stresses.

- Assets: How quickly can assets be sold under stressed market conditions?
  - The additional cash sources are mainly resulting from the sale of assets to allow Ageas to cover its liability cash outflows supposing this would take place all along the considered time period and would lead to realize exposure at a reduced market price. This reduced market price is estimated through the 1/200 stress events with respect to the Solvency II framework. A maximum daily transaction volume is determined by asset class taking into account stress factors varying by category.
- Liabilities: Assess the cash flow impact of certain 1 in 200 events on 1 year horizon.
  - Aim to assess the impact of liquidity stress events on the cash outflows (worst case e.g. lapse up vs. lapse down) on 1 year and 3 months. Leverage on SCR events to define the events having an impact on cash flows 1 year and 3 months from now from an insurance liability risk perspective. The stress events estimated on the present and future liability cash outflows are also aligned on the Solvency II standard.

5.4.2 Insurance liability risks

Insurance liability risks refer to all insurance underwriting risks due to deviations in claims arising from uncertainty and timing of the claims as well as deviations in expenses and lapses, compared to underlying assumptions made at the point of underwriting of the policy.

Life risk includes mortality risk, longevity risk, disability, morbidity risk (i.e. critical illness risk), lapse and persistency risk, expense risk, catastrophe risk and revision risk.

Non-life risks include reserve risk, premium risk and catastrophe risks. Reserve risk is related to outstanding claims, while premium risk is related to future claims from which catastrophe claims are excluded. Catastrophe risk is related to claims arising from catastrophic events: either natural disasters or man-made events.

Each business manages insurance risks through a combination of Underwriting Policy, Product Approval Policy, Reserving Policy, Claims Management Policy and Reinsurance Policy. Particular attention is paid to ensuring that the customer segment that buys the product is consistent with the underlying assumptions made about the customers when the product was designed and priced.

Underwriting policies are adopted at local level as part of the overall enterprise risk management framework and are revised by actuarial staff, who examine the actual loss experience. A range of indicators and statistical analysis tools are employed to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Insurance companies aim to set premiums at a level that will ensure that premiums received plus the investment income earned on them exceed total claims, costs of handling those claims and the cost of managing the business. The appropriateness of pricing is tested using a range of techniques and key performance indicators appropriate to a particular portfolio, on both a priori basis (e.g. profit testing) and a posteriori basis (e.g. embedded value, combined ratios).

The factors taken into consideration when pricing insurance vary by product according to the cover and benefits offered. In general they include:

- expected claims by policyholders and related expected pay-outs and their timing;
- the level and nature of variability associated with the expected benefits. This includes analysis of claims statistics as well as consideration of the evolution of court rulings, the economic climate and demographic trends;
- other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs;
- financial conditions, reflecting the time value of money;
- solvency capital requirements;
- target levels of profitability;
- insurance market conditions, notably competitor pricing of similar products.

In its exposures to the above-mentioned risks, Ageas benefits from diversification across geographical regions, product lines and even across the different insurance risk factors so that Ageas is not exposed to significant concentrations of insurance risks. Moreover, Ageas's insurance companies have built in specific mitigation measures in order to minimise their risk exposures. Examples are, lapse supported products via lapse penalties and/or market value adjustments mitigating the loss to the insurance company and reinsurance treaties leading to limited exposure to large losses.

5.4.2.1 Life underwriting risks

The Life underwriting risk reflects the risk arising from Life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Life underwriting risks are mainly composed of mortality/longevity, disability/morbidity, lapse and persistency, life expense, revision as well as catastrophe risks. This section will first describe these risks (sub-sections A to F). It will also provide an overview of their management within Ageas operating companies (sub-section G).

A. MORTALITY/LONGEVITY RISK

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. The mortality tables used in the pricing include prudential margins. As per industry practice, Ageas's operating companies use the population experience tables with adequate safety loadings. Yearly review of the assumptions is necessary to compare the expected mortality of the portfolio with the experience. This analysis takes a number of criteria into account such as age, policy year, sum assured and other underwriting criteria.

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. This risk is managed through yearly revision of the mortality experience within the portfolio. Where longevity is found to be rising faster than assumed in the mortality tables, additional provisions are set up and pricing of new products is adjusted accordingly.

B. DISABILITY/MORBIDITY RISK

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. This can, for example, arise in the disability business, health business and workmen's compensation. Ageas insurance companies mitigate disability risk through medical selection strategies and appropriate reinsurance cover.

C. LAPSE AND PERSISTENCY RISKS

Lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses and persistency, which include renewals, surrenders, premium reductions and other premium reducing factors. Note that persistency risk is another name sometimes used to describe the volatility in the policy premium lapses and reinstatements of lapsed policies, free look cancellations or surrenders.

When designing and pricing insurance policies, assumptions also need to be made relating to the costs of selling and then administering the policies until they lapse or mature and relating to the rate of persistency that will be experienced. The risks that in actual experience may be different from the potential impact are identified during the product development stage and can be mitigated by thorough product design. For example, the use of early redemption penalties/loyalty bonuses, initial charges or spreading the commission paid to distributors to align interests or a market value adjustment for certain individual or group contracts where the risks are completely born by the policyholders in case of lapse.

D. LIFE-EXPENSE RISK

Life-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 contracts. Expense risk arises if the expenses anticipated when pricing a guarantee are insufficient to cover the actual costs accruing in the following year.

E. REVISION RISK

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

F. CATASTROPHE RISK

Life's catastrophe risk stems from extreme or irregular events that are life threatening, for example nuclear explosion, new infectious pandemic disease, terrorism, or natural disasters.

G. MANAGEMENT OF LIFE RISKS AT AGEAS INSURANCE COMPANIES

Life underwriting risks are monitored via internal quarterly risk reporting in order to better understand their exposure to certain events and their evolution. Most of the Life insurance operating companies are exposed to similar events, such as (mass) lapse events, expenses or mortality/longevity.

5.4.2.2 Non-life underwriting risks

Non-life underwriting risks are mainly composed of reserve, premium, catastrophe and lapse risks. This section will first describe these risks (sub-sections A to D). It will then provide an overview of their management within Ageas operating companies (sub-section E) and loss ratios (sub-section F), Non-life risk sensitivities (sub-section G) and loss reserve tables (sub-section H).

A. RESERVE RISK

Reserve risk is related to outstanding claims and represents the risk of adverse change in the value of insurance liabilities resulting from fluctuations in the timing and amount of claim settlements and claims expenses.

B. PREMIUM RISK

Non-life premium risk is the risk that the premium will not be sufficient to cover all liabilities including claims and expenses resulting from fluctuations in frequency, severity of claims, timing of claim settlements, or adverse changes in expenses.

Claims losses can differ from the expected outcome for a range of reasons. Analysis of claims will generally treat differently short and long-tail claims. Short-tail claims, such as motor damage and property damage claims, are generally reported within a few days or weeks and are settled soon afterwards. The resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. In the case of long-tail claims, information concerning the event, such as medical treatment required, may, due to its very nature, not be readily obtainable. Analysis of long-tail losses is also more difficult, requires more detailed work and is subject to greater uncertainties than analysis of short-tail losses.

Ageas's insurance companies take into account experience with similar cases and historical trends, such as reserving patterns, exposure growth, loss payments, pending levels of unpaid claims, as well as court decisions and economic conditions.

To mitigate the claims risk, Ageas's insurance companies adopt selection and underwriting policies based on their historical claims experience and modelling. They do this by client segment and class of business based on knowledge or expectations of future movements in claims frequency and severity. Ageas's insurance companies also benefit from diversification effects by engaging in a wide range of Non-life insurance classes and geographies. This does not reduce average claims, although it does significantly reduce the variation in the total claims book and therefore the risk. The risk of unexpectedly large claims is contained by policy limits, concentration risk management and reinsurance.

C. CATASTROPHE RISK

Catastrophe risk is related to claims generated by catastrophic events, natural disasters such as storms, floods, earthquakes, freezes, tsunamis or man-made events such as terrorist attacks, explosions or casualty claims with a lot of victims involved or with collateral impacts such as pollution or business interruption.

D. LAPSE RISK

Lapse risk is related to future premiums included in the premium provision where an expected profit is foreseen. Lapse risk is the risk that more lapses will occur than the expected ones, generating less profit than foreseen.

E. MANAGEMENT OF NON-LIFE RISKS AT AGEAS INSURANCE COMPANIES

The management of Non-life risk at Ageas is in conformity with underwriting and risk taking management instructions and guidance issued at each Non-life entity of the Group. This includes, amongst other things, risk acceptance rules, claims management guidance on cost assessment and on funding allocations, reinsurance taking activity and management.

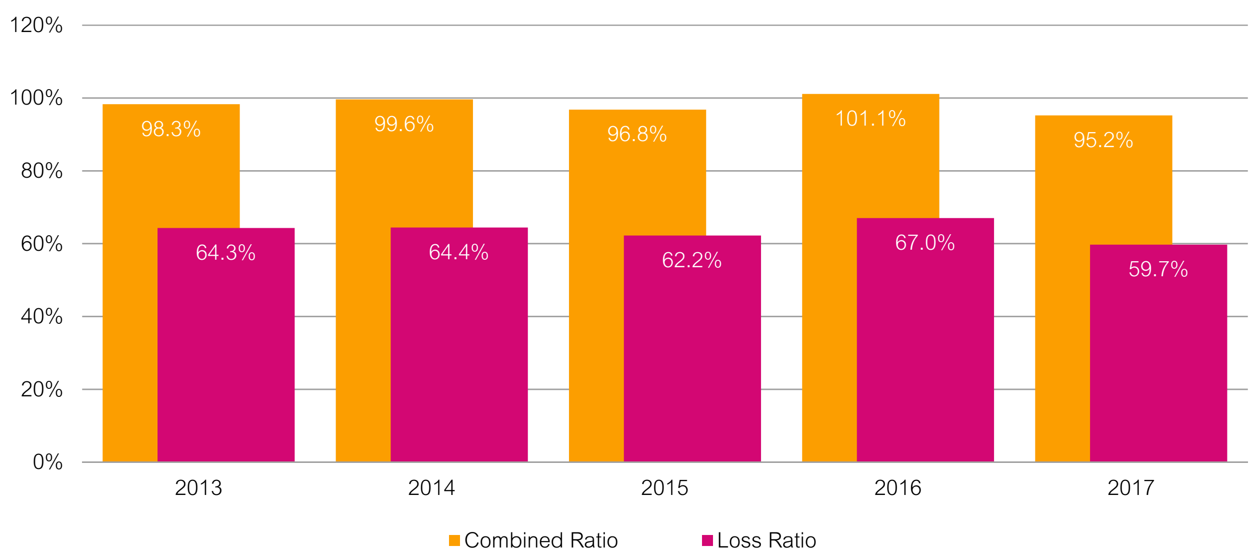
At Group level a number of reporting schemes related to the above are in place e.g. KPI reports and adequacy testing both on claims- and premium reserves to date and also historically for claims liabilities.

F. LOSS RATIOS

A loss ratio is the single measure used for assessing the appropriateness of the part of premium rates marketed to cover insurance claims. It is defined as the ratio of total claim cost (estimated) divided by premiums earned. Note that the other parts of the premium rates, such as non-recurrent management costs and profit, are not considered here. Combined ratio is the sum of loss ratio and expense ratio (including commissions).

Generally speaking one may expect to experience a combined ratio below 100 percent with a target below 97%. For reasons of intrinsic variability of the claims process and/or premium inefficiency one might from time to time observe a combined ratio above 100 percent. The latter situation is tackled in the management of the Non-life risks (see point E. above).

The table below gives the history of the combined ratios and loss ratios over the last five years.



G. SENSITIVITIES ON TECHNICAL PROVISIONS

Non-life sensitivities shown in the table below assume the impact on the pre-taxation result considering a decrease in expenses, as included in the consolidated income statement, of 10%, and an increase in claims cost, as included in the consolidated income statement, of 5%.

Non-life Sensitivities	Impact on pre-taxation result at 31 December 2017	Impact on pre-taxation result at 31 December 2016
Expenses (10%)	147.3	140.2
Claims costs 5%	(123.8)	(137.8)

H. LOSS RESERVE TABLES

The reserves for claims and claim expenses that appear in the statement of financial position are analysed by the actuaries and claims management departments by accident year. Payments and loss reserves are therefore represented in a two time-related dimension table: accident year (year of loss occurrence, in the columns) and calendar year (or development year, in the rows). This so-called run-off triangle shows how loss reserve develops over time due to payments made and new estimates of the expected ultimate loss at the respective date of the statement of financial position.

All claims concerned are resulting from insurance contracts as defined by IFRS, including all accident & health, and property and casualty contracts whose reserves can be reported in a triangular format. All material figures quoted are undiscounted. Claim reserves that are held on a discounted basis with similar to life techniques (e.g. permanent disability or death annuities deriving from health or workers compensation or other contracts) are included in the reconciliation lines.

All amounts in the table are calculated at the applicable exchange rates at year-end 2017.

The loss reserve development table per accident year is as follows.

Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Payments at:										
N	928.7	1,009.1	1,085.0	1,017.9	1,015.2	969.0	1,078.8	1,055.7	1,294.9	1,207.6
N + 1	399.7	469.7	588.9	500.6	477.7	487.6	496.8	506.9	508.2	
N + 2	97.8	122.6	118.5	130.0	115.7	111.0	126.4	130.0		
N + 3	72.6	76.4	84.7	69.0	86.5	72.8	79.4			
N + 4	51.6	56.2	54.1	48.8	64.4	57.4				
N + 5	32.4	30.6	44.9	27.1	48.8					
N + 6	16.6	19.5	25.5	17.7						
N + 7	10.2	18.0	14.2							
N + 8	8.3	7.1								
N + 9	6.9									
Cost of claims: (Cumulative Payments + Outstanding claims reserves)										
N	1,728.2	1,905.0	2,105.4	2,036.5	2,037.0	2,019.6	2,123.6	2,118.4	2,574.6	2,334.2
N + 1	1,694.9	1,869.4	2,094.5	1,963.9	2,002.8	1,965.4	2,105.5	2,101.4	2,566.7	
N + 2	1,711.3	1,889.4	2,099.5	1,953.4	2,007.9	1,909.6	2,108.6	2,154.4		
N + 3	1,703.1	1,906.9	2,098.5	1,927.9	1,984.5	1,894.6	2,122.1			
N + 4	1,693.9	1,887.4	2,097.1	1,903.1	2,007.4	1,926.2				
N + 5	1,679.2	1,895.4	2,097.4	1,926.6	2,011.1					
N + 6	1,693.8	1,882.1	2,119.4	1,931.4						
N + 7	1,686.5	1,904.8	2,117.2							
N + 8	1,697.8	1,913.0								
N + 9	1,701.4									
Ultimate loss, estimated at initial date	1,728.2	1,905.0	2,105.4	2,036.5	2,037.0	2,019.6	2,123.6	2,118.4	2,574.6	2,334.2
Ultimate loss, estimated at prior year	1,697.8	1,904.8	2,119.4	1,926.6	2,007.4	1,894.6	2,108.6	2,101.4	2,574.6	
Ultimate loss, estimated at current year	1,701.4	1,913.0	2,117.2	1,931.4	2,011.1	1,926.2	2,122.1	2,154.4	2,566.7	2,334.2
Surplus (deficiency) current year vs initial accident year	26.8	(8.0)	(11.8)	105.1	25.9	93.4	1.5	(36.0)	7.9	
Surplus (deficiency) current year vs prior year	(3.6)	(8.2)	2.2	(4.8)	(3.7)	(31.6)	(13.5)	(53.0)	7.9	

Outstanding claims reserves prior to 2008	372.8
Outstanding claims reserves from 2008 to 2017	3,526.0
Other claims liabilities (not included in table)	943.6
Claims with regard to workers' compensation and health care	1,450.6
Total claims reserves in the statement of financial position	6,293.0

Ageas Seguros, the Portuguese Non-life insurer that was acquired in April 2016 is included for two years in the loss reserve development table. The Italian Non-life insurer Cargeas that was sold in December 2017 is not included anymore.

The loss reserve development table per accident year shows the development of the ultimate total loss (as payments made and outstanding claims reserves) for each individual accident year (as indicated in the column), for each development year (as indicated in the row) since the year of occurrence through to the reporting year 2017.

The triangle related to 'Payments' reports the amount of claim payments net of recoveries, gross of reinsurance.

The second triangle, 'Cost of claims', reports the outstanding claims reserve including IBN(E)R for each accident year, based on the new estimate of ultimate loss on the claims and the payments already made.

The Ultimate loss line items, estimated at the initial date of occurrence, at prior reporting year and at current reporting year, reflect the fact that the estimate fluctuates with the knowledge and information gained on the claims. The longer the period of development of the claims, the more accurate is the estimate of the ultimate loss.

The amount of total claims reserves in the statement of financial position is further disclosed in section 20.4 Liabilities arising from Non-life insurance contracts.

5.4.2.3 Health Risk

Health underwriting risk reflects the risk arising from the underwriting of health insurance obligations, whether it is pursued on a similar technical basis to that of life insurance or not, following from both the perils covered and the processes used in the conduct of business.

The components of health insurance risk are to split depending on the type of liabilities: if similar to life risk or modelled based on similar techniques as for life liabilities – please refer to section 5.4.2.1 Life underwriting risks. For liabilities similar to Non-life liabilities or modelled on a similar way, please refer to section 5.4.2.2 Non-life underwriting risks.

5.4.2.4 Reinsurance

Where appropriate, Ageas's insurance companies enter into reinsurance contracts to limit their exposure to underwriting losses. This reinsurance may be on a policy-by-policy basis (per risk), or on a portfolio basis (per event), i.e. where individual policyholder exposures are within local limits but an unacceptable risk of accumulation of claims exists at Group level (catastrophe risks). The latter events are mostly weather related or man-made. Reinsurance companies are selected based primarily on pricing and counterparty default risk considerations. The management of counterparty default risk is integrated into the overall management of credit risk.

The major uses of external reinsurance include the mitigation of the impact of natural disasters (e.g. hurricanes, earthquakes and floods), large single claims against policies with high limits and multiple claims triggered by a single man-made event.

Ageas incorporated an internal reinsurer Intreas N.V. and obtained in June 2015 a licence in the Netherlands. Intreas is capitalised with EUR 100 million. The rationale of setting up this internal reinsurance company is to optimise the Ageas Group reinsurance programme by harmonising risk profiles among controlled limits/entities and to improve capital management. Intreas is a Non-life reinsurance company and may only accept risks from Ageas Group companies.

In 2017, Intreas showed a Solvency II ratio, calculated according to the standard formula, of 230% (2016: 259%). The target is set at 200%. The internal companies within the scope of Intreas are:

- AG Insurance, Belgium;
- Ageas Insurance Limited, UK;
- Ageas Ocidental, Portugal.

In line with its Risk Appetite, Intreas mitigates part of its risk on the assumed business through the acquisition of group retrocession covers and/or covers protecting its own balance sheet.

Intreas respects and operates within the Ageas Risk Management Framework and has set up its proper governance bodies and control processes following Group standards.

The table below provides details of risk retention by product line (in nominal amounts) of Ageas.

2017	Highest retention per risk	Highest retention per event
Product		
Motor, Third Party liability	4,000,000	
Motor Hull		42,500,000
Property	3,750,000	55,000,000
General Third Party Liability	4,000,000	
Workmen's Compensation	2,700,000	19,800,000
Personal Accident	300,000	19,875,000

The table shows the highest amount across all entities of the Group for similar covers for which Ageas Group assumes responsibility for mitigating emerging risks: any amount higher than those in the table will be transferred to third party reinsurers for cover. The measurement depends on the type of event covered by these reinsurance agreements: either per single risk or alternatively per event. Additionally, as the catastrophe covers for Motor Hull have been integrated into the regular reinsurance treaty, the retention mentioned is the maximum that Ageas Group is responsible for.

The table below provides details by product line of the proportion of premiums ceded to reinsurers in the year ended 31 December (amounts in millions).

2017	Gross written premiums	Ceded premiums	Net written premiums
Product			
Life	4,141.3	(33.8)	4,107.5
Accident & Health	911.7	(31.0)	880.7
Property & Casualty	3,393.0	(164.7)	3,228.3

2016	Gross written premiums	Ceded premiums	Net written premiums
Product			
Life	4,934.8	(45.5)	4,889.3
Accident & Health	867.3	(32.0)	835.3
Property & Casualty	3,474.9	(183.7)	3,291.2

5.4.3 Operational risks

Ageas is exposed – like any other financial institution - to operational risks, defined as the risk of losses arising from inadequate or failed internal processes, personnel, systems, or external events.

Ageas at Group level as well as at local level has in place processes to manage operational risks. These processes are an integral part of the enterprise risk management framework. The operational risk management framework consists of company-wide policies and processes embedded at Group level and at all local businesses, which collectively aim at identifying, assessing, managing, monitoring and reporting on operational risks. Some of these company-wide processes include:

- Business Continuity Management;
- Fraud Risk Management;
- Outsourcing;
- Treat Your Customer Fairly;
- Loss Data Collection;
- Internal Control Adequacy Assessment;
- Key Risk Identification process.

Through its risk taxonomy, Ageas has identified seven major sources of operational risks.

Clients, products and business practices

Unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) and corporate stakeholders e.g. regulators, or from the nature or design of a product.

Execution, delivery and process management

Risk of failed transaction processing or process management, from relations with trade counterparties and vendors.

Business disruption and system failures

Risk associated with the interruption of business activity due to internal or external system and/or communication system failures, the inaccessibility of information and/or the unavailability of utilities and other externally driven business disruptions, which may also harm personnel.

Employee practices and workplace safety

Risk arising from acts/omissions, intentional or unintentional, inconsistent with applicable laws on employment relation, health, safety and diversity/discrimination acts the Company is responsible for.

Internal fraud

Internal fraud risk is the risk due to deliberate (attempt of) abuse of procedures, systems, assets, products and/or services of a company, involving at least one internal staff member (i.e. on the payroll of the company) who intend to deceitfully or unlawfully benefit themselves or others (including the company). Internal fraud can be perpetrated with or without the help of a third party.

External fraud

Risk arising from (attempt of) acts of fraud and thefts, or intentional circumvention of the law, actuated by third parties, including customers, intermediaries and insourcing companies (including sub-vendors and sub-contractors), with the goal of obtaining a benefit, damaging the company or its counterparties (for which the company pays), or damage company's assets. Includes all forms of cyber risk, and frauds by clients and external parties (i.e. parties which do not collaborate usually with the company and have no access to the company's systems).

Damage to physical assets
Losses arising from loss or damage to physical assets from natural disasters or other events.

Ageas aims to keep the above operational risks at appropriate levels by maintaining sound and well-controlled environments in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they can never completely eliminate them

An Internal Control Adequacy Assessment (INCA) process is performed each year and results in the annual Management Control Statement issued by all (local and Group) CEOs who express their confidence in their control frameworks.

5.4.4 Strategic & Business risks

This risk category covers external and internal factors that can impact Ageas's ability to meet its current business plan and objectives and also to position itself for achieving ongoing growth and value creation.

Regulatory change risk
Regulations with regard to allowable product features, conduct of business, underwriting practices (e.g. genetic testing), guarantees, profit sharing, personnel rules, reserving, solvency, which may affect the volume or quality of new sales or the profitability of in-force business.

Competitor risk
Competitor risks arise due to changes in competitor landscape or market position.

Distribution risk
This is the risk of a loss due to distribution plans deviating adversely from expectations. This type of strategic risk has been singled out for particular attention due to the importance of distribution in the Group's business model and our reliance on external parties and partners for the distribution. Distribution risk can arise due to a number of causes including lack of alignment of incentives, poor relationship management or lack of sufficient bargaining power in the relationship.

Reputation risk
This is the risk of loss resulting from a decrease in the number of clients, transactions and funding opportunities arising from the adverse perception of the image of the company on the part of customers, counterparties, shareholders, investors or regulators.

Country risk
Country risk refers to the risk of investing in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events contributing to companies' strategic risks (e.g. Eurozone break-up). Country risk only refers to risks affecting all companies operating within a particular country.

Environment risk
Environment risk covers a range of changes to the external environment not already covered by the categories above, including:

- economic environment arising from economic factors (e.g. inflation, deflation, unemployment, changing consumer confidence / behaviour…) that can impact the business. Interest rates / Inflation / deflation can also materialise through financial and/or insurance risks;
- environmental risk geopolitical environment which can impact Ageas's ability to develop business in the different countries where it operates;
- technology shifts and the impact this can have on customer buying behaviour and the need to develop appropriate IT strategies;
- other emerging risks are those major scale events or circumstances beyond one's direct capacity to control, which would impact in ways difficult to imagine today, such as potential claims from nanotechnology or changing weather patterns;
- contagion risks – an extreme form of concentration risk that arises when usually unrelated risk factors affect each other and become highly correlated – linked to the greater levels of connectivity across the world and therefore our markets and risk types.

Concentration risk
Concentration risk further refers to all risk exposures with a loss potential that is large enough to threaten the solvency or the financial position of Ageas.

Intangible asset risk
Intangible asset risk is the risk of loss, or of adverse change in the value of intangible assets due to a change in expected future benefits to be gained from the intangible assets.

Strategic risk
Strategic risk is defined as the risk of the current and prospective impact on value, earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of an undertaking's strategic goals, the business strategy developed to achieve those goals, the resources deployed in pursuit of these goals, and the quality of implementation.

6 Regulatory supervision and solvency

The National Bank of Belgium (NBB) has designated ageas SA/NV as an Insurance Holding. As of 2016 the supervision is based on the Solvency II framework. The NBB is the group supervisory authority and in that capacity receives specific reports which form the basis of prudential supervision at group level. In its role as group supervisory authority the NBB facilitates group supervision via a college of supervisors. Supervisors in the EEA member countries where Ageas is active are represented in this college. The college, operating on the basis of European regulations, ensures that the collaboration, exchange of information and mutual consultation between the supervisory authorities takes place and furthermore promotes convergence of supervisory activities.

6.1 Requirements and available capital under Solvency II - Partial Internal Model (Pillar 1)

Since 1 January 2016, Ageas is supervised on a consolidated level based on the Solvency II framework, applying a Partial Internal Model (PIM) for pillar 1 reporting, where the main part of the Non-life risks are modelled according to Ageas specific formulas, instead of the standard formula approach.

For fully consolidated entities, the consolidation scope for Solvency II is comparable to the IFRS consolidation scope. The European equity associates have been included pro rata, without any diversification benefits. All Non-European equity associates (including Turkey) have been excluded from own funds and required solvency, as the applicable solvency regimes are deemed non-equivalent with Solvency II.

Ageas takes a conservative approach towards its eligible own funds as, in addition to the free funds belonging to third party shareholders, Ageas recognises an amount of non-transferable own funds equal to the SCR diversification benefits realised between operating entities.

In the Partial Internal Model (PIM), Ageas applies transitional measures relating to technical provisions in Portugal and France, the grandfathering of issued hybrid debt and the extension of reporting deadlines at Group level.

The reconciliation of the IFRS Shareholders' Capital to the own funds under Solvency II and the resulting solvency ratio according to the Partial Internal Model approach is as follows.

	31 December 2017	31 December 2016
IFRS Equity	10,162.2	10,205.0
Shareholders' equity	9,610.9	9,560.6
Non-controlling interest	551.3	644.4
Qualifying Subordinated Liabilities	2,261.3	2,263.9
Scope changes at IFRS value	(2,781.2)	(2,777.4)
Exclusion of expected dividend	(407.4)	(418.4)
Proportional consolidation	(232.4)	(237.9)
Derecognition of Equity Associates	(2,141.4)	(2,121.1)
Valuation differences	(1,239.5)	(835.9)
Revaluation of Property Investments	1,629.0	1,558.0
Derecognition of parking concessions	(429.9)	(414.3)
Derecognition of goodwill	(604.0)	(697.4)
Revaluation of Insurance related balance sheet items (Technical Provisions, Reinsurance Recoverables, VOBA and DAC)	(5,048.2)	(4,544.8)
Revaluation of assets which, under IFRS are not accounted for at fair value (Held to Maturity Bonds, Loans, Mortgages)	2,947.1	3,046.8
Tax impact on valuation differences	256.7	169.8
Other	9.8	46.0
Total Solvency II Own Funds	8,402.8	8,855.6
Non Transferable Own Funds	(658.7)	(744.1)
Total Eligible Solvency II Own Funds	7,744.1	8,111.5
Group Required Capital under Partial Internal Model (SCR) – (unaudited)	4,062.4	4,653.4
Capital Ratio	190.6%	174.3%

	31 December 2017	31 December 2016
Total Eligible Solvency II Own Funds, of which:	7,744.1	8,111.5
Tier 1	5,315.0	5,653.9
Tier 1 restricted	1,328.8	1,413.5
Tier 2	999.9	918.4
Tier 3	100.4	125.7

The composition of the capital solvency requirements can be summarised as follows:

	31 December 2017	31 December 2016
Market Risk	4,835.0	4,813.2
Counterparty Default Risk	333.8	356.0
Life Underwriting Risk	669.7	647.9
Health Underwriting Risk	382.3	439.5
Non-Life Underwriting Risk	697.3	834.9
Diversification between above mentioned risks	(1,428.1)	(1,548.9)
Non Diversifiable Risks	658.8	684.4
Loss-Absorption through Technical Provisions	(1,188.7)	(513.2)
Loss-Absorption through Deferred Taxes	(897.7)	(1,060.4)
Group Required Capital under Partial Internal Model (SCR) – (unaudited)	4,062.4	4,653.4
Impact of Non-Life Internal Model on Non-Life Underwriting Risk	359.3	285.5
Impact of Non-Life Internal Model on Diversification between risks	(209.3)	(165.3)
Impact of Non-Life Internal Model on Loss-Absorption through Deferred Taxes	8.3	19.4
Group Required Capital under the SII Standard Formula	4,220.7	4,793.0

6.2 Ageas capital management under Solvency II – SCR_{ageas} (Pillar 2 - unaudited)

Ageas considers a strong capital base at the individual insurance operations a necessity, on the one hand as a competitive advantage and on the other as being necessary to fund the planned growth.

For its capital management Ageas uses an internal approach based on the Partial Internal Model with an adjusted spread risk, applying an Internal Model for Real Estate (as from 2016) and the removal of transitional measures (with the exception of the grandfathering of issued hybrid debt and the extension of reporting deadlines). In this adjustment, spread risk is calculated on the fundamental part of the spread risk for all bonds.

This introduces an SCR charge for EU government bonds and decreases the spread risk charge for all other bonds. Technical provisions are net present valued using an interest curve as prescribed by EIOPA, but instead of using the standard volatility adjuster the companies apply a company specific volatility adjuster or use an expected loss model, based on the composition of their specific asset portfolio. This SCR is called the SCR_{ageas}.

The SCR_{ageas} can be reconciled to the SCR Partial Internal Model as follows.

	31 December 2017	31 December 2016
Group Partial Internal Model SCR	4,062.4	4,653.4
Exclude impact General Account	(74.3)	(64.4)
Insurance Partial Internal Model SCR	3,988.1	4,589.0
Impact of Real Estate Internal Model	(303.4)	(367.0)
Additional Spread Risk	273.9	(118.6)
Less diversification	23.9	15.0
Less adjustment Technical Provision	(104.6)	35.3
Less deferred Tax Loss Mitigation	56.2	27.9
SCR_{ageas}	3,934.1	4,181.6

	31 December 2017	31 December 2016
Group Eligible Solvency II Own Funds under Partial Internal Model	7,744.1	8,111.5
Exclusion of General Account	(90.6)	(495.8)
Revaluation of Technical Provision	(161.1)	(323.7)
Recognition of Parking Concessions	212.4	166.1
Recalculation of Non Transferable	8.4	20.1
Insurance Eligible Solvency II_{ageas} Own Funds	7,713.2	7,478.2

The differences in Own Funds and SCR between Partial Internal Model and SCR_{ageas} that are shown in the tables above, result in a decrease of the Non Transferable Own Funds amounting to EUR 8 million (31 December 2016: decrease of EUR 20 million).

Capital position Ageas per segment, based on the SCR_{ageas}.

	31 December 2017			31 December 2016		
	Own Funds	SCR	Solvency Ratio	Own Funds	SCR	Solvency Ratio
Belgium	6,858.7	2,890.3	237.3%	6,943.6	2,849.6	243.7%
UK	761.7	517.5	147.2%	708.9	707.3	100.2%
Continental Europe	1,393.2	673.7	206.8%	1,184.7	934.2	126.8%
Reinsurance	116.6	48.0	242.9%	106.4	38.2	278.1%
Non Transferable Own Funds/Diversification	(1,417.0)	(195.4)		(1,465.4)	(347.7)	
Total Insurance	7,713.2	3,934.1	196.1%	7,478.2	4,181.6	178.8%
Impact of the inclusion of the General Account	160.7	76.1		662.9	76.5	
Total Ageas	7,873.9	4,010.2	196.3%	8,141.1	4,258.1	191.2%

7 Remuneration and benefits

7.1 Employee benefits

This note covers post-employment benefits, other long-term employee benefits and termination benefits. Post-employment benefits are employee benefits, such as pensions and post-employment medical care, which are payable after the end of employment. Other long-term employee benefits are employee benefits that are not (fully) due within twelve months of the period in which the employees rendered the related service, including long-service awards and long-term disability benefits. Termination benefits are employee benefits payable as a result of the premature end of the employee's employment contract.

The table below shows an overview of all the employee benefits' liabilities (assets) at Ageas.

	2017	2016
Post-employment benefits - defined benefit plans - pensions	678.6	654.2
Post-employment benefits - defined benefit plans - other	130.0	122.1
Other long-term employee benefits	16.2	15.1
Termination benefits	7.8	8.7
Total net defined benefits liabilities (assets)	832.6	800.1

Liabilities and related service cost are calculated according to the Projected Unit Credit Method. The objective of this method is to expense each participant's benefits as they would accrue taking into account future compensation increases and the plan's benefit allocation principles.

The defined benefit obligation is the net present value of the participant's attributed benefits measured at the reporting date. The current service cost is the net present value of the participant's benefits attributed to service during the year.

The pension cost includes net interest expense, calculated by applying the discount rate to the net pension liability. The discount rate is a high-quality corporate bond rate where there is an active market in such bonds, and a government bond rate in other markets.

Some assets might be restricted to their recoverable amount in the form of a reduction in future contributions or a cash refund (asset ceiling). Additionally, there might be recognition of a liability from a minimum funding requirement.

The recognition of actuarial gains and losses for post-employment benefits occurs in other comprehensive income, whereas those for other long-term employee benefits and termination benefits occur in the income statement.

7.1.1 Post-employment benefits

7.1.1.1 Defined benefit pension plans and other post-employment benefits

Ageas operates defined benefit pension plans covering the majority of its employees. Ageas's preferred approach is to replace defined benefit plans by defined contribution plans in order to better monitor and control the employer costs, to facilitate cross-country mobility and to facilitate the understanding of the benefit. However, respecting earlier commitments, Ageas still does operate defined benefit pension plans covering a large proportion of its employees.

Under defined benefit pension plans, benefits are calculated based on years of service and level of salary. Pension obligations are determined on the basis of mortality tables, employee turnover, wage drift and economic assumptions such as inflation and discount rate. Discount rates are set per country or region on the basis of the yield (at closing date) of corporate AA bonds. These defined benefit plans expose the Group to actuarial risks, such as longevity, currency, interest rate and market risk.

In addition to pensions, post-employment benefits may also include other expenses such as reimbursement of part of health insurance premiums, which continue to be granted to employees after retirement.

The following table provides details of the amounts shown in the statement of financial position as at 31 December, regarding defined benefit pension obligations and other post-employment benefits.

	Defined benefit pension plans		Other post-employment benefits	
	2017	2016	2017	2016
Present value of funded obligations	351.0	335.2		
Present value of unfunded obligations	645.8	623.2	130.0	122.1
Defined benefit obligation	996.8	958.4	130.0	122.1
Fair value of plan assets	(334.9)	(318.3)		
	661.9	640.1	130.0	122.1
Asset ceiling / minimum funding requirement	16.7	14.1		
Net defined benefit liabilities (assets)	678.6	654.2	130.0	122.1
Amounts in the statement of financial position:				
Defined benefit liabilities	678.6	654.4	130.0	122.1
Defined benefit assets		(0.2)		
Net defined benefit liabilities (assets)	678.6	654.2	130.0	122.1

Defined benefit liabilities are classified under accrued interest and other liabilities (see note 25) and defined benefit assets are classified under accrued interest and other assets (see note 16).

As Ageas is a financial institution specialising in the management of employee benefits, some of its employees' pension plans are insured by Ageas insurance companies. Under IFRS, the assets backing these pension plans are non-qualifying and consequently may not be considered plan assets. For this reason, these plans are classified as 'unfunded'.

From an economic point of view, the net defined liability is offset by the non-qualifying plan assets that are held within Ageas (2017: EUR 468.7 million; 2016: EUR 440.2 million), resulting in a net liability of EUR 209.9 million in 2017 (2016: EUR 214.1 million) for defined benefit pension obligations.

The following table reflects the changes in net defined benefit liabilities (assets) as recognised in the statement of financial position.

	Defined benefit pension plans		Other post-employment benefits	
	2017	2016	2017	2016
Net defined benefit liabilities (assets) as at 1 January	654.2	432.6	122.1	111.9
Total defined benefit expense	48.3	53.5	6.8	5.8
Employer's contributions	(3.8)	(7.4)		
Participants' contributions paid to the employer	1.8	1.4		
Benefits directly paid by the employer	(33.0)	(37.8)	(2.6)	(2.3)
Acquisitions and disposals of subsidiaries	(0.1)		(2.9)	
Transfer	12.7	119.4		
Foreign exchange differences		2.3		
Other	3.0	(0.3)	(0.7)	(0.9)
Remeasurement	(4.5)	90.5	7.3	7.6
Net defined benefit liabilities (assets) as at 31 December	678.6	654.2	130.0	122.1

The table below shows the changes in the defined benefit obligation.

	Defined benefit pension plans		Other post-employment benefits	
	2017	2016	2017	2016
Defined benefit obligation as at 1 January	958.4	733.7	122.1	111.9
Current service cost	41.1	38.1	3.8	3.6
Interest cost	16.2	17.2	2.2	2.2
Past service cost - vested benefits	1.0	5.7	0.8	
Curtailments	(0.6)	1.0		
Remeasurement	13.0	94.1	7.3	7.6
Participants' contributions	0.3	0.3		
Participants' contributions paid to the employer	1.8	1.4		
Benefits paid	(10.9)	(10.0)		
Benefits directly paid by the employer	(33.0)	(37.8)	(2.6)	(2.3)
Acquisitions and disposals of subsidiaries	(0.1)	24.6	(2.9)	
Transfer	14.5	120.5		
Foreign exchange differences	(7.3)	(30.4)		
Other	2.4		(0.7)	(0.9)
Defined benefit obligation as at 31 December	996.8	958.4	130.0	122.1

Benefits directly paid by the employer and Participants' contributions paid to the employer relate to defined benefit pension plans that are directly held within an Ageas entity.

The line item Transfer mainly reflects the impact of Belgian Defined contribution plans with a guaranteed return, being valued as Defined benefit liabilities as of 1 January 2016. Please see section 7.1.1.2 for more details.

The line item Acquisitions and disposals of subsidiaries relates to the sale of Cargeas in December 2017. Please see note 3.

The following table shows the changes in the fair value of plan assets.

Defined benefit pension plans	2017	2016
Fair value of plan assets as at 1 January	318.3	300.9
Interest income	7.9	9.0
Remeasurement (return on plan assets, excluding effect of interest rate)	20.1	8.3
Employer's contributions	3.8	7.4
Participants' contributions	0.3	0.3
Benefits paid	(10.9)	(10.0)
Acquisitions and disposals of subsidiaries		34.0
Transfer	1.8	1.1
Foreign exchange differences	(7.3)	(32.7)
Other	0.9	
Fair value of plan assets as at 31 December	334.9	318.3

The following table shows the changes in the asset ceiling and/or minimum funding requirement.

	2017	2016
Asset ceiling / minimum funding requirement as at 1 January	14.1	
Remeasurement	2.6	4.7
Acquisitions and disposals of subsidiaries		9.4
Asset ceiling / minimum funding requirement as at 31 December	16.7	14.1

The asset ceiling relates to Ageas Seguros in Portugal, with a pension fund in an overfunding position.

The following table shows the components affecting the income statement that relate to the defined benefit pension plans and other post-employment benefits for the year ended 31 December.

	Defined benefit pension plans		Other post-employment benefits	
	2017	2016	2017	2016
Current service cost	41.1	38.1	3.8	3.6
Net interest cost	8.3	8.2	2.2	2.2
Past service cost - vested benefits	1.0	5.7	0.8	
Curtailments	(0.6)	1.0		
Other	(1.5)	0.5		
Total defined benefit expense	48.3	53.5	6.8	5.8

Net interest cost and other are included in financing costs (see note 40). All other items are included in staff expenses (see note 43).

The following table shows the composition of remeasurements for the year ended 31 December.

	Defined benefit pension plans		Other post-employment benefits	
	2017	2016	2017	2016
Return on plan assets, excluding effect of interest rate	(20.1)	(8.3)		
Remeasurement on asset ceiling / minimum funding requirement	2.6	4.7		
Actuarial (gains) losses with regard to:				
- change in demographic assumptions	1.9	1.3		
- change in financial assumptions	35.4	101.6	5.2	5.9
- experience adjustments	(24.3)	(8.8)	2.1	1.7
Remeasurement on net defined liability (asset)	(4.5)	90.5	7.3	7.6

Remeasurement of the net defined benefit liability is recognised in other comprehensive income. Remeasurements of plan assets are mainly the difference between actual return on plan assets and expected discount rate. Remeasurements of defined benefit obligations reflect the change in actuarial assumptions (i.e. demographic and financial assumptions) and the experience adjustment.

Experience adjustments are actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the year and actual experience during the year.

The following table reflects the weighted average duration of the defined benefit obligation in years.

2017	Defined benefit pension plans	Other post-employment benefits
Weighted average duration of defined benefit obligation	15.7	19.9

The following table shows the principal actuarial assumptions made for the euro-zone countries.

	Defined benefit pension plans				Other post-employment benefits			
	2017		2016		2017		2016	
	Low	High	Low	High	Low	High	Low	High
Discount rate	0.5%	1.4%	0.6%	1.7%	0.8%	1.7%	1.0%	1.9%
Future salary increases (price inflation included)	0.5%	4.8%	0.5%	4.8%				
Future pension increases (price inflation included)	0.0%	1.7%	0.0%	1.8%				
Medical cost trend rates					3.8%	3.8%	3.8%	3.8%

The discount rate for pensions is weighted by the net defined benefit liability (asset) on pensions. The largest pension schemes are in Belgium, with discount rates varying from 0.50% to 1.70%. The discount rate for other post-employment benefits varied in 2017 in a range from 0.80% to 1.65%. The future salary increases varied in 2017 from 0.51% for the older employee group to 4.80% for the younger ones.

The following table shows the principal actuarial assumptions made for other countries.

Defined benefit pension plans	2017	2016
Discount rate	2.5%	3.1%
Future salary increases (price inflation included)	3.6%	3.8%
Future pension increases (price inflation included)	0.0%	0.0%

The euro-zone represents 77% of Ageas's total defined benefit obligations. Other countries include only obligations in the United Kingdom. Post-employment benefits in countries outside the euro-zone and the United Kingdom are not regarded as significant.

A one per cent change in the actuarial assumptions would have the following effect on the defined benefit obligation for defined benefit pension plans and other post-employment benefits.

	Defined benefit pension plans		Other post-employment benefits	
	2017	2016	2017	2016
Defined benefit obligation	996.8	958.4	130.0	122.1
Effect of changes in assumed discount rate:				
One-percent increase	(13.8%)	(13.8%)	(17.7%)	(17.1%)
One-percent decrease	17.7%	17.6%	24.1%	23.3%
Effect of changes in assumed future salary increase:				
One-percent increase	12.3%	12.6%		
One-percent decrease	(7.1%)	(7.3%)		
Effect of changes in assumed pension increase:				
One-percent increase	9.3%	10.1%		
One-percent decrease	(8.0%)	(8.6%)		

A one per cent change in assumed medical cost trend rates would have the following effect on the defined benefit obligation for medical costs.

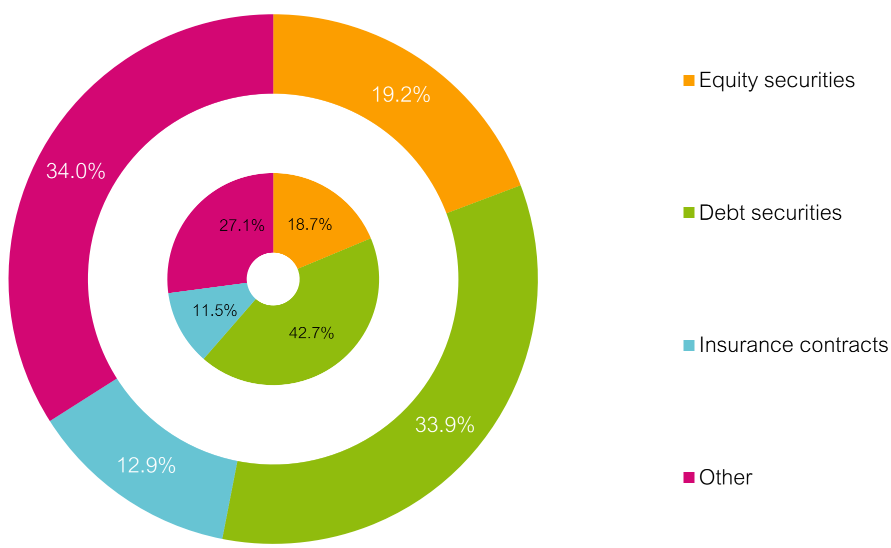
	Medical Care	
	2017	2016
Defined benefit obligation	129.2	119.9
Effect of changes in assumed medical costs and trend rates:		
One-percent increase	24.5%	24.1%
One-percent decrease	(18.5%)	(18.2%)

The asset mix of the plan assets for pension obligations is as follows.

	31 December 2017	%	31 December 2016	%
Equity securities	64.4	19.2%	59.5	18.7%
Debt securities	113.7	33.9%	135.9	42.7%
Insurance contracts	43.2	12.9%	36.8	11.5%
Real estate	41.8	12.5%	37.7	11.9%
Cash	5.3	1.6%	7.7	2.4%
Other	66.5	19.9%	40.7	12.8%
Total	334.9	100.0%	318.3	100.0%

The plan assets comprise predominantly fixed income securities, followed by equity securities, real estate (funds) and investment contracts with insurance companies. Ageas's internal investment policy stipulates that investment in derivatives and emerging markets for the purpose of funding pension plans is to be avoided. Ageas gradually adjusts its asset allocation policy to ensure a close match between the duration of assets and that of pension liabilities. The amount in 'Other' relates to two diversified funds in the United Kingdom.

The asset mix of the plan assets can be shown graphically as follows.

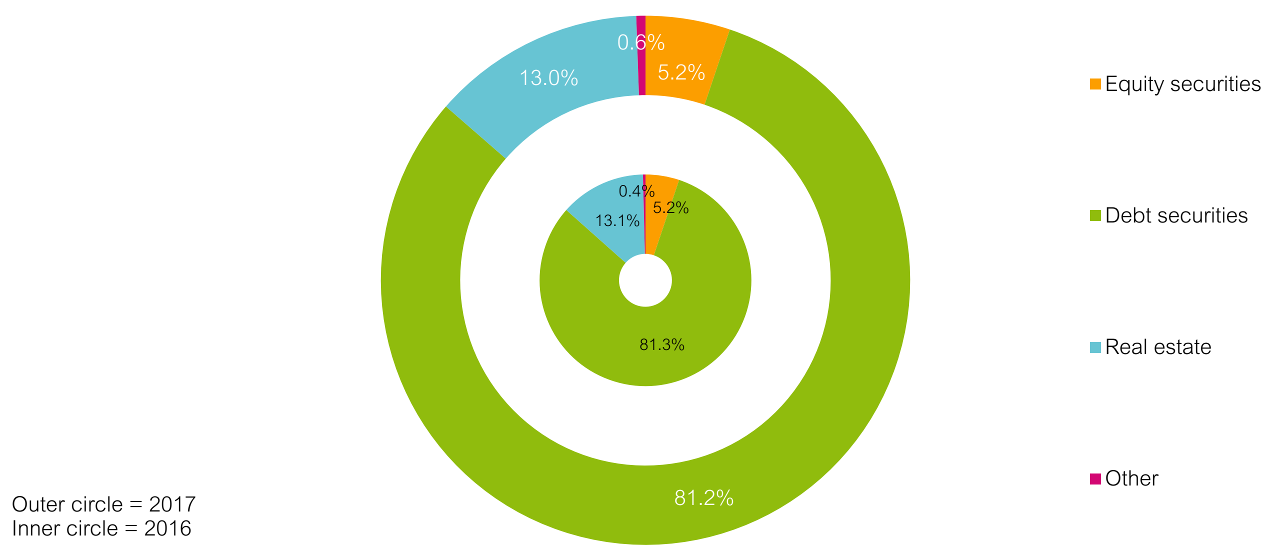


Outer circle = 2017
Inner circle = 2016

The mix of the unqualified assets for pension obligations is as follows.

	31 December 2017	%	31 December 2016	%
Equity securities	24.2	5.2%	22.7	5.2%
Debt securities	380.8	81.2%	357.9	81.3%
Real estate	61.1	13.0%	57.5	13.1%
Convertible bonds	2.8	0.6%	2.3	0.5%
Cash	(0.2)	(0.0%)	(0.2)	(0.1%)
Total	468.7	100.0%	440.2	100.0%

The mix of the unqualified assets for pension obligations can be shown graphically as follows.



The employer's contributions expected to be paid into post-employment benefit plans for the year ended 31 December 2017 are as follows.

	Defined benefit pension plans
Expected contribution next year to plan assets	6.2
Expected contribution next year to unqualified plan assets	30.3

7.1.1.2 Defined contribution plans

Ageas operates a number of defined contribution plans worldwide. The employer's commitment to a defined contribution plan is limited to the payment of contributions calculated in accordance with the plan's regulations. Employer contributions to defined contribution plans amounted to EUR 13.1 million in 2017 (2016: EUR 14.5 million) and are included in staff expenses (see note 43).

In Belgium, Ageas has defined contribution plans in accordance with the Law of 28 April 2003 regarding occupational pensions (WAP/LPC plans). These plans commit the employer to the payment of contributions as the plan's terms provide, and to guarantee a minimum return linked to Belgian government bonds yields, subject to a floor of 1.75% and a cap of 3.75%.

The law of 18 December 2015 to ensure the sustainability and social nature of occupational pensions, and to ensure the strengthening of the additional character relative to the retirement pensions, modifies the commitment of the employer to these plans. As of 1 January 2016, the interest rate guaranteed by the employer is equal to a percentage (65% for 2016 and 2017) of the average return on the Belgian linear bonds with a term of 10 years over the 24 months preceding to 1 June. This rate will take effect on 1 January of the following year. This calculation results in a guaranteed interest rate of 1.75% on 1 January 2018 (1.75% on 1 January 2017).

Because of these minimum return guarantees, WAP/LPC plans do not meet, in a strict sense, the definition of defined contribution plans of IAS 19. Although, IAS 19 does not address the accounting for hybrid plans, the law change as at 1 January 2016 facilitated accounting for those plans applying the Projected Unit Credit Method. Accordingly, Ageas has estimated the defined obligation liabilities as of 1 January 2016 under IAS 19.

7.1.2 Other long-term employee benefits

Other long-term employee benefits include long-service awards. The table below shows net liabilities. The liabilities related to other long-term employee benefits are included in the statement of financial position under accrued interest and other liabilities (see note 25).

	2017	2016
Defined benefit obligation	16.2	15.1
Net defined benefit liabilities (assets)	16.2	15.1

The following table shows the changes in liabilities for other long-term employee benefits during the year.

	2017	2016
Net liability as at 1 January	15.1	13.0
Total expense	1.7	2.7
Benefits directly paid by the employer	(0.6)	(0.6)
Net liability as at 31 December	16.2	15.1

The table below provides the range of actuarial assumptions applied when calculating the liabilities for other long-term employee benefits.

	2017		2016	
	Low	High	Low	High
Discount rate	0.80%	0.95%	1.00%	1.25%
Future salary increases	1.80%	4.80%	1.80%	4.80%

Expenses related to other long-term employee benefits are shown below. Interest cost is included in financing costs (see note 40), all other expenses are included in staff expenses (see note 43).

	2017	2016
Current service cost	1.0	0.7
Interest cost	0.2	0.2
Net actuarial losses (gains) recognised immediately	0.5	1.8
Total expense	1.7	2.7

7.1.3 Termination benefits

Termination benefits are employee benefits payable as a result of either an enterprise's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The table below shows liabilities related to termination benefits included in the statement of financial position under accrued interest and other liabilities (see note 25).

	2017	2016
Defined benefit obligation	7.8	8.7
Net defined benefit liabilities (assets)	7.8	8.7

The following table shows the changes in liabilities for termination benefits during the year.

	2017	2016
Net liability as at 1 January	8.7	10.4
Total expense	3.8	1.3
Benefits directly paid by the employer	(4.7)	(3.0)
Net liability as at 31 December	7.8	8.7

Expenses related to termination benefits are shown below. Interest cost is included in financing costs (see note 40). All other expenses are included in staff expenses (see note 43).

	2017	2016
Current service cost	3.9	1.4
Net actuarial losses (gains) recognised immediately	(0.1)	(0.1)
Total expense	3.8	1.3

7.2 Employee share option and share purchase plans

Ageas's remuneration package for its employees and Executive Committee Members may include share-related instruments.

These benefits can take the form of:
- employee share options; phantom plans
- restricted shares.

7.2.1 Employee share options

Since 2009, no new options have been granted to employees. Ageas has committed itself to fulfilling the existing option obligations towards employees of the discontinued operations. The number of options that is disclosed in this note therefore relates to current employees of Ageas and to former employees of Ageas who were employed by the discontinued operations Fortis Bank, Fortis Insurance Netherlands and Fortis Corporate Insurance.

The following option plans were outstanding as at 31 December (the exercise prices are expressed in euros).

2017	Outstanding options	Weighted average exercise price	Highest exercise price	Lowest exercise price
Lapsing year				
2018	479,690	154.32	164.60	150.60
Total	479,690	154.32		

2016	Outstanding options	Weighted average exercise price	Highest exercise price	Lowest exercise price
Lapsing year				
2017	490,187	280.20	286.20	272.30
2018	479,690	154.32	164.60	150.60
Total	969,877	217.94		

The average duration of the options outstanding at year end 2017 is 0.2 years (2016: 0.7 years). The changes in outstanding options are as follows.

	2017 Number of options	2017 Weighted average exercise price	2016 Number of options	2016 Weighted average exercise price
Balance as at 1 January	969,877	217.94	1,401,536	226.59
Lapsed	(490,187)		(431,659)	
Balance as at 31 December	479,690	154.32	969,877	217.94
On new Ageas shares	479,690		969,877	

All outstanding options in the table above are unconditional and exercisable but out of the money.

In 2017 and 2016, Ageas recorded no expenses with respect to the option plans since they are all vested. As long as the options are not exercised, they have no impact on shareholders' equity, as the expenses recorded in the income statement are offset by a corresponding increase in shareholders' equity. When the options are exercised, an amount equal to the exercise price will be transferred within shareholders' equity from reserves to share capital and premium reserve. In 2017 and 2016 no options were exercised.

The options granted by Ageas are ten-year American at-the-money call options with a five-year vesting period, the value is based on the Simple-Cox model. The volatility is based on market information of external parties.

All option plans and restricted share plans (see below) are settled by the delivery of Ageas shares rather than in cash. Some option plans and restricted share plans specifically state that existing shares must be delivered upon exercise. New shares may be issued in other cases.

7.2.2 Restricted shares

In 2015, 2014 and 2013, Ageas created a restricted share programme for its senior management. Dependent on the relative performance of Ageas shares in relation to a peer group over the next three years and some additional conditions, the senior managers will be awarded, in total:

- between zero and 167,000 existing Ageas shares for free on 1 April 2016 (plan 2013);
- between zero and 139,600 existing Ageas shares for free on 1 April 2017 (plan 2014);
- between zero and 154,440 existing Ageas shares for free on 1 April 2018 (plan 2015).

In 2017, Ageas recorded EUR 5.4 million with respect to these commitments as staff expenses (2016: EUR 5.5 million).

The grant of the restricted shares for 2014 was confirmed early 2017 and amounts to 200% of the shares conditionally granted, totalling 126,400 Ageas shares. These shares vested in April 2017.

In addition to these plans, 82,775 shares have been committed to be granted to the members of the Management Committee as a long-term incentive.

The conditions of the commitments to grant and sell restricted shares are described in note 7 section 7.3 Remuneration of Board of Directors Members and Executive Committee Members.

The table below shows the changes in commitments of restricted shares for senior management during the year.

(number of shares in '000)	2017	2016
Number of restricted shares committed to be granted as at 1 January	274	441
Restricted shares vested	(126)	(149)
Restricted shares cancelled	(4)	(18)
Number of restricted shares committed to be granted as at 31 December	144	274

The table below shows the changes in commitments of restricted shares during the year for ExCo and MCO Members.

(number of shares in '000)	2017	2016
Number of restricted shares committed to be granted as at 1 January	136	154
Restricted shares committed to grant and granted		82
Restricted shares vested	(54)	(100)
Number of restricted shares committed to be granted as at 31 December	82	136

7.3 Remuneration of Board of Directors and Executive Committee members

This note describes the Ageas Remuneration Policy as applied in 2017. It contains detailed information on the remuneration of individual Board Members and Executive Committee members who held office during 2017.

The remuneration of the Members of the Board of Directors and Group Executive Committee members has been determined in accordance with the Remuneration Policy, which was approved by the General Meetings of Shareholders of ageas SA/NV and ageas N.V. on, respectively 28 and 29 April 2010. The Remuneration Policy is attached to the Ageas Corporate Governance Charter and can be found at: https://www.ageas.com/about/remuneration.

7.3.1 Remuneration of the Board of Directors

Changes in the Board of Directors in 2017 – Remuneration 2017

The Board of Directors currently consists of thirteen members: Jozef De Mey (Chairman), Guy de Selliers de Moranville (Vice-Chairman), Lionel Perl, Jan Zegering Hadders, Katleen Vandeweyer, Jane Murphy, Richard Jackson, Lucrezia Reichlin, Yvonne Lang Ketterer, Bart De Smet (CEO), Christophe Boizard (CFO), Filip Coremans (CRO) and Antonio Cano (COO).

Katleen Vandeweyer was appointed as new independent Board member in May 2017.

Bart De Smet was re-appointed as Executive member of the Board of Directors in May 2017.

Roel Nieuwdorp decided to step down as a Member of the Board with effect as from 17 May 2017.

Regarding Board membership of Non-Executive Board Members at Ageas subsidiaries, Guy de Selliers de Moranville is Chairman of the Board of Directors of AG Insurance SA/NV and Jan Zegering Hadders is a member of this Board. Lionel Perl and Jozef De Mey are members of the Board of Directors of Ageas UK Ltd. Jozef De Mey is also Chairman of the Board of Credimo N.V. (BE) and member of the Board of Credimo Holding N.V. (BE). He is member of the Board of Muang Thai Group Holding Company Ltd. (Thailand) and of Muang Thai Life Assurance Public Company Ltd. (Thailand).

Jane Murphy replaced Roel Nieuwdorp as member of the Board of Directors of Ageas France S.A. Richard Jackson is member of the Board of Directors of Ageas Portugal Holdings SGSP (PT), of Médis (Companhia Portuguesa de Seguros de Saude S.A.) and Ocidental (Companhia Portuguesa de Seguros S.A.). To the extent that these positions are remunerated, the amounts paid out are disclosed in the following tables.

Total remuneration of Non-Executive Board Members amounted to EUR 1.26 million in the 2017 financial year (2016: EUR 1.25 million). This remuneration includes the basic remuneration for Board Membership and the attendance fees for Board Meetings and Board Committee meetings both at the level of Ageas and at its subsidiaries.

Implementation of the Remuneration Policy

In April 2010, the General Meetings of Shareholders of ageas SA/NV and ageas N.V. approved the Remuneration Policy applicable to Ageas's Non-Executive Board Members as of 1 January 2010.

The Ageas Remuneration Policy is in line with the Corporate Governance Act of 6 April 2010 and the Circular 2016 -31 of the Belgian National Bank.

The remuneration levels for the Non-Executive Board Members were approved by the General Meeting of Shareholders in April 2013 and did not change in 2017. These remuneration levels consist of a fixed annual remuneration and an attendance fee. The fixed annual remuneration amounts to EUR 90,000 for the Chairman and EUR 45,000 for the other Non-Executive Board Members. Non-Executive Board Members receive an attendance fee of EUR 2,000 per Board Meeting and EUR 1,500 per Board Committee Meeting. For the Chairman of the Board of Directors and the Board Committees, the respective attendance fees are set at EUR 2,500 per Board Meeting and EUR 2,000 per Board Committee Meeting.

On January 29th 2018 the Remuneration Committee recommended to the Board of Directors, who validated this proposal, to recommend to the General Meeting of Shareholders to increase the fixed fee for the Chairman of the Board from EUR 90,000 to EUR 120,000 and to increase the fixed fee for the Non-Executive Members of the Board from EUR 45,000 to EUR 60,000 as of January 1st 2018. The attendance fees for the Board and the Board Committees remain unchanged.

This recommendation takes into account that the remuneration of the Non-Executive Board Members and the Chairman has not been reviewed respectively since 2010 and 2013. The recommendation also takes into account the evolution of the Ageas Group over this period more specifically in terms of Total Shareholder Return (TSR) and share price. The rationale of the proposal is being confirmed by the results of the two-yearly benchmarking exercise provided by Willis Towers Watson and the chosen market reference of 80 to 120% around median of the peer group (BEL20 and European peers).

In accordance with the Policy, Non-Executive Board Members do not receive annual incentives or stock options and are not entitled to pension rights. The remuneration of the Executive Board members (the members of the Executive Committee) is related exclusively to their position as Executive Committee members and is therefore determined in line with the Remuneration Policy for Executive Committee members (see paragraph 7.3.2).

Remuneration of the Board of Directors

The remuneration received by Board of Directors Members in 2017 is mentioned in the table below. The number of Ageas shares held by Board Members at 31 December 2017 is reported in the same table.

	Function	From	Till	Remuneration in 2017 (in EUR) as Board Member of Ageas [1) 3)]		Ageas shares directly held at 31 December 2017 by current Board Members	
Jozef De Mey	Chairman	1 Jan 2017	31 Dec 2017	131,000		20,000	
Guy de Selliers de Moranville	Vice-chairman	1 Jan 2017	31 Dec 2017	90,000		264,333	5)
Roel Nieuwdorp	Non-executive Board member	1 Jan 2017	30 Apr 2017	34,000			
Lionel Perl	Non-executive Board member	1 Jan 2017	31 Dec 2017	82,000			
Jan Zegering Hadders	Non-executive Board member	1 Jan 2017	31 Dec 2017	92,000			
Jane Murphy	Non-executive Board member	1 Jan 2017	31 Dec 2017	85,500			
Richard Jackson	Non-executive Board member	1 Jan 2017	31 Dec 2017	73,500			
Lucrezia Reichlin	Non-executive Board member	1 Jan 2017	31 Dec 2017	75,500			
Katleen Vandeweyer	Non-executive Board member	1 Jun 2017	31 Dec 2017	39,750			
Yvonne Lang Ketterer	Non-executive Board member	1 Jan 2017	31 Dec 2017	81,000			
Bart De Smet	Chief Executive Officer (CEO)	1 Jan 2017	31 Dec 2017	See infra	2)	20,457	4)
Christophe Boizard	Chief Financial Officer (CFO)	1 Jan 2017	31 Dec 2017	See infra	2)	16,366	4)
Filip Coremans	Chief Risk Officer (CRO)	1 Jan 2017	31 Dec 2017	See infra	2)	3,610	4)
Antonio Cano	Chief Operating Officer (COO)	1 Jan 2017	31 Dec 2017	See infra	2)	7,476	4)
Total				784,250		332,242	

1) *Board Members also receive an attendance fee for committee meetings they attend as invitee.*
2) *The Executive Board members are not remunerated as Board Members, but as Executive Committee members (see note 7.3.2 for details of their remuneration).*
3) *Excluding reimbursement of expenses.*
4) *Not including the shares committed to be granted as LTI.*
5) *Shares held indirectly via trusts.*

The remuneration received by Board of Directors Members in 2017 for their mandates at subsidiaries of Ageas is mentioned in the table below.

	From	Till	Total Remuneration in 2017 (in EUR) as member of the Board of Directors of Ageas subsidiaries	2)
Jozef De Mey	1 Jan 2017	31 Dec 2017	162,710	
Guy de Selliers de Moranville	1 Jan 2017	31 Dec 2017	57,000	
Roel Nieuwdorp	1 Jan 2017	30 Apr 2017	60,000	
Lionel Perl	1 Jan 2017	31 Dec 2017	59,256	
Jan Zegering Hadders	1 Jan 2017	31 Dec 2017	57,500	
Jane Murphy	1 Jan 2017	31 Dec 2017	50,630	
Richard Jackson	1 Jan 2017	31 Dec 2017	25,000	
Lucrezia Reichlin	1 Jan 2017	31 Dec 2017		
Katleen Vandeweyer	1 Jun 2017	31 Dec 2017		
Yvonne Lang Ketterer	1 Jan 2017	31 Dec 2017		
Bart De Smet	1 Jan 2017	31 Dec 2017	See infra	1)
Christophe Boizard	1 Jan 2017	31 Dec 2017	See infra	1)
Filip Coremans	1 Jan 2017	31 Dec 2017	See infra	1)
Antonio Cano	1 Jan 2017	31 Dec 2017	See infra	1)
Total			472,096	

1) *The Executive Board members are not remunerated as Board Members, but as Executive Committee members (see note 7.3.2 for details of their remuneration).*
2) *Excluding reimbursement of expenses.*

7.3.2 Remuneration of Ageas Executive Committee Members

At 31 December 2017, the Executive Committee of Ageas was composed of Bart De Smet (CEO), Christophe Boizard (CFO), Filip Coremans (CRO) and Antonio Cano (COO). All members of the Executive Committee are executive members of the Board of Directors.

In 2017, the total cash remuneration including pension contributions and fringe benefits of the Executive Committee amounted to EUR 4,400,710 compared to EUR 3,803,583 in 2016. This comprised:

- a base remuneration of EUR 2,000,000 (compared to EUR 2,000,000 in 2016);
- a short-term incentive (STI) of EUR 1,394,776 in 2017 (compared to EUR 805,949 in 2016). In line with the approved Remuneration Policy, only 50% of the short-term incentive for 2015 was paid in 2016, 25% was adjusted and paid in 2017, the remainder is to be adjusted and paid in 2018. Additionally, only 50% of the short-term incentive for 2016 was paid in 2017, the remainder is to be adjusted and paid in 2018 and 2019. The STI for the 2017 financial year will be paid partly in 2018, 2019 and 2020;
- pension costs of EUR 701,487 (excluding taxes) (compared to EUR 690,641 in 2016);
- an amount of EUR 304,447 (compared to EUR 306,993 in 2016) representing other usual benefits, such as health, death, disability cover and company car;
- no termination compensation was paid in 2017.

Taking into account the Ageas business score over 2017, the long-term incentive (LTI) is granted at 200% of the target, this resulted in a conditional granting of 43,178 shares (based on a VWAP of EUR 41.6875 over the month of February 2018) for a total amount of EUR 1,800,000 (compared to 2016 when there was no granting of the LTI-plan). These shares are blocked until 2023 and the number of shares can be adjusted taking into account the relative TSR ranking of the Ageas share over the performance period.

The remuneration of each Executive Committee member is further detailed below.

Remuneration Policy

The Remuneration Policy for the members of the Executive Management was determined by the Board of Directors, upon proposals by the Remuneration Committee, approved in April 2010 and amended in April 2011 by the General Meetings of Shareholders of ageas SA/NV and ageas N.V. For more detailed information on the remuneration applicable to the Ageas Executive Committee members, please refer to the Report of the Remuneration Committee.

The remuneration package is part of a contract specifying terms and conditions: a description of the components of the package, termination clauses and various other clauses such as confidentiality and exclusivity. With effect from 1 December 2009, the contracts have included a termination indemnity in accordance with the regulations laid down by the Belgian government.

The members of the Executive Committee are self-employed.

Remuneration of the ExCo Members in 2017

The remuneration of the Executive Committee Members, who are all member of the Board of Directors, relates solely to their position as Member of the Executive Committee.

CEO

The remuneration of Bart De Smet has been determined after consultation with an external firm specialising in executive compensation and benefits, upon the recommendation of the Remuneration Committee and in accordance with the Remuneration Policy.

Bart De Smet’s remuneration in 2017 was comprised of:

- a base remuneration of EUR 650,000, unchanged in comparison to 2016;
- a short-term incentive of EUR 566,150. In line with the Remuneration Policy, he will be paid EUR 483,938 during 2018 of which:
  - EUR 283,075 corresponding to 50% of the STI of EUR 566,150 is related to the 2017 financial year. The rest will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
  - EUR 107,902 corresponding to 25% of the STI for the 2016 financial year, after upward revision of the initial amount of EUR 77,188 taking into account the 2017 result. The rest will be paid next year, subject to – upward or downward – revision, and;
  - EUR 92,961 corresponding to 25% of the STI for the 2015 financial year, after upward revision of the initial amount of EUR 86,250, taking into account the 2016 and 2017 results;
- an amount of EUR 240,080 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 82,931 representing other usual benefits such as health, death, disability cover and company car.
- The LTI-plan was granted at 200% of the target which resulted in a grant of 14,033 shares for an amount of EUR 585,000. This in comparison to 2016 when there was no granting of the LTI-plan.

Other members of the Executive Committee

In 2017, the remuneration of Christophe Boizard, CFO comprised:

- a base remuneration of EUR 450,000, unchanged in comparison to 2016;
- a short-term incentive of EUR 360,225. In line with the Remuneration Policy, he will be paid EUR 316,086 during 2018 of which:
  - EUR 180,113 corresponding to 50% of the STI of EUR 360,225 is related to the 2017 financial year. The rest will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
  - EUR 68,625 corresponding to 25% of the STI for the 2016 financial year, after upward revision of the initial amount of EUR 47,363 taking into account the 2017 result. The rest will be paid next year subject to – upward or downward – revision;
  - EUR 67,348 corresponding to 25% of the STI for the 2015 financial year, after upward revision of the initial amount of EUR 62,100, taking into account the 2016 and 2017 results;
- an amount of EUR 163,257 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 88,999 representing other usual benefits such as health, death, disability cover and company car.
- The LTI-plan was granted at 200% of the target which resulted in a grant of 9,715 shares for an amount of EUR 405,000. This in comparison to 2016 when there was no granting of the LTI-plan.

In 2017, the remuneration of Filip Coremans, CRO comprised:

- a base remuneration of EUR 450,000, unchanged in comparison to 2016;
- a short-term incentive of EUR 376,425. In line with the Remuneration Policy, he will be paid EUR 327,004 during 2018 of which:
  - EUR 188,213 corresponding to 50% of the STI of EUR 376,425 related to the 2017 financial year. The rest will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
  - EUR 71,834 corresponding to 25% of the STI for the 2016 financial year, after upward revision of the initial amount of EUR 50,569 taking into account the 2017 result. The rest will be paid next year subject to – upward or downward – revision;
  - EUR 66,957 corresponding to 25% of the STI for the 2015 financial year, after upward revision of the initial amount of EUR 61,997, taking into account the 2016 and 2017 result;
- an amount of EUR 158,554 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 62,130 representing other usual benefits such as health, death, disability cover and company car.
- The LTI-plan was granted at 200% of the target which resulted in a grant of 9,715 shares for an amount of EUR 405,000. This in comparison to 2016 when there was no granting of the LTI-plan.

In 2017, the remuneration of Antonio Cano, COO comprised:

- a base remuneration of EUR 450,000, unchanged in comparison to 2016;
- a short-term incentive of EUR 365,625. In line with the Remuneration Policy, he will be paid EUR 267,748 during 2018 of which:
  - EUR 182,813 corresponding to 50% of the STI of EUR 365,625 is related to the 2017 financial year. The rest will be paid in the next two years, subject to – upward or downward – revision as foreseen in the Remuneration Policy;
  - EUR 68,793 corresponding to 25% of the STI for the 2016 financial year, after upward revision of the initial amount of EUR 47,532 taking into account the 2017 result. The rest will be paid next year, subject to – upward or downward – revision;
  - EUR 16,142 corresponding to 25% of the STI for the 2015 financial year, after upward revision of the initial amount of EUR 14,902 taking into account the 2017 result;
- an amount of EUR 139,596 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 70,387 representing other usual benefits such as health, death, disability cover and company car.
- The LTI-plan was granted at 200% of the target which resulted in a grant of 9,715 shares for an amount of EUR 405,000. This in comparison to 2016 when there was no granting of the LTI-plan.

Long-term incentive

As mentioned above, the LTI-plan was granted at 200% of the target which resulted in a grant of 43,178 shares for an amount of EUR 1,800,000. This in comparison to 2016 when there was no granting of a long-term incentive. The table below gives an overview of the number of shares granted in previous years. These shares only vest on 30 June of N+4 and are adjusted taking into account performance over the intermediate period.

	Number of shares committed to be granted for 2013	Number of shares committed to be granted for 2014	Number of shares committed to be granted for 2015	Number of shares committed to be granted for 2016	Number of shares committed to be granted for 2017
Bart De Smet	10,101		15,084		14,033
Christophe Boizard	7,466		11,805		9,715
Filip Coremans			11,149		9,715
Antonio Cano	4,684		8,230		9,715
Total	22,251		46,268		43,178

The shares committed to be granted for the LTI-plan 2013 vested on 30 June 2017. The number of shares was adjusted taking into account the evolution over the years 2014, 2015 and 2016. The table below gives an overview of the LTI-plan 2013.

	Number of shares committed to be granted for 2013	Adjusted number vested on 30 June 2017	Number of shares sold to finance Income tax	Number of shares blocked till 1 January 2019
Bart De Smet	10,101	9,437	2,437	7,000
Christophe Boizard	7,466	6,890	3,373	3,517
Filip Coremans				
Antonio Cano	4,684	4,372	2,140	2,232
Total	22,251	20,699	7,950	12,749

The shares of Antonio Cano over 2013 relate solely to his mandate as CEO of AG Insurance.

Before appointment

Details of the share options (granted) awarded to the ExCo members in relation to their previous positions with the Group are as follows.

	Year	Number of options granted	Exercise price	Expiry date	Exercised before 2017	Options exercised in 2017	Outstanding at 31 December 2017
Filip Coremans	2008	4,000	16.46	05-03-2018			4,000

In the table above, the number of options granted and the exercise price relate to the share units prior to the reverse stock split in August 2012. To express them as current shares and at current share prices, the number of options has to be divided by ten and the exercise price multiplied by ten.

Details of the restricted shares (granted), relating to the Restricted Stock Unit plans awarded to the ExCo Members in relation to their previous positions with the Group are as follows.

	Year	Number of RSU granted	Vesting date	Vested in 2017	Sold in 2017	RSU committed to be granted at 31 December 2017
Filip Coremans	2014	800	1-04-2017	1,600	1,600	

8 Related parties

Parties related to Ageas include associates, pension funds, Board Members (i.e. Non-Executive and Executive Members of the Ageas Board of Directors), executive managers, close family members of any individual referred to above, entities controlled or significantly influenced by any individual referred to above and other related entities. Ageas frequently enters into transactions with related parties in the course of its business operations. Such transactions mainly concern loans, deposits and reinsurance contracts and are entered into under the same commercial and market terms that apply to non-related parties.

Ageas companies may grant credits, loans or guarantees in the normal course of business to Board Members and executive managers or to close family members of the Board Members or close family members of executive managers.

As at 31 December 2017, no outstanding loans, credits or bank guarantees had been granted to Board Members and executive managers or to close family members of the Board members and close family members of executive managers.

Transactions entered into with the following related parties during the year ended 31 December are summarised below:

- associates;
- other related parties such as pension funds;
- Board Members.

In 2013, a transaction took place between ageas SA/NV and one of its independent Board members, Mr Guy de Selliers de Moranville. The transaction relates to the renting by ageas SA/NV of one of his properties. This property is regarded as an appropriate venue to host VIP-guests of the Board and Executive Management and is rented at an annual rent of EUR 50,000.

Management considers the transaction with Mr Guy de Selliers de Moranville to be concluded at arm's length.

There were no changes in the related party transactions compared to year-end 2016.

The tables below show the items in the income statement and statement of financial position in which amounts for related parties are included.

			2017			2016
	Associates	Other	Total	Associates	Other	Total
Income statement - related parties						
Interest income	14.6		14.6	23.8	2.3	26.1
Fee and commission income	12.7		12.7	14.7		14.7
Other income	1.9		1.9	0.6		0.6
Fee and commission expenses	(28.5)		(28.5)	(26.8)		(26.8)

			2017			2016
	Associates	Other	Total	Associates	Other	Total
Statement of financial position - related parties						
Financial Investments	86.0		86.0	105.2		105.2
Due from customers	249.0		249.0	339.9	12.4	352.3
Other assets	9.2		9.2	6.9		6.9
Debt certificates, subordinated liabilities and other borrowings	2.9		2.9	1.7		1.7
Other liabilities	3.9		3.9	3.7		3.7

The changes in loans to related parties during the year ended 31 December are as follows.

	2017	2016
Related party loans as at 1 January	352.3	424.9
Additions or advances	105.7	59.3
Repayments	(209.0)	(125.2)
Foreign exchange differences		(6.7)
Related party loans as at 31 December	249.0	352.3

9

Information on operating segments

9.1 General information

Operating segments

Ageas is organised in six operating segments:

- Belgium;
- United Kingdom (UK);
- Continental Europe;
- Asia;
- Reinsurance;
- General Account.

Ageas has decided that the most appropriate way of reporting operating segments under IFRS is per region in which Ageas operates, i.e. Belgium, United Kingdom, Continental Europe, Asia and Reinsurance. In addition, Ageas reports activities that are not related to the core insurance business, such as Group financing and other holding activities, in the General Account, which is treated as a separate operating segment.

This segment approach is consistent with the scopes of management responsibilities.

Transactions between the different businesses are executed under standard commercial terms and conditions.

Allocation rules

In accordance with Ageas's business model, insurance companies report support activities directly in their operating segments.

When allocating items from the statement of financial position to operating segments, a bottom-up approach is used based on the products sold to external customers.

For the items in the statement of financial position not related to products sold to customers, a tailor-made methodology adapted to the specific business model of each reportable segment is applied.

9.2 Belgium

The Belgian insurance activities, operating under the name of AG Insurance, have a longstanding history. The company serves approximately 3.5 million customers and its Gross inflow amounted EUR 5.7 billion in 2017. Some 66% of this income came from Life insurance; the remainder from Non-life insurance. AG Insurance is also 100% owner of AG Real Estate, which manages AG's real estate activities.

AG Insurance targets private individuals as well as small, medium-sized and large companies. It offers its customers a comprehensive range of Life and Non-life insurance through various channels such as independent brokers and via the bank channels of BNP Paribas Fortis SA/NV and its subsidiaries. AG Employee Benefits is the dedicated business unit offering group pension and health care solutions, mainly to larger enterprises. Since May 2009, BNP Paribas Fortis SA/NV owns 25% of AG Insurance.

9.3 United Kingdom (UK)

Ageas' UK business is one of the established general insurers in the UK, adopting a multi-channel distribution strategy across brokers, affinity partners and direct distribution. The vision is to profitably grow in the UK general insurance market through the delivery of a wide range of insurance solutions, focusing on personal lines and commercial lines small business.

9.4 Continental Europe

Continental Europe consists of the insurance activities of Ageas in Europe, excluding Belgium and the United Kingdom. Ageas is active in five markets: Portugal, France, Italy, Luxembourg and Turkey. The product range includes Life (in Portugal, France and Luxembourg) and Non-life (in Portugal, Italy and Turkey). Access to markets is facilitated by a number of key partnerships with companies having a sizeable position in their respective markets.

In 2017, about 70% of total inflows were Life related and the remainder was Non-life related.

In the fourth quarter of 2017, Ageas sold its fully consolidated Non-life insurance business in Italy.

9.5 Asia

Ageas is active in a number of countries in Asia with its regional office based in Hong Kong. The activities are organised in the form of joint ventures with leading local partners and financial institutions in China (20-24.9% owned by Ageas), Malaysia (30.95% owned by Ageas), Thailand (15-31% owned by Ageas), India (26% owned by Ageas), Philippines (50% owned by Ageas) and Vietnam (29% owned by Ageas and 3% through Muang Thai Life). These activities are accounted for as equity associates under IFRS.

In the second quarter of 2016, Ageas sold its fully consolidated Life insurance business in Hong Kong.

9.6 Reinsurance

Intreas is the internal Non-life reinsurer of Ageas, established in 2015 with the aim to optimize Ageas's Group Non-life reinsurance programmes. Being an internal reinsurer, intragroup transactions are eliminated in the consolidation process at Ageas Group level (Total Insurance).

Intreas started writing business in the second half of 2015 and is gradually building a larger book of business.

9.7 General Account

The General Account comprises activities not related to the core insurance business, such as Group financing and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments, the liabilities related to RPN(I) and the written put option on AG Insurance.

9.8 Statement of financial position by operating segment

31 December 2017	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Assets										
Cash and cash equivalents	1,022.6	232.0	425.1	4.4	22.5		1,706.6	845.7		2,552.3
Financial investments	51,111.3	2,112.0	9,819.3		106.6		63,149.2	232.6	(9.0)	63,372.8
Investment property	2,579.7	23.1	46.3				2,649.1			2,649.1
Loans	8,606.4	60.5	22.4				8,689.3	1,388.4	(661.7)	9,416.0
Investments related to unit-linked contracts	7,979.1		7,848.2				15,827.3			15,827.3
Investments in associates	526.7	102.8	249.5	2,037.7			2,916.7	21.4	3.5	2,941.6
Reinsurance and other receivables	769.4	904.3	279.9	0.7	9.8	(24.4)	1,939.7	251.0	(4.8)	2,185.9
Current tax assets	14.0	0.9	25.1				40.0			40.0
Deferred tax assets	24.3	53.9	71.5				149.7			149.7
Accrued interest and other assets	1,406.7	248.9	193.8	0.3	3.2		1,852.9	99.7	(94.8)	1,857.8
Property, plant and equipment	1,112.6	51.3	19.2				1,183.1	0.8		1,183.9
Goodwill and other intangible assets	430.1	243.5	448.1				1,121.7	0.9		1,122.6
Assets held for sale	41.8						41.8			41.8
Total assets	75,624.7	4,033.2	19,448.4	2,043.1	142.1	(24.4)	101,267.1	2,840.5	(766.8)	103,340.8
Liabilities										
Liabilities arising from Life insurance contracts	23,994.4		3,494.0				27,488.4		(7.6)	27,480.8
Liabilities arising from Life investment contracts	26,374.0		4,976.6				31,350.6			31,350.6
Liabilities related to unit-linked contracts	7,979.1		7,837.1				15,816.2			15,816.2
Liabilities arising from Non-life insurance contracts	3,937.4	2,797.3	841.1		20.1	(20.9)	7,575.0			7,575.0
Subordinated liabilities	1,302.5	195.5	175.0				1,673.0	1,250.0	(661.7)	2,261.3
Borrowings	1,934.6	0.4	34.3				1,969.3			1,969.3
Current tax liabilities	36.6	1.7	34.3				72.6			72.6
Deferred tax liabilities	982.5		65.5				1,048.0	6.9		1,054.9
RPN(I)								448.0		448.0
Accrued interest and other liabilities	1,883.7	164.8	313.5	6.7	9.5	(3.5)	2,374.7	121.2	(83.8)	2,412.1
Provisions	28.9	22.0	6.3				57.2	1,120.9		1,178.1
Liabilities related to written put options on NCI	110.7						110.7	1,449.0		1,559.7
Total liabilities	68,564.4	3,181.7	17,777.7	6.7	29.6	(24.4)	89,535.7	4,396.0	(753.1)	93,178.6
Shareholders' equity	5,095.8	851.5	1,385.2	2,036.4	112.5	0.4	9,481.8	143.1	(14.0)	9,610.9
Non-controlling interests	1,964.5		285.5			(0.4)	2,249.6	(1,698.6)	0.3	551.3
Total equity	7,060.3	851.5	1,670.7	2,036.4	112.5		11,731.4	(1,555.5)	(13.7)	10,162.2
Total liabilities and equity	75,624.7	4,033.2	19,448.4	2,043.1	142.1	(24.4)	101,267.1	2,840.5	(766.8)	103,340.8
Number of employees	6,229	3,324	1,495	69	4		11,121	139		11,260

31 December 2016	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Assets										
Cash and cash equivalents	869.2	157.0	335.8	5.0	13.3		1,380.3	800.6		2,180.9
Financial investments	53,694.5	2,273.9	10,136.9		99.2		66,204.5	377.2	(10.3)	66,571.4
Investment property	2,684.0	24.3	64.2				2,772.5			2,772.5
Loans	7,807.8	63.6	24.2				7,895.6	1,458.0	(668.6)	8,685.0
Investments related to unit-linked contracts	7,164.4		7,191.3				14,355.7			14,355.7
Investments in associates	469.2	76.4	251.3	2,005.4			2,802.3	46.9	6.5	2,855.7
Reinsurance and other receivables	833.9	780.6	333.2	0.8	24.4	(27.1)	1,945.8	252.8	(6.3)	2,192.3
Current tax assets		38.5	28.6				67.1			67.1
Deferred tax assets	41.1	25.7	104.7				171.5			171.5
Accrued interest and other assets	1,387.0	264.9	249.4	0.3	1.6		1,903.2	129.0	(126.1)	1,906.1
Property, plant and equipment	1,105.8	57.0	8.9				1,171.7	0.6		1,172.3
Goodwill and other intangible assets	404.6	253.8	559.3				1,217.7			1,217.7
Assets held for sale	145.3						145.3			145.3
Total assets	76,606.8	4,015.7	19,287.8	2,011.5	138.5	(27.1)	102,033.2	3,065.1	(804.8)	104,293.5
Liabilities										
Liabilities arising from Life insurance contracts	24,670.3		3,555.9				28,226.2		(8.1)	28,218.1
Liabilities arising from Life investment contracts	27,162.0		4,740.2				31,902.2			31,902.2
Liabilities related to unit linked contracts	7,164.4		7,188.9				14,353.3			14,353.3
Liabilities arising from Non-life insurance contracts	3,886.7	2,694.6	1,388.8		29.9	(24.8)	7,975.2			7,975.2
Subordinated liabilities	1,363.9	202.4	175.0				1,741.3	1,250.0	(668.6)	2,322.7
Borrowings	2,355.7	102.8	37.3				2,495.8			2,495.8
Current tax liabilities	56.7	1.4	36.1				94.2			94.2
Deferred tax liabilities	1,285.4		63.0				1,348.4	2.2		1,350.6
RPN(I)								275.0		275.0
Accrued interest and other liabilities	2,028.3	193.4	372.5	7.4	4.4	(2.5)	2,603.5	173.4	(117.6)	2,659.3
Provisions	23.7	6.0	8.9				38.6	1,028.6		1,067.2
Liabilities related to written put options on NCI	108.9						108.9	1,266.0		1,374.9
Total liabilities	70,106.0	3,200.6	17,566.6	7.4	34.3	(27.3)	90,887.6	3,995.2	(794.3)	94,088.5
Shareholders' equity	4,682.8	815.1	1,350.0	2,004.1	104.2	0.7	8,956.9	614.8	(11.1)	9,560.6
Non-controlling interests	1,818.0		371.2			(0.5)	2,188.7	(1,544.9)	0.6	644.4
Total equity	6,500.8	815.1	1,721.2	2,004.1	104.2	0.2	11,145.6	(930.1)	(10.5)	10,205.0
Total liabilities and equity	76,606.8	4,015.7	19,287.8	2,011.5	138.5	(27.1)	102,033.2	3,065.1	(804.8)	104,293.5
Number of employees	6,208	3,953	1,714	67	4		11,946	134		12,080

9.9 Income statement by operating segment

2017	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*4,992.6*	*1,546.2*	*1,907.2*		*52.0*	*(52.0)*	*8,446.0*		*(1.0)*	*8,445.0*
Change in unearned premiums	*1.5*	*46.2*	*(0.7)*				*47.0*			*47.0*
- *Ceded earned premiums*	*(61.0)*	*(99.2)*	*(103.2)*		*(26.1)*	*52.0*	*(237.5)*			*(237.5)*
Net earned premiums	4,933.1	1,493.2	1,803.3		25.9		8,255.5		(1.0)	8,254.5
Interest, dividend and other investment income	2,462.4	55.6	239.1		1.5		2,758.6	26.9	(31.5)	2,754.0
Unrealised gain (loss) on RPN(I)								*(173.0)*		(173.0)
Result on sales and revaluations	146.6	26.3	88.7				261.6	16.9		278.5
Income related to investments for unit-linked contracts	317.5		468.4				785.9			785.9
Share in result of associates	49.1	13.3	25.8	319.5			407.7	2.1		409.8
Fee and commission income	135.5	18.2	126.2		2.0	(2.1)	279.8			279.8
Other income	111.7	47.3	6.3	5.7		(2.4)	168.6	7.2	(16.1)	159.7
Total income	8,155.9	1,653.9	2,757.8	325.2	29.4	(4.5)	12,917.7	(119.9)	(48.6)	12,749.2
Expenses										
- *Insurance claims and benefits, gross*	*(5,010.2)*	*(1,257.0)*	*(1,477.9)*		*(25.9)*	*9.3*	*(7,761.7)*		*(0.3)*	*(7,762.0)*
- *Insurance claims and benefits, ceded*	*17.9*	*236.6*	*41.8*		*12.7*	*(9.3)*	*299.7*			*299.7*
Insurance claims and benefits, net	*(4,992.3)*	*(1,020.4)*	*(1,436.1)*		*(13.2)*		*(7,462.0)*		*(0.3)*	(7,462.3)
Charges related to unit-linked contracts	(362.8)		(524.5)				(887.3)			(887.3)
Financing costs	(103.4)	(10.2)	(14.3)				(127.9)	(21.6)	32.7	(116.8)
Change in impairments	(18.1)		(3.7)				(21.8)			(21.8)
Change in provisions	0.7		0.6				1.3	(100.6)		(99.3)
Fee and commission expenses	(620.3)	(288.3)	(198.5)		(5.7)	2.1	(1,110.7)			(1,110.7)
Staff expenses	(520.7)	(156.7)	(94.6)	(20.4)			(792.4)	(33.0)		(825.4)
Other expenses	(743.0)	(143.6)	(184.7)	(12.1)	(2.7)	2.4	(1,083.7)	(49.9)	16.2	(1,117.4)
Total expenses	(7,359.9)	(1,619.2)	(2,455.8)	(32.5)	(21.6)	4.5	(11,484.5)	(205.1)	48.6	(11,641.0)
Result before taxation	796.0	34.7	302.0	292.7	7.8		1,433.2	(325.0)		1,108.2
Tax income (expenses)	(177.5)	(5.7)	(63.3)				(246.5)	(11.7)		(258.2)
Net result for the period	618.5	29.0	238.7	292.7	7.8		1,186.7	(336.7)		850.0
Attributable to non-controlling interests	180.7		46.1				226.8			226.8
Net result attributable to shareholders	437.8	29.0	192.6	292.7	7.8		959.9	(336.7)		623.2
Total income from external customers	8,165.0	1,670.2	2,765.5	325.0			12,925.7	(176.5)		12,749.2
Total income internal	(9.1)	(16.3)	(7.7)	0.2	29.4	(4.5)	(8.0)	56.6	(48.6)	
Total income	8,155.9	1,653.9	2,757.8	325.2	29.4	(4.5)	12,917.7	(119.9)	(48.6)	12,749.2
Non-cash expenses (excl. depreciation & amortisation)	(111.6)		(0.1)				(111.7)	(100.6)		(212.3)

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be presented as follows.

2017	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	4,992.6	1,546.2	1,907.2		52.0	(52.0)	8,446.0		(1.0)	8,445.0
Inflow deposit accounting	704.0		910.6				1,614.6			1,614.6
Gross inflow	5,696.6	1,546.2	2,817.8		52.0	(52.0)	10,060.6		(1.0)	10,059.6

2016	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*5,659.2*	*1,719.8*	*1,754.1*	*143.9*	*41.1*	*(41.1)*	*9,277.0*		*(0.3)*	*9,276.7*
- *Change in unearned premiums*	*4.9*	*(10.8)*	*(3.8)*				*(9.7)*			*(9.7)*
- *Ceded earned premiums*	*(56.2)*	*(110.6)*	*(100.9)*	*(12.1)*	*(27.0)*	*41.1*	*(265.7)*			*(265.7)*
Net earned premiums	5,607.9	1,598.4	1,649.4	131.8	14.1		9,001.6		(0.3)	9,001.3
Interest, dividend and other investment income	2,544.4	68.2	270.9	50.6	1.2		2,935.3	36.4	(33.0)	2,938.7
Unrealised gain (loss) on RPN(I)								82.7		82.7
Result on sales and revaluations	209.5	11.8	25.6	203.2	(0.5)		449.6	196.1		645.7
Income related to investments for unit-linked contracts	231.5		224.8	(30.6)			425.7			425.7
Share in result of associates	17.5	(20.7)	17.1	210.0			223.9	25.9		249.8
Fee and commission income	126.3	106.0	109.5	28.3	1.9	(1.2)	370.8			370.8
Other income	150.7	36.2	17.0	8.9		(4.3)	208.5	7.9	(17.0)	199.4
Total income	8,887.8	1,799.9	2,314.3	602.2	16.7	(5.5)	13,615.4	349.0	(50.3)	13,914.1
Expenses										
Insurance claims and benefits, gross	*(5,929.9)*	*(1,372.0)*	*(1,413.6)*	*(113.2)*	*(28.3)*	*22.1*	*(8,834.9)*		*0.8*	*(8,834.1)*
Insurance claims and benefits, ceded	*58.4*	*82.7*	*30.2*	*4.5*	*20.7*	*(22.1)*	*174.4*			*174.4*
Insurance claims and benefits, net	(5,871.5)	(1,289.3)	(1,383.4)	(108.7)	(7.6)		(8,660.5)		0.8	(8,659.7)
Charges related to unit-linked contracts	(260.9)		(255.7)	27.9			(488.7)			(488.7)
Financing costs	(112.5)	(9.0)	(32.3)	(17.9)			(171.7)	(28.0)	32.5	(167.2)
Change in impairments	(28.7)		(18.0)	(5.2)			(51.9)	(12.8)		(64.7)
Change in provisions	(0.2)		0.1				(0.1)	(892.6)		(892.7)
Fee and commission expenses	(632.2)	(321.7)	(185.1)	(35.0)	(4.5)	1.2	(1,177.3)			(1,177.3)
Staff expenses	(502.6)	(190.0)	(86.8)	(36.3)			(815.7)	(39.2)	8.9	(846.0)
Other expenses	(763.7)	(174.5)	(160.9)	(31.5)	(2.0)	4.3	(1,128.3)	(62.9)	8.1	(1,183.1)
Total expenses	(8,172.3)	(1,984.5)	(2,122.1)	(206.7)	(14.1)	5.5	(12,494.2)	(1,035.5)	50.3	(13,479.4)
Result before taxation	715.5	(184.6)	192.2	395.5	2.6		1,121.2	(686.5)		434.7
Tax income (expenses)	(170.7)	28.6	(61.1)	(1.3)			(204.5)	(7.4)		(211.9)
Net result for the period	544.8	(156.0)	131.1	394.2	2.6		916.7	(693.9)		222.8
Attributable to non-controlling interests	154.2		41.3				195.5		0.2	195.7
Net result attributable to shareholders	390.6	(156.0)	89.8	394.2	2.6		721.2	(693.9)	(0.2)	27.1
Total income from external customers	8,893.2	1,808.5	2,319.8	602.2			13,623.7	279.2		13,902.9
Total income internal	(5.4)	(8.6)	(5.5)		16.7	(5.5)	(8.3)	69.8	(50.3)	11.2
Total income	8,887.8	1,799.9	2,314.3	602.2	16.7	(5.5)	13,615.4	349.0	(50.3)	13,914.1
Non-cash expenses (excl. depreciation & amortisation)	(83.6)		(9.2)	(36.3)			(129.1)	(893.3)		(1,022.4)

Gross inflow (sum of gross written premiums and premium inflow from investment contracts without discretionary participation features) can be presented as follows.

2016	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	5,659.2	1,719.8	1,754.1	143.9	41.1	(41.1)	9,277.0		(0.3)	9,276.7
Inflow deposit accounting	405.7		888.6	39.4			1,333.7			1,333.7
Gross inflow	6,064.9	1,719.8	2,642.7	183.3	41.1	(41.1)	10,610.7		(0.3)	10,610.4

9.10 Statement of financial position split into Life and Non-life

31 December 2017	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Assets							
Cash and cash equivalents	1,249.1	457.5		1,706.6	845.7		2,552.3
Financial investments	56,111.2	7,038.0		63,149.2	232.6	(9.0)	63,372.8
Investment property	2,411.6	237.5		2,649.1			2,649.1
Loans	7,676.6	1,049.6	(36.9)	8,689.3	1,388.4	(661.7)	9,416.0
Investments related to unit-linked contracts	15,827.3			15,827.3			15,827.3
Investments in associates	2,378.1	538.6		2,916.7	21.4	3.5	2,941.6
Reinsurance and other receivables	453.9	1,950.9	(465.1)	1,939.7	251.0	(4.8)	2,185.9
Current tax assets	11.4	28.6		40.0			40.0
Deferred tax assets	49.8	99.9		149.7			149.7
Accrued interest and other assets	1,401.3	451.6		1,852.9	99.7	(94.8)	1,857.8
Property, plant and equipment	985.7	197.4		1,183.1	0.8		1,183.9
Goodwill and other intangible assets	845.0	276.7		1,121.7	0.9		1,122.6
Assets held for sale	37.9	3.9		41.8			41.8
Total assets	89,438.9	12,330.2	(502.0)	101,267.1	2,840.5	(766.8)	103,340.8
Liabilities							
Liabilities arising from Life insurance contracts	27,488.4			27,488.4		(7.6)	27,480.8
Liabilities arising from Life investment contracts	31,350.6			31,350.6			31,350.6
Liabilities related to unit-linked contracts	15,816.2			15,816.2			15,816.2
Liabilities arising from Non-life insurance contracts		7,595.9	(20.9)	7,575.0			7,575.0
Subordinated liabilities	1,224.5	485.2	(36.7)	1,673.0	1,250.0	(661.7)	2,261.3
Borrowings	1,745.7	223.6		1,969.3			1,969.3
Current tax liabilities	52.6	20.0		72.6			72.6
Deferred tax liabilities	855.2	192.8		1,048.0	6.9		1,054.9
RPN(I)					448.0		448.0
Accrued interest and other liabilities	2,045.1	773.2	(443.6)	2,374.7	121.2	(83.8)	2,412.1
Provisions	23.5	33.7		57.2	1,120.9		1,178.1
Liabilities related to written put options on NCI	89.2	21.5		110.7	1,449.0		1,559.7
Total liabilities	80,691.0	9,345.9	(501.2)	89,535.7	4,396.0	(753.1)	93,178.6
Shareholders' equity	6,737.2	2,745.4	(0.8)	9,481.8	143.1	(14.0)	9,610.9
Non-controlling interests	2,010.7	238.9		2,249.6	(1,698.6)	0.3	551.3
Total equity	8,747.9	2,984.3	(0.8)	11,731.4	(1,555.5)	(13.7)	10,162.2
Total liabilities and equity	89,438.9	12,330.2	(502.0)	101,267.1	2,840.5	(766.8)	103,340.8
Number of employees	4,024	7,097		11,121	139		11,260

31 December 2016	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Assets							
Cash and cash equivalents	993.3	387.0		1,380.3	800.6		2,180.9
Financial investments	58,353.2	7,851.3		66,204.5	377.2	(10.3)	66,571.4
Investment property	2,506.6	265.9		2,772.5			2,772.5
Loans	6,972.3	959.2	(35.9)	7,895.6	1,458.0	(668.6)	8,685.0
Investments related to unit-linked contracts	14,355.7			14,355.7			14,355.7
Investments in associates	2,416.0	386.3		2,802.3	46.9	6.5	2,855.7
Reinsurance and other receivables	474.1	1,939.4	(467.7)	1,945.8	252.8	(6.3)	2,192.3
Current tax assets	5.7	61.4		67.1			67.1
Deferred tax assets	80.5	91.0		171.5			171.5
Accrued interest and other assets	1,399.0	504.2		1,903.2	129.0	(126.1)	1,906.1
Property, plant and equipment	979.8	191.9		1,171.7	0.6		1,172.3
Goodwill and other intangible assets	838.4	379.3		1,217.7			1,217.7
Assets held for sale	129.7	15.6		145.3			145.3
Total assets	89,504.3	13,032.5	(503.6)	102,033.2	3,065.1	(804.8)	104,293.5
Liabilities							
Liabilities arising from Life insurance contracts	28,226.2			28,226.2		(8.1)	28,218.1
Liabilities arising from Life investment contracts	31,902.2			31,902.2			31,902.2
Liabilities related to unit-linked contracts	14,353.3			14,353.3			14,353.3
Liabilities arising from Non-life insurance contracts		8,000.0	(24.8)	7,975.2			7,975.2
Subordinated liabilities	1,266.6	510.6	(35.9)	1,741.3	1,250.0	(668.6)	2,322.7
Borrowings	2,159.7	336.1		2,495.8			2,495.8
Current tax liabilities	58.8	35.4		94.2			94.2
Deferred tax liabilities	1,046.7	301.7		1,348.4	2.2		1,350.6
RPN(I)					275.0		275.0
Accrued interest and other liabilities	2,146.2	900.7	(443.4)	2,603.5	173.4	(117.6)	2,659.3
Provisions	21.1	17.5		38.6	1,028.6		1,067.2
Liabilities related to written put options on NCI	87.2	21.7		108.9	1,266.0		1,374.9
Total liabilities	81,268.0	10,123.7	(504.1)	90,887.6	3,995.2	(794.3)	94,088.5
Shareholders' equity	6,371.4	2,585.0	0.5	8,956.9	614.8	(11.1)	9,560.6
Non-controlling interests	1,864.9	323.8		2,188.7	(1,544.9)	0.6	644.4
Total equity	8,236.3	2,908.8	0.5	11,145.6	(930.1)	(10.5)	10,205.0
Total liabilities and equity	89,504.3	13,032.5	(503.6)	102,033.2	3,065.1	(804.8)	104,293.5
Number of employees	3,994	7,952		11,946	134		12,080

9.11 Income statement split into Life and Non-life

2017	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income							
- *Gross premium income*	*4,141.3*	*4,304.7*		*8,446.0*		*(1.0)*	*8,445.0*
- *Change in unearned premiums*		*47.0*		*47.0*			*47.0*
- *Ceded earned premiums*	*(33.8)*	*(203.7)*		*(237.5)*			*(237.5)*
Net earned premiums	4,107.5	4,148.0		8,255.5		(1.0)	8,254.5
Interest, dividend and other investment income	2,450.7	325.5	(17.6)	2,758.6	26.9	(31.5)	2,754.0
Unrealised gain (loss) on RPN(I)					(173.0)		(173.0)
Result on sales and revaluations	146.9	114.7		261.6	16.9		278.5
Income related to investments for unit-linked contracts	785.9			785.9			785.9
Share in result of associates	354.4	53.4	(0.1)	407.7	2.1		409.8
Fee and commission income	242.3	37.5		279.8			279.8
Other income	82.1	87.8	(1.3)	168.6	7.2	(16.1)	159.7
Total income	8,169.8	4,766.9	(19.0)	12,917.7	(119.9)	(48.6)	12,749.2
Expenses							
- *Insurance claims and benefits, gross*	*(4,959.5)*	*(2,802.2)*		*(7,761.7)*		*(0.3)*	*(7,762.0)*
- *Insurance claims and benefits, ceded*	*16.4*	*283.3*		*299.7*			*299.7*
Insurance claims and benefits, net	(4,943.1)	(2,518.9)		(7,462.0)		(0.3)	(7,462.3)
Charges related to unit-linked contracts	(887.3)			(887.3)			(887.3)
Financing costs	(91.6)	(38.1)	1.8	(127.9)	(21.6)	32.7	(116.8)
Change in impairments	(21.0)	(0.8)		(21.8)			(21.8)
Change in provisions	1.1	0.2		1.3	(100.6)		(99.3)
Fee and commission expenses	(342.0)	(768.7)		(1,110.7)			(1,110.7)
Staff expenses	(382.7)	(409.7)		(792.4)	(33.0)		(825.4)
Other expenses	(593.5)	(507.4)	17.2	(1,083.7)	(49.9)	16.2	(1,117.4)
Total expenses	(7,260.1)	(4,243.4)	19.0	(11,484.5)	(205.1)	48.6	(11,641.0)
Result before taxation	909.7	523.5		1,433.2	(325.0)		1,108.2
Tax income (expenses)	(132.7)	(113.8)		(246.5)	(11.7)		(258.2)
Net result for the period	777.0	409.7		1,186.7	(336.7)		850.0
Attributable to non-controlling interests	154.0	72.8		226.8			226.8
Net result attributable to shareholders	623.0	336.9		959.9	(336.7)		623.2
Total income from external customers	8,142.8	4,765.6	17.3	12,925.7	(176.5)		12,749.2
Total income internal	27.0	1.3	(36.3)	(8.0)	56.6	(48.6)	
Total income	8,169.8	4,766.9	(19.0)	12,917.7	(119.9)	(48.6)	12,749.2
Non-cash expenses (excl. depreciation & amortisation)	(84.3)	(27.4)		(111.7)	(100.6)		(212.3)

Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be presented as follows.

2017	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	4,141.3	4,304.7		8,446.0		(1.0)	8,445.0
Inflow deposit accounting	1,614.6			1,614.6			1,614.6
Gross inflow	5,755.9	4,304.7		10,060.6		(1.0)	10,059.6

2016	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total
Income							
- *Gross premium income*	*4,934.8*	*4,342.2*		*9,277.0*		*(0.3)*	*9,276.7*
- *Change in unearned premiums*		*(9.7)*		*(9.7)*			*(9.7)*
- *Ceded earned premiums*	*(45.5)*	*(220.2)*		*(265.7)*			*(265.7)*
Net earned premiums	4,889.3	4,112.3		9,001.6		(0.3)	9,001.3
Interest, dividend and other investment income	2,612.8	338.4	(15.9)	2,935.3	36.4	(33.0)	2,938.7
Unrealised gain (loss) on RPN(I)					82.7		82.7
Result on sales and revaluations	422.4	27.2		449.6	196.1		645.7
Income related to investments for unit-linked contracts	425.7			425.7			425.7
Share in result of associates	208.0	15.9		223.9	25.9		249.8
Fee and commission income	245.0	125.8		370.8			370.8
Other income	119.8	91.2	(2.5)	208.5	7.9	(17.0)	199.4
Total income	8,923.0	4,710.8	(18.4)	13,615.4	349.0	(50.3)	13,914.1
Expenses							
- *Insurance claims and benefits, gross*	*(5,870.6)*	*(2,964.3)*		*(8,834.9)*		*0.8*	*(8,834.1)*
- *Insurance claims and benefits, ceded*	*18.1*	*156.3*		*174.4*			*174.4*
Insurance claims and benefits, net	(5,852.5)	(2,808.0)		(8,660.5)		0.8	(8,659.7)
Charges related to unit-linked contracts	(488.7)			(488.7)			(488.7)
Financing costs	(133.9)	(37.8)		(171.7)	(28.0)	32.5	(167.2)
Change in impairments	(51.8)	(0.1)		(51.9)	(12.8)		(64.7)
Change in provisions	(0.2)	0.1		(0.1)	(892.6)		(892.7)
Fee and commission expenses	(390.7)	(786.6)		(1,177.3)			(1,177.3)
Staff expenses	(389.4)	(426.3)		(815.7)	(39.2)	8.9	(846.0)
Other expenses	(632.4)	(514.3)	18.4	(1,128.3)	(62.9)	8.1	(1,183.1)
Total expenses	(7,939.6)	(4,573.0)	18.4	(12,494.2)	(1,035.5)	50.3	(13,479.4)
Result before taxation	983.4	137.8		1,121.2	(686.5)		434.7
Tax income (expenses)	(145.1)	(59.4)		(204.5)	(7.4)		(211.9)
Net result for the period	838.3	78.4		916.7	(693.9)		222.8
Attributable to non-controlling interests	134.7	60.8		195.5		0.2	195.7
Net result attributable to shareholders	703.6	17.6		721.2	(693.9)	(0.2)	27.1
Total income from external customers	8,895.7	4,709.9	18.1	13,623.7	290.4		13,914.1
Total income internal	27.3	0.9	(36.5)	(8.3)	58.6	(50.3)	
Total income	8,923.0	4,710.8	(18.4)	13,615.4	349.0	(50.3)	13,914.1
Non-cash expenses (excl. depreciation & amortisation)	(123.9)	(5.2)		(129.1)	(893.3)		(1,022.4)

Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be presented as follows.

2016	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total
Gross premium income	4,934.8	4,342.2		9,277.0		(0.3)	9,276.7
Inflow deposit accounting	1,333.7			1,333.7			1,333.7
Gross inflow	6,268.5	4,342.2		10,610.7		(0.3)	10,610.4

9.12 Operating result insurance

To analyse the insurance results, Ageas uses the concept of operating result.

Operating result includes net earned premiums, fees and allocated investment income and realised capital gains or losses minus net claims and benefits and all operating expenses, including claim handling expenses, investment expenses, commissions and other expenses, allocated to insurance and/or investment contracts. The difference between operating result and result before taxation consists of all income and costs not allocated to insurance and/or investment contracts and thus not reported in the operating result or result from non-consolidated partnerships. The definitions of the alternative performance measures are explained below the tables.

Within its insurance operating segments, Ageas manages its Life and Non-life businesses separately. Life business includes insurance contracts covering risks related to the life and death of individuals. Life business also includes investment contracts with and without discretionary participation features (DPF). Non-life comprises four lines of business: Accident & Health, Motor, Fire and Other damage to property (covering the risk of property losses or claims liabilities), and Other.

The operating margin for the different segments and lines of business and the reconciliation to profit before taxation are shown below.

2017	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	3,781.4		1,974.5				5,755.9			5,755.9
Gross inflow Non-life	1,915.2	1,546.2	843.3		52.0	(52.0)	4,304.7		(1.0)	4,303.7
Operating costs	(555.4)	(235.0)	(224.0)		(2.8)		(1,017.2)			(1,017.2)
- *Guaranteed products*	*409.3*		*110.0*				*519.3*			*519.3*
- *Unit linked products*	*25.5*		*15.8*				*41.3*			*41.3*
Life operating result	434.8		125.8				560.6			560.6
- *Accident & Health*	*50.1*	*(0.3)*	*52.9*		*0.1*		*102.8*			*102.8*
- *Motor*	*67.3*	*26.4*	*(10.0)*		*3.3*		*87.0*			*87.0*
- *Fire and other damage to property*	*109.9*	*10.4*	*20.2*		*2.1*		*142.6*			*142.6*
- *Other*	*38.0*	*(13.4)*	*26.5*		*0.8*		*51.9*			*51.9*
Non-life operating result	265.3	23.1	89.6		6.3		384.3			384.3
Operating result	700.1	23.1	215.4		6.3		944.9			944.9
Share in result of associates non allocated		13.2	25.8	319.6			358.6	2.1		360.7
Other result, including brokerage	95.9	(1.6)	60.8	(26.9)	1.5		129.7	(327.1)		(197.4)
Result before taxation	796.0	34.7	302.0	292.7	7.8		1,433.2	(325.0)		1,108.2
Key performance indicators Life										
Net underwriting margin	(0.03%)		0.27%				0.03%			0.03%
Investment margin	0.81%		0.54%				0.76%			0.76%
Operating margin	0.78%		0.81%				0.79%			0.79%
- *Operating margin Guaranteed products*	*0.85%*		*1.39%*				*0.93%*			*0.93%*
- *Operating margin Unit linked products*	*0.34%*		*0.21%*				*0.27%*			*0.27%*
Life cost ratio in % of Life technical liabilities (annualised)	0.39%		0.41%				0.40%			0.40%
Key performance indicators Non-life										
Expense ratio	37.9%	34.9%	31.2%		24.8%		35.5%			35.5%
Claims ratio	53.1%	68.3%	59.2%		50.9%		59.7%			59.7%
Combined ratio	91.0%	103.2%	90.4%		75.7%		95.2%			95.2%
Operating margin	14.3%	1.5%	11.7%		24.3%		9.3%			9.3%
Technical Insurance liabilities	62,284.9	2,797.3	17,148.8		20.1	(20.9)	82,230.2		(7.6)	82,222.6

2016	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	4,182.3		1,902.9	183.3			6,268.5			6,268.5
Gross inflow Non-life	1,882.6	1,719.8	739.8		41.1	(41.1)	4,342.2		(0.3)	4,341.9
Operating costs	(534.3)	(197.0)	(201.8)	(22.2)	(2.0)		(957.3)			(957.3)
- *Guaranteed products*	*417.1*		*104.8*	*10.0*			*531.9*			*531.9*
- *Unit linked products*	*18.6*		*4.0*	*7.1*			*29.7*			*29.7*
Life operating result	435.7		108.8	17.1			561.6			561.6
- *Accident & Health*	*38.4*	*1.0*	*37.5*		*(0.1)*		*76.8*			*76.8*
- *Motor*	*59.8*	*(121.6)*	*4.3*		*(1.0)*		*(58.5)*			*(58.5)*
- *Fire and other damage to property*	*60.3*	*14.7*	*19.2*		*3.1*		*97.3*			*97.3*
- *Other*	*16.6*	*(23.9)*	*23.5*				*16.2*			*16.2*
Non-life operating result	175.1	(129.8)	84.5		2.0		131.8			131.8
Operating result	610.8	(129.8)	193.3	17.1	2.0		693.4			693.4
Share in result of associates non allocated		(20.7)	17.1	209.9			206.3	26.0		232.3
Other result, including brokerage	104.7	(34.1)	(18.2)	168.5	0.6		221.5	(712.5)		(491.0)
Result before taxation	715.5	(184.6)	192.2	395.5	2.6		1,121.2	(686.5)		434.7
Key performance indicators Life										
Net underwriting margin	(0.01%)		0.29%				0.08%			0.08%
Investment margin	0.81%		0.45%				0.73%			0.73%
Operating margin	0.80%		0.74%				0.81%			0.81%
- *Operating margin Guaranteed products*	*0.86%*		*1.21%*				*0.93%*			*0.93%*
- *Operating margin Unit linked products*	*0.31%*		*0.07%*				*0.25%*			*0.25%*
Life cost ratio in % of Life technical liabilities (annualised)	0.38%		0.42%				0.42%			0.42%
Key performance indicators Non-life										
Expense ratio	37.7%	31.5%	30.1%		32.4%		34.1%			34.1%
Claims ratio	58.3%	80.7%	58.6%		53.7%		67.0%			67.0%
Combined ratio	96.0%	112.2%	88.7%		86.1%		101.1%			101.1%
Operating margin	9.5%	(8.1%)	12.7%		13.9%		3.2%			3.2%
Technical Insurance liabilities	62,883.4	2,694.6	16,873.8		29.9	(24.8)	82,456.9		(8.1)	82,448.8

Definitions of alternative performance measures in the tables:

Net underwriting result	:	The difference between the net earned premiums and the sum of the actual claim payments and the change in insurance liabilities, both net of reinsurance. The result is presented net of allocated claim handling expenses, general expenses, commissions and reinsurance.
Net underwriting margin	:	For Life the net annualised underwriting result divided by the average net Life insurance liabilities during the reporting period. For Non-life the net underwriting result divided by the net earned premium.
Net investment result	:	The sum of investment income and realised capital gains or losses on assets covering insurance liabilities, after deduction of related investment expenses. The investment results in Life is also adjusted for the amount that is allocated to the policyholders as technical interest and profit sharing. The investment results in Accident & Life (part of Non-life) is also corrected for the technical interest that has been accrued to the insurance liabilities.
Net investment margin	:	For Life the annualised investment result divided by the average net Life insurance liabilities during the reporting period. For Non-life the investment result divided by the net earned premium.
Net operating result	:	The sum of net underwriting result, investment result and other result allocated to the insurance and/or investment contracts. The difference between operating result and result before taxation consists of all income and costs not allocated to the insurance and/or investment contracts and thus not reported in the operating result or result from non-consolidated partnerships.
Net operating margin	:	For Life the annualised operating result of the period divided by the average net Life insurance liabilities. For Non-life the operating result divided by the net earned premium.
Net earned premium	:	The written premiums of Non-life covering the risks for the current period netted for the premiums paid to reinsurers and the change in unearned premiums reserves.
Expense ratio	:	The expenses as a percentage of net earned premiums. Included in expenses are internal costs of claims handling commissions, net of reinsurance.
Claims ratio	:	The cost of claims, net of reinsurance, as a percentage of net earned premiums.
Combined ratio	:	A measure of profitability in Non-life which is the ratio between the insurer's total expenses and net earned premiums. This is insurer's total expenses as a percentage of net earned premiums. This is the sum of the claims ratio and the expense ratio.

Notes to the Consolidated statement of financial position

10
Cash and cash equivalents

Cash includes cash on hand, current accounts and other financial instruments with a term of less than three months from the date on which they were acquired.

The composition of cash and cash equivalents is as follows.

	31 December 2017	31 December 2016
Cash on hand	4.3	2.8
Due from banks	2,069.9	2,076.1
Other	478.1	102.0
Total cash and cash equivalents	2,552.3	2,180.9

11 Financial investments

The composition of financial investments is as follows.

	31 December 2017	31 December 2016
Financial investments		
- Held to maturity	4,559.5	4,715.3
- Available for sale	58,761.6	61,816.9
- Held at fair value through profit or loss	220.2	251.1
- Derivatives held for trading	35.8	8.0
Total, gross	63,577.1	66,791.3
Impairments:		
- of investments available for sale	(204.3)	(219.9)
Total impairments	(204.3)	(219.9)
Total	63,372.8	66,571.4

11.1 Investments held to maturity

	Government bonds	Corporate debt securities	Total
Investments held to maturity at 1 January 2016	4,725.0	77.1	4,802.1
Maturities	(94.5)	(5.7)	(100.2)
Amortisation	10.9	2.5	13.4
Investments held to maturity at 31 December 2016	4,641.4	73.9	4,715.3
Maturities	(88.4)	(75.0)	(163.4)
Amortisation	6.5	1.1	7.6
Investments held to maturity at 31 December 2017	4,559.5		4,559.5
Fair value at 31 December 2016	7,046.1	74.8	7,120.9
Fair value at 31 December 2017	6,780.0		6,780.0

The fair value of government bonds classified as investments held to maturity is based on quoted prices in active markets (level 1) and the fair value of corporate debt securities classified as investments held to maturity with unobservable prices is based on counterparty quotes or models (level 3).

In the following table the government bonds classified as held to maturity are detailed by country of origin.

31 December 2017	Historical/ amortised cost	Fair value
Belgian national government	4,335.5	6,486.9
Portuguese national government	224.0	293.1
Total	4,559.5	6,780.0
31 December 2016		
Belgian national government	4,342.6	6,674.9
Portuguese national government	298.8	371.2
Total	4,641.4	7,046.1

11.2 Investments available for sale

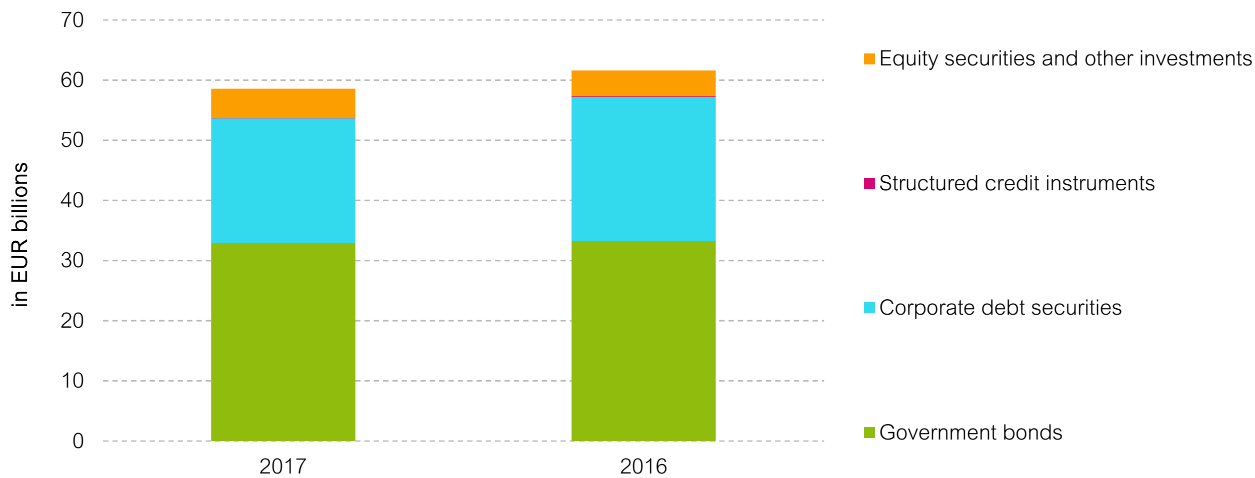
The fair value and amortised cost of investments available for sale including gross unrealised gains, gross unrealised losses, and impairments are as follows.

31 December 2017	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,647.1	5,355.2	(60.6)	32,941.7		32,941.7
Corporate debt securities	19,177.9	1,547.0	(18.7)	20,706.2	(20.3)	20,685.9
Structured credit instruments	58.5	13.9	(0.1)	72.3	(0.1)	72.2
Available for sale investments in debt securities	46,883.5	6,916.1	(79.4)	53,720.2	(20.4)	53,699.8
Private equities and venture capital	67.7	5.7		73.4		73.4
Equity securities	4,168.1	814.0	(21.0)	4,961.1	(183.9)	4,777.2
Other investments	6.9			6.9		6.9
Available for sale investments in equity securities and other investments	4,242.7	819.7	(21.0)	5,041.4	(183.9)	4,857.5
Total investments available for sale	51,126.2	7,735.8	(100.4)	58,761.6	(204.3)	58,557.3

31 December 2016	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,358.5	5,941.2	(102.3)	33,197.4		33,197.4
Corporate debt securities	22,168.4	1,878.2	(42.1)	24,004.5	(22.6)	23,981.9
Structured credit instruments	108.2	11.3	(1.4)	118.1	(0.1)	118.0
Available for sale investments in debt securities	49,635.1	7,830.7	(145.8)	57,320.0	(22.7)	57,297.3
Private equities and venture capital	62.6	5.9	(1.3)	67.2		67.2
Equity securities	3,842.9	609.2	(31.6)	4,420.5	(197.2)	4,223.3
Other investments	9.2			9.2		9.2
Available for sale investments in equity securities and other investments	3,914.7	615.1	(32.9)	4,496.9	(197.2)	4,299.7
Total investments available for sale	53,549.8	8,445.8	(178.7)	61,816.9	(219.9)	61,597.0

An amount of EUR 1,044.8 million of the investments available for sale has been pledged as collateral (2016: EUR 1,288.4 million) (see also note 22 Borrowings).

The portfolio of investments available for sale at year-end can be shown as follows.



The valuation of investments available for sale is based on:
- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable inputs (counterparty quotes).

The valuation at year-end is as follows

2017	Level 1	Level 2	Level 3	Total
Government bonds	32,893.7	48.0		32,941.7
Corporate debt securities	19,784.1	826.4	75.4	20,685.9
Structured credit instruments	57.7	1.4	13.1	72.2
Equity securities, private equities and other investments	2,977.6	1,233.6	646.3	4,857.5
Total Investments available for sale	55,713.1	2,109.4	734.8	58,557.3

2016	Level 1	Level 2	Level 3	Total
Government bonds	33,149.6	47.8		33,197.4
Corporate debt securities	23,342.0	639.9		23,981.9
Structured credit instruments	37.3	49.3	31.4	118.0
Equity securities, private equities and other investments	2,839.9	1,313.0	146.8	4,299.7
Total Investments available for sale	59,368.8	2,050.0	178.2	61,597.0

The changes in level 3 valuation are as follows.

	2017	2016
Balance as at 1 January	178.2	219.9
Maturity/redemption or repayment	(14.0)	(25.1)
Acquired	136.0	13.2
Proceeds from sales	(6.3)	(26.7)
Realised gains (losses)	0.4	2.6
Impairments	(1.2)	(4.7)
Unrealised gains (losses)	3.3	(1.0)
Transfers between valuation categories	438.4	
Balance as at 31 December	734.8	178.2

The transfers between valuation categories to level 3 disclosed in the table mainly relate to private equity funds which are now considered level 3 (level 2 in 2016).

Level 3 valuations for private equities and venture capital use fair values disclosed in the audited financial statements of the relevant participations. Level 3 valuations for equities and asset-backed securities use a discounted cash flow methodology. Expected cash flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates etc. Expected cash flows are discounted at risk-adjusted rates. Market participants often use such discounted cash flow techniques to price private equities and venture capital. To value these instruments we also take into account quotes when they exist. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

The level 3 positions are mainly sensitive to a change in the level of expected future cash flows and, accordingly, their fair values vary in proportion to changes of these cash flows. The changes in value of the level 3 instruments are accounted for in other comprehensive income.

Government bonds detailed by country of origin

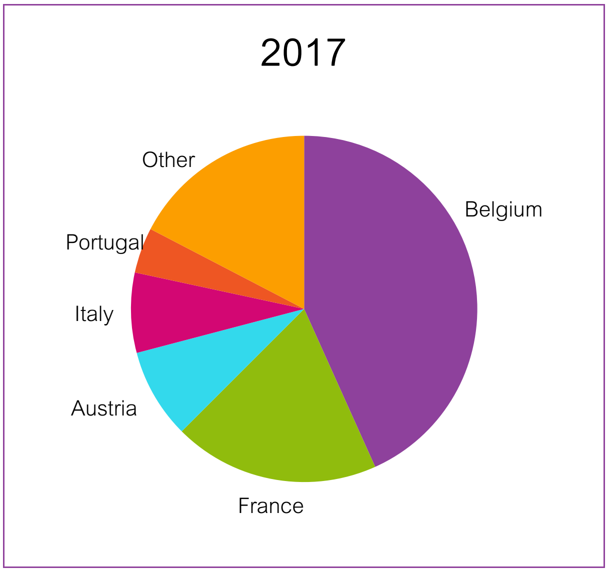
Government bonds detailed by country of origin are as follows.

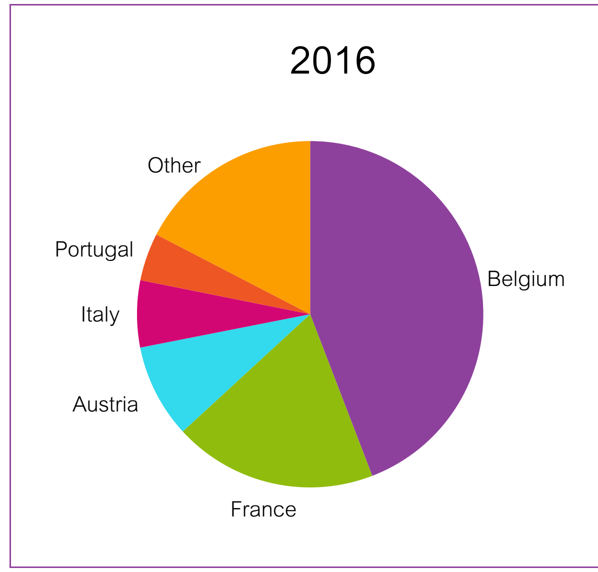
31 December 2017	Historical/ amortised cost	Gross unrealised gains (losses)	Fair value
Belgian national government	11,885.3	2,367.6	14,252.9
French national government	5,130.7	1,203.6	6,334.3
Austrian national government	2,299.4	471.0	2,770.4
Portuguese national government	2,167.1	295.4	2,462.5
Spanish national government	1,304.9	91.4	1,396.3
Italian national government	986.4	241.0	1,227.4
German national government	840.1	288.1	1,128.2
Irish national government	609.0	54.1	663.1
Dutch national government	532.1	73.1	605.2
Polish national government	310.7	64.1	374.8
British national government	362.6	6.8	369.4
Slovakian national government	208.3	38.3	246.6
Czech Republic national government	197.6	17.2	214.8
Finnish national government	117.9	26.4	144.3
US national government	19.1		19.1
Other national governments	675.9	56.5	732.4
Total	27,647.1	5,294.6	32,941.7

31 December 2016	Historical/ amortised cost	Gross unrealised gains (losses)	Fair value
Belgian national government	11,881.9	2,777.4	14,659.3
French national government	5,001.0	1,305.3	6,306.3
Austrian national government	2,351.0	555.9	2,906.9
Portuguese national government	2,018.8	52.2	2,071.0
Spanish national government	1,366.7	114.8	1,481.5
Italian national government	1,186.3	299.3	1,485.6
German national government	859.2	337.7	1,196.9
Irish national government	608.8	71.2	680.0
Dutch national government	527.3	90.9	618.2
Polish national government	259.2	62.7	321.9
British national government	209.2	11.9	221.1
Slovakian national government	299.5	44.0	343.5
Czech Republic national government	197.7	24.2	221.9
Finnish national government	132.4	32.2	164.6
US national government	23.3	(0.1)	23.2
Other national governments	436.2	59.3	495.5
Total	27,358.5	5,838.9	33,197.4

There were no impairments on government bonds in 2017 and 2016.

The share per country in the investment portfolio of government bonds, based on fair value at year-end can be shown graphically as follows.





The table below shows net unrealised gains and losses on investments available for sale included in equity (which includes debt securities, equity securities and other investments). Equity securities and other investments also include private equities and venture capital.

	31 December 2017	31 December 2016
Available for sale investments in debt securities:		
Carrying amount	53,699.8	57,297.3
Gross unrealised gains and losses	6,836.7	7,684.9
- Related tax	(1,760.9)	(2,597.2)
Shadow accounting	(2,797.4)	(3,701.3)
- Related tax	730.8	1,256.7
Net unrealised gains and losses	3,009.2	2,643.1

	31 December 2017	31 December 2016
Available for sale investments in equity securities and other investments:		
Carrying amount	4,857.5	4,299.7
Gross unrealised gains and losses	798.7	582.2
- Related tax	(63.7)	(67.8)
Shadow accounting	(304.8)	(282.4)
- Related tax	78.1	96.1
Net unrealised gains and losses	508.3	328.1

Impairments of investments available for sale

The following table shows the breakdown of impairments of investments available for sale.

	31 December 2017	31 December 2016
Impairments of investments available for sale:		
- debt securities	(20.4)	(22.7)
- equity securities and other investments	(183.9)	(197.2)
Total impairments of investments available for sale	(204.3)	(219.9)

The changes in impairments of investments available for sale are as follows.

	2017	2016
Balance as at 1 January	(219.9)	(200.1)
Acquisitions/divestments of subsidiaries	0.1	
Increase in impairments	(14.3)	(58.0)
Reversal on sale/disposal	27.5	36.7
Foreign exchange differences and other adjustments	2.3	1.5
Balance as at 31 December	(204.3)	(219.9)

11.3 Investments held at fair value through profit or loss

The following table provides information about investments held at fair value, for which unrealised gains or losses are recorded through profit or loss.

	31 December 2017	31 December 2016
Government bonds	1.1	
Corporate debt securities	107.8	69.3
Structured credit instruments	6.2	
Debt securities	115.1	69.3
Equity securities		117.5
Other investments	105.1	64.3
Equity securities and other investments	105.1	181.8
Total investments held at fair value through profit or loss	220.2	251.1

Investments held at fair value through profit or loss include primarily investments related to insurance liabilities where cash flows are linked to the performance of these assets, either contractually or on the basis of discretionary participation and whose measurement incorporates current information. This measurement significantly reduces the accounting mismatch that would otherwise arise from measuring assets and liabilities and the related gains and losses on different bases.

The nominal value of the debt securities held at fair value through profit or loss as at 31 December 2017 is EUR 115.1 million (31 December 2016: EUR 69.4 million).

The valuation of investments held at fair value through profit or loss is based on:

- Level 1: quoted prices in active markets;
- Level 2: observable market data in active markets;
- Level 3: unobservable inputs (counterparty quotes).

The valuation at year-end is as follows.

2017	Level 1	Level 2	Level 3	Total
Government Bonds	1.1			1.1
Corporate debt securities	107.5	0.3		107.8
Structured credit instruments		6.2		6.2
Other investments		105.1		105.1
Total Investments held at fair value through profit or loss	108.6	111.6		220.2

2016	Level 1	Level 2	Level 3	Total
Corporate debt securities	69.3			69.3
Equity securities	76.5	41.0		117.5
Other investments		64.3		64.3
Total Investments held at fair value through profit or loss	145.8	105.3		251.1

11.4 Derivatives held for trading (assets)

The following table provides a breakdown of derivatives held for trading (assets).

	31 December 2017	31 December 2016
Over the counter (OTC)	35.8	8.0
Exchange traded		
Total derivatives held for trading (assets)	35.8	8.0

Derivatives held for trading mainly relate to interest rate and equity options and interest rate swaps. Derivatives held for trading in 2017 and 2016 are based on a level 2 valuation (observable inputs from active markets) (see also note 29 Derivatives for further details).

12
Investment property

Investment property mainly comprises office buildings and retail space.

	31 December 2017	31 December 2016
Investment property	2,691.3	2,821.3
Impairments of investment property	(42.2)	(48.8)
Total investment property	2,649.1	2,772.5

The following table shows the changes in investment property in the year ended 31 December.

	2017	2016
Acquisition cost as at 1 January	3,581.3	3,713.6
Acquisitions/divestments of subsidiaries	(225.6)	20.2
Additions/purchases	151.2	56.8
Capital improvements	38.1	42.0
Disposals	(88.0)	(116.7)
Transfer from (to) property, plant and equipment	(12.7)	
Foreign exchange differences	(0.9)	(6.2)
Other	3.9	(128.4)
Acquisition cost as at 31 December	3,447.3	3,581.3
Accumulated depreciation as at 1 January	(760.0)	(815.7)
Acquisitions/divestments of subsidiaries	66.4	108.0
Depreciation expense	(91.3)	(95.1)
Reversal of depreciation due to disposals	32.2	33.9
Transfer from (to) property, plant and equipment	0.3	
Foreign exchange differences		0.2
Other	(3.6)	8.7
Accumulated depreciation as at 31 December	(756.0)	(760.0)
Impairments as at 1 January	(48.8)	(50.8)
Acquisitions/disposals of subsidiaries	1.5	
Increase in impairments charged to income statement	(3.5)	(3.1)
Reversal of impairments credited to income statement	1.1	2.0
Reversal of impairments due to disposals	7.5	3.1
Impairments as at 31 December	(42.2)	(48.8)
Net investment property as at 31 December	2,649.1	2,772.5
Cost of investment property under construction	158.4	123.9

The amount in 2016 in 'Other' is mainly related to a reclassification of the PwC building in Luxembourg to assets held for sale due to the committed sale of the consolidated subsidiary BG1 in Luxemburg. The deal was closed in the first quarter of 2017.

As at 31 December 2017 no property was pledged as collateral (31 December 2016: EUR 223.6 million) (see also note 22 Borrowings).

Annual appraisals, whereby the independent appraisers are rotated every three years, cover almost all of the investment properties. Fair values (level 3) are based on non-observable market data and/or discounted cash flows. Expected property cash flows take into account expected rental income growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants. Expected net cash flows are then discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs secondary), tenant credit quality and lease terms. For development property (i.e. under construction), the fair value is set to cost until the property is operational.

The fair value of investment property is set out below

	31 December 2017	31 December 2016
Fair values supported by market evidence	228.0	160.2
Fair value subject to an independent valuation	3,570.6	3,685.3
Total fair value of investment property	3,798.6	3,845.5
Total carrying amount	2,649.1	2,772.5
Gross unrealised gains (losses)	1,149.5	1,073.0
Taxation	(284.8)	(353.1)
Net unrealised gains (losses) (not recognised in equity)	864.7	719.9

The depreciation of buildings is calculated using the linear method to write down the cost of such assets to their residual values over their estimated useful lives. Real estate is split into the following components: structure, closing, techniques and equipment, heavy finishing and light finishing.

The maximum useful life of the components is as follows:

- Structure ....50 years for offices and retail; 70 years for residential;
- Closing ....30 years for offices and retail; 40 years for residential;
- Techniques and equipment.............................20 years for offices; 25 years for retail and 40 years for residential;
- Heavy finishing ....20 years for offices; 25 years for retail and 40 years for residential;
- Light finishing ....10 years for offices, retail and residential.

Land has an unlimited useful life and is therefore not depreciated. IT, office and equipment are depreciated over their respective useful lives, which are determined individually. As a general rule, residual values are considered to be zero.

Property rented out under operating lease

Ageas rents certain assets – mainly property held for investment purposes – to external parties based on operating lease agreements. As at 31 December the minimum payments to be received from irrevocable lease agreements amounted to:

	2017	2016
Less than 3 months	48.0	56.0
3 months to 1 year	163.5	162.6
1 year to 5 years	592.2	690.1
More than 5 years	644.2	892.0
Total	1,447.9	1,800.7

An amount of EUR 65.7 million in 2017 of the total minimum payments to be received from irrevocable lease agreements relates to property, plant and equipment (2016: EUR 65.2 million). The remainder relates to investment property.

13 Loans

The composition of loans is as follows.

	31 December 2017	31 December 2016
Government and official institutions	4,417.1	3,803.1
Commercial loans	2,172.8	2,089.6
Residential mortgages	1,221.7	1,288.6
Policyholder loans	303.9	265.5
Interest bearing deposits	735.7	737.4
Loans to banks	575.6	512.1
Total	9,426.8	8,696.3
Less impairments	(10.8)	(11.3)
Total Loans	9,416.0	8,685.0

13.1 Commercial loans

The composition of commercial loans is as follows.

	31 December 2017	31 December 2016
Real Estate	130.9	243.0
Infrastructure	669.0	520.4
Other	1,372.9	1,326.2
Total commercial loans	2,172.8	2,089.6

Ageas has granted credit lines for a total amount of EUR 923 million (31 December 2016: EUR 850 million).

13.2 Loans to banks

Loans to banks consist of the following.

	31 December 2017	31 December 2016
Loans and advances	541.9	432.6
Other	33.7	79.5
Total loans to banks	575.6	512.1

13.3 Collateral on loans

The following table provides details of collateral and guarantees received as security for loans.

Total credit exposure loans	2017	2016
Carrying amount	9,416.0	8,685.0
Collateral received		
Financial instruments	333.6	348.4
Property, plant & equipment	2,079.8	2,171.4
Other guarantees	50.2	
Other collateral and guarantees	115.6	62.6
Collateral amounts in excess of credit exposure 1)	1,095.9	1,091.8
Unsecured exposure	7,982.9	7,194.4

1) *Collateral amounts in excess of credit exposure relate to loans for which the collateral is higher than the underlying individual loan. As this additional collateral cannot be off-set against loans for which the collateral is lower than the underlying individual loan, an excess position is added to the unsecured exposure.*

13.4 Impairments on loans

Changes in the impairments on loans are as follows.

	2017		2016	
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance as at 1 January	10.5	0.8	23.1	0.8
Acquisitions/divestments of subsidiaries			(10.2)	
Increase in impairments	1.1		2.0	
Release of impairments	(0.6)		(0.7)	
Write-offs of uncollectible loans	(1.1)		(3.7)	
Balance as at 31 December	9.9	0.8	10.5	0.8

The following table provides details of collateral and guarantees received as security for impaired loans.

Total impaired credit exposure on loans	2017	2016
Impaired outstanding	57.4	57.5
Collateral received		
Financial instruments		0.8
Property, plant & equipment	94.2	79.3
Collateral and guarantees in excess of impaired credit exposure 1)	39.8	23.7
Unsecured exposure	3.0	1.1

1) *Collateral amounts in excess of credit exposure relate to loans for which the collateral is higher than the underlying individual loan. As this additional collateral cannot be off-set against loans for which the collateral is lower than the underlying individual loan, an excess position is added to the unsecured exposure.*

14

Investments in associates

The following table provides an overview of the most significant investments in associates as at 31 December. The percentage of interest may include more than one percentage if interests are held in more than one entity of the associate group and these percentages are not the same.

A new associate compared to last year is BG1 which has been deconsolidated after being partly sold by AG Real Estate. We also refer to note 3 Acquisitions and disposals.

		% interest	2017 Carrying amount	2016 Carrying amount
Associates				
Taiping Holdings	China	20.0% - 24.9%	845.1	968.9
Muang Thai Group Holding	Thailand	7.8% - 30.9%	710.5	562.5
Mayban Ageas Holding Berhad	Malaysia	31.0%	387.0	365.5
Cardif Lux Vie	Luxembourg	33.3%	143.7	135.6
Aksigorta	Turkey	36.0%	105.8	115.7
Tesco Insurance Ltd	UK	50.1%	102.8	76.4
BG1	Belgium	50.0%	99.4	
DTHP	Belgium	33.0%	83.3	99.7
East West Ageas Life	Philippines	50.0%	56.8	71.8
Evergreen	Belgium	35.7%	48.5	54.7
Predirec	Belgium	29.5%	38.6	49.0
IDBI Federal Life Insurance	India	26.0%	26.1	23.6
Royal Park Investments	Belgium	44.7%	17.7	41.9
MB Ageas Life JSC	Vietnam	32.0%	10.0	13.2
Other			266.3	277.2
Total			2,941.6	2,855.7

The carrying value of Muang Thai Group Holding increased in 2017 mainly due to unrealised gains. The carrying value of Taiping Holdings decreased mainly due to unrealised losses.

The details of the associates are as follows.

2017	Total assets	Total liabilities	Equity	Ageas part	Total income	Total expenses	Net Result	Ageas part	Dividend received
Taiping Holdings	50,454.4	47,028.4	3,426.0	841.5	16,835.4	(16,002.6)	832.8	205.1	54.3
Muang Thai Group Holding	12,232.0	9,902.4	2,329.6	677.9	3,287.6	(3,047.7)	239.9	72.0	19.9
Mayban Ageas Holding Berhad	6,305.2	5,119.9	1,185.3	366.9	1,538.4	(1,379.4)	159.0	49.2	16.9
Cardif Lux Vie	23,481.1	23,050.0	431.1	143.7	4,558.0	(4,516.8)	41.2	13.7	8.2
Aksigorta	609.9	484.0	125.9	45.3	406.3	(372.9)	33.4	12.0	
Tesco Insurance Ltd	1,194.6	989.6	205.0	102.7	446.3	(419.8)	26.5	13.3	
BG1	228.3	29.5	198.8	99.4	10.7	(5.5)	5.2	2.6	
DTHP	890.9	638.4	252.5	83.3	50.9	(71.0)	(20.1)	(6.6)	
East West Ageas Life	131.3	17.9	113.4	56.7	15.5	(31.5)	(16.0)	(8.0)	
Evergreen	266.9	124.2	142.7	50.9	18.8	(10.0)	8.8	3.1	
Predirec	130.9		130.9	38.6	1.9	(1.3)	0.6	0.2	
IDBI Federal Life Insurance	948.8	848.5	100.3	26.1	310.2	(293.4)	16.8	4.4	
Royal Park Investments	40.0	0.4	39.6	17.7	16.3	(9.5)	6.8	3.0	17.9
MB Ageas Life JSC	41.4	10.1	31.3	10.0	7.7	(17.1)	(9.4)	(3.0)	
Related Goodwill				116.3					
Other				264.6				48.8	45.6
Total				2,941.6				409.8	162.8

2016	Total assets	Total liabilities	Equity	Ageas part	Total income	Total expenses	Net Result	Ageas part	Dividend received
Taiping Holdings	44,332.6	40,417.9	3,914.7	965.3	14,378.5	(13,953.0)	425.5	105.5	71.5
Muang Thai Group Holding	10,664.7	8,832.0	1,832.7	528.9	3,024.1	(2,784.4)	239.7	70.2	15.9
Mayban Ageas Holding Berhad	6,771.9	5,658.0	1,113.9	344.8	1,339.2	(1,209.5)	129.7	40.1	17.9
Cardif Lux Vie	21,291.4	20,884.7	406.7	135.6	3,618.5	(3,589.9)	28.6	9.6	7.2
Aksigorta	545.2	429.6	115.6	41.6	362.8	(341.7)	21.1	7.6	
Tesco Insurance Ltd	1,127.0	974.6	152.4	76.4	487.1	(528.5)	(41.4)	(20.7)	
DTHP	1,011.5	709.4	302.1	99.7	112.6	(101.4)	11.2	3.7	
East West Ageas Life	154.9	11.7	143.2	71.6	5.6	(17.4)	(11.8)	(5.8)	
Evergreen	270.0	118.1	151.9	54.2	21.9	(5.8)	16.1	5.7	
Predirec	167.5	1.3	166.2	49.0	3.8	(0.2)	3.6	1.1	
IDBI Federal Life Insurance	832.1	741.4	90.7	23.6	231.0	(230.8)	0.2	0.1	
Royal Park Investments	93.9	0.3	93.6	41.8	83.7	(21.4)	62.3	27.9	17.2
MB Ageas Life JSC	46.5	0.8	45.7	14.6	0.7	(1.3)	(0.6)	(0.2)	
Related Goodwill				132.0					
Other				276.6				5.0	21.5
Total				2,855.7				249.8	151.2

Equity associates are subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries where those equity associates operate. Dividend payments of associates are sometimes subject to shareholder agreements with the partners in the company. In certain situations, consensus is required before dividend is declared.

In addition, shareholder agreements (related to parties having an interest in a company in which Ageas has a non-controlling interest) may include:

- specific articles on voting rights or dividend distribution;
- lock-up periods during which all parties having shares are not allowed to sell shares before a certain period or without prior approval of the other parties involved;
- options to sell or resell shares to the other party/parties involved in the shareholder agreement, including the underlying calculation methodology to value the shares;
- earn-out mechanisms which allow the party originally selling the shares to obtain additional revenues when certain objectives are realised;
- exclusivity clauses or non-compete clauses related to the sales of insurance products.

Royal Park Investments

After the disposal of the assets and settlement of the liabilities, the remaining activity of RPI is essentially limited to the management of litigation initiated against a number of US financial institutions.

15 Reinsurance and other receivables

The table below shows the components of reinsurance and other receivables.

	31 December 2017	31 December 2016
Reinsurers' share of liabilities arising from insurance and investment contracts	713.9	639.4
Receivables from policyholders	425.0	577.0
Fees and commissions receivable	59.4	62.7
Receivables from intermediaries	354.5	337.1
Reinsurance receivables	61.2	23.4
Other	619.7	584.5
Total gross	2,233.7	2,224.1
Impairments	(47.8)	(31.8)
Total net	2,185.9	2,192.3

The line ‘Other’ includes VAT and other indirect taxes. It also includes the advance payment of EUR 241 million to the Stichting FORsettlement (see note 26 Provisions).

Changes in impairments of reinsurance and other receivables

The following table shows the changes in the impairments of reinsurance and other receivables.

	2017	2016
Balance as at 1 January	31.8	16.7
Acquisitions/divestments of subsidiaries	(1.3)	16.9
Increase in impairments	1.7	1.6
Release of impairments	(1.8)	(4.2)
Write-offs of uncollectible amounts	0.6	(0.1)
Foreign exchange differences and other adjustments	16.8	0.9
Balance as at 31 December	47.8	31.8

Changes in the reinsurer’s share of liabilities arising from insurance and investment contracts

A roll-forward of the reinsurer’s share of liabilities arising from insurance and investment contracts is provided below.

	2017	2016
Balance as at 1 January	639.4	596.6
Acquisitions/divestments of subsidiaries	(58.9)	(3.3)
Change in liabilities current year	84.9	61.9
Change in liabilities prior years	152.4	(17.2)
Claims paid current year	(16.5)	12.5
Claims paid prior years	(53.3)	17.7
Other net additions through income statement	(23.5)	8.4
Foreign exchange differences and other adjustments	(10.6)	(37.2)
Balance as at 31 December	713.9	639.4

16 Accrued interest and other assets

The table below shows the components of accrued interest and other assets.

	31 December 2017	31 December 2016
Deferred acquisition cost	412.1	450.1
Deferred other charges	81.1	88.6
Accrued income	1,174.9	1,243.4
Derivatives held for hedging purposes	10.5	4.4
Property intended for sale	144.1	82.4
Defined benefit assets		0.2
Other	36.3	37.7
Total gross	1,859.0	1,906.8
Impairments	(1.2)	(0.7)
Total net	1,857.8	1,906.1

Accrued income mainly consists of accrued interest income on government bonds (2017: EUR 745 million; 2016: EUR 746 million) and corporate bonds (2017: EUR 306 million; 2016: EUR 387 million).

Deferred acquisition costs

Changes in deferred acquisition costs related to insurance and investment contracts are shown below.

	2017	2016
Balance as at 1 January	450.1	872.2
Acquisitions/divestments of subsidiaries	(42.1)	(395.8)
Capitalised deferred acquisition costs	407.6	427.6
Depreciation expense	(394.3)	(397.2)
Other adjustments including exchange rate differences	(9.2)	(56.7)
Balance as at 31 December	412.1	450.1

The line item, acquisitions/divestments of subsidiaries, consists of the deferred acquisition costs related to Cargeas (2017) and AICA (2016) (see also note 3 Acquisitions and disposals).

17

Property, plant and equipment

Property, plant and equipment include owner-occupied office buildings and owner-managed public car parks.

The table below shows the carrying amount for each category of property, plant and equipment.

	31 December 2017	31 December 2016
Land and buildings held for own use	1,055.7	1,036.0
Leasehold improvements	26.4	27.8
Equipment	101.8	108.5
Total	1,183.9	1,172.3

Changes in property, plant and equipment

A roll-forward of changes in property, plant and equipment is provided below.

2016	Land and buildings held for own use	Leasehold improvements	Equipment	Total
Acquisition cost as at 1 January	1,571.9	79.3	310.1	1,961.3
Acquisitions/divestments of subsidiaries		(11.3)	8.1	(3.2)
Additions	69.0	(1.5)	22.2	89.7
Reversal of cost due to disposals	(4.7)	(0.1)	(16.1)	(20.9)
Foreign exchange differences	(5.1)	(1.6)	(11.9)	(18.6)
Other	(3.7)	(0.5)	1.3	(2.9)
Acquisition cost as at 31 December	1,627.4	64.3	313.7	2,005.4
Accumulated depreciation as at 1 January	(552.8)	(42.2)	(205.6)	(800.6)
Acquisitions/divestments of subsidiaries		7.7	(5.4)	2.3
Depreciation expense	(37.0)	(6.0)	(36.2)	(79.2)
Reversal of depreciation due to disposals	4.0	0.1	13.3	17.4
Foreign exchange differences	0.2	0.9	8.5	9.6
Other	1.4	3.0	20.2	24.6
Accumulated depreciation as at 31 December	(584.2)	(36.5)	(205.2)	(825.9)
Impairments as at 1 January	(8.6)			(8.6)
Reversal of impairments credited to the income statement	1.4			1.4
Impairments as at 31 December	(7.2)			(7.2)
Property, plant and equipment as at 31 December	1,036.0	27.8	108.5	1,172.3

2017	Land and buildings held for own use	Leasehold - improvements	Equipment	Total
Acquisition cost as at 1 January	1,627.4	64.3	313.7	2,005.4
Acquisitions/divestments of subsidiaries	23.1	(1.3)	(6.0)	15.8
Additions	33.8	2.8	26.8	63.4
Reversal of cost due to disposals	(10.6)	(1.9)	(11.1)	(23.6)
Transfer from (to) investment property	12.7		(2.8)	9.9
Foreign exchange differences	(1.5)	(0.2)	(2.2)	(3.9)
Other	0.5	2.2	11.2	13.9
Acquisition cost as at 31 December	1,685.4	65.9	329.6	2,080.9
Accumulated depreciation as at 1 January	(584.2)	(36.5)	(205.2)	(825.9)
Acquisitions/divestments of subsidiaries		1.4	6.3	7.7
Depreciation expense	(36.9)	(5.3)	(33.6)	(75.8)
Reversal of depreciation due to disposals	2.7	1.9	10.8	15.4
Transfer from (to) investment property	(0.3)		3.1	2.8
Foreign exchange differences	0.1	0.2	1.7	2.0
Other	(1.3)	(1.2)	(10.9)	(13.4)
Accumulated depreciation as at 31 December	(619.9)	(39.5)	(227.8)	(887.2)
Impairments as at 1 January	(7.2)			(7.2)
Increase in impairments charged to the income statement	(2.6)			(2.6)
Impairments as at 31 December	(9.8)			(9.8)
Property, plant and equipment as at 31 December	1,055.7	26.4	101.8	1,183.9

An amount of EUR 190.5 million of property, plant and equipment has been pledged as collateral (31 December 2016: EUR 202.9 million). The line item, Acquisitions/divestments of subsidiaries, for 2017 consists of property, plant and equipment of Cargeas (divestment) and for 2016 consists of the leasehold improvements of AICA (divestment) and the equipment of both AICA (divestment) and Ageas Seguros (acquisition).

Property, other than car parks, is externally appraised each year, whereby the independent appraisers are rotated every three years. Fair values are based on level 3 valuation.

Ageas determines car park fair values using in-house models that also use unobservable market data (level 3). The resulting fair values are calibrated based on available market data and/or transactions. Level 3 valuation techniques are used for measuring car parks primarily using discounted cash flows. Expected car park cash flows take into account expected inflation, and economic growth in individual car park areas, among other factors. The expected net cash flows are discounted using risk-adjusted discount rates. The discount rate estimation considers the quality of the car park and its location, among other factors.

Fair value of land and buildings held for own use

The fair value of owner-occupied property is set out below.

	31 December 2017	31 December 2016
Total fair value of Land and buildings held for own use	1,505.7	1,452.5
Total carrying amount	1,055.7	1,036.0
Gross unrealised gains (losses)	450.0	416.5
Taxation	(124.6)	(141.6)
Net unrealised gains (losses) (not recognised in equity)	325.4	274.9

18 Goodwill and other intangible assets

Goodwill and other intangible assets are as follows.

	31 December 2017	31 December 2016
Goodwill	604.0	697.4
VOBA	88.7	106.0
Purchased software	16.3	21.2
Internally developed software	10.5	8.2
Other intangible assets	403.1	384.9
Total	1,122.6	1,217.7

Value of business acquired (VOBA) is the difference between the fair value at acquisition date and the subsequent book value of a portfolio of contracts acquired separately or in a business combination. VOBA is recognised as an intangible asset and amortised over the income recognition period of the portfolio of contracts. The main contributor to VOBA is Millenniumbcp Ageas. The decrease in VOBA is due to amortisation.

Other intangible assets include intangible assets with a finite useful life, such as concessions, patents, licences, trademarks and other similar rights. This mainly relates to AG Real Estate. In general, software is amortised over a maximum of five years and other intangible assets have an expected useful life of 10 years at most. Other intangible assets are amortised in accordance with their expected lives.

With the exception of goodwill, Ageas does not have any intangible assets with indefinite useful lives.

Changes in goodwill and other intangible assets

Changes in goodwill and other intangible assets for the years 2016 and 2017 are shown below.

2016	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January	986.8	861.3	78.6	18.4	596.9	2,542.0
Acquisitions/divestments of subsidiaries	(216.8)	(317.2)	(21.6)	24.0	20.2	(511.4)
Additions			10.4	3.9	10.2	24.5
Adjustments arising from subsequent changes in value of assets and liabilities	(0.2)				(1.5)	(1.7)
Reversal of cost due to disposals			(7.4)	(3.2)	(5.8)	(16.4)
Foreign exchange differences	(34.0)	(15.1)	(3.4)			(52.5)
Other	(1.6)		0.1		10.6	9.1
Acquisition cost as at 31 December	734.2	529.0	56.7	43.1	630.6	1,993.6
Accumulated amortisation as at 1 January		(548.7)	(49.9)	(12.0)	(212.5)	(823.1)
Acquisitions/divestments of subsidiaries		143.3	16.5	(19.9)		139.9
Amortisation expense		(24.2)	(12.6)	(3.6)	(18.9)	(59.3)
Reversal of amortisation due to disposals			0.1			0.1
Foreign exchange differences		6.6	2.0			8.6
Other			8.4	0.6	(1.3)	7.7
Accumulated amortisation as at 31 December		(423.0)	(35.5)	(34.9)	(232.7)	(726.1)
Impairments as at 1 January	(164.1)				(15.6)	(179.7)
Acquisitions/divestments of subsidiaries	121.3					121.3
Increase in impairments charged to the income statement	(4.7)					(4.7)
Reversal of impairments credited to the income statement					2.6	2.6
Foreign exchange differences	10.7					10.7
Impairments as at 31 December	(36.8)				(13.0)	(49.8)
Goodwill and other intangible assets as at 31 December	697.4	106.0	21.2	8.2	384.9	1,217.7

2017	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January	734.2	529.0	56.7	43.1	630.6	1,993.6
Acquisitions/divestments of subsidiaries	(95.3)		(25.1)	1.2	33.8	(85.4)
Additions			7.2	4.7	14.8	26.7
Adjustments arising from subsequent changes in value of assets and liabilities	3.1					3.1
Reversal of cost due to disposals			(1.0)	(0.3)		(1.3)
Foreign exchange differences	(9.6)		(0.6)			(10.2)
Other			7.0	0.1	(8.6)	(1.5)
Acquisition cost as at 31 December	632.4	529.0	44.2	48.8	670.6	1,925.0
Accumulated amortisation as at 1 January		(423.0)	(35.5)	(34.9)	(232.7)	(726.1)
Acquisitions/divestments of subsidiaries			22.6		1.9	24.5
Amortisation expense		(17.3)	(9.5)	(3.7)	(21.5)	(52.0)
Reversal of amortisation due to disposals			0.9			0.9
Foreign exchange differences			0.3			0.3
Other			(6.7)	0.3	(0.9)	(7.3)
Accumulated amortisation as at 31 December		(440.3)	(27.9)	(38.3)	(253.2)	(759.7)
Impairments as at 1 January	(36.8)				(13.0)	(49.8)
Acquisitions/divestments of subsidiaries	7.3					7.3
Increase in impairments charged to the income statement					(2.8)	(2.8)
Reversal of impairments credited to the income statement					1.5	1.5
Foreign exchange differences	1.1					1.1
Impairments as at 31 December	(28.4)				(14.3)	(42.7)
Goodwill and other intangible assets as at 31 December	604.0	88.7	16.3	10.5	403.1	1,122.6

The line 'Other' in the 'Other intangible assets' column in 2016, relates to a transfer from equipment (see note 17 Property, plant and equipment). For more information on the acquisition and divestment of subsidiaries, see note 3 Acquisitions and disposals.

Impairment of goodwill

Impairment testing of goodwill is performed annually at the end of the year by comparing the recoverable amount of cash-generating units (CGU) with their carrying amount. The recoverable amount is the higher of the value in use and fair value less costs to sell. The type of acquired entity, the level of operational integration and common management, determines the definition of the CGU. Based on these criteria, Ageas has designated CGU's on country level.

The recoverable amount of a CGU is assessed by means of a discounted cash-flow model of the anticipated future cash flows of the CGU. The key assumptions used in the cash flow model depend on input reflecting various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated.

These variables are determined on the basis of management's judgement. If the entity is listed on a stock market, the market price will also be considered an element in the evaluation.

The breakdown of goodwill and impairments for the main cash-generating units as at 31 December 2017 is as follows.

	Goodwill amount	Impairments	Net amount	Segment	Method used for recoverable amount
Cash-generating unit (CGU)					
Ageas Portugal	335.9		335.9	Continental Europe (CEU)	Value in use
Ageas (UK)	265.2	28.2	237.0	United Kingdom (UK)	Value in use
Other	31.3	0.2	31.1		Value in use
Total	632.4	28.4	604.0		

Ageas Portugal

The reported goodwill for Ageas Portugal amounts to EUR 335.9 million (2016: EUR 332.8 million). In 2016, the legal structure in Portugal has been simplified and all Portuguese entities are now owned and controlled by Ageas Portugal Holding with a central Executive Committee on country-level which decides on all strategic issues. Therefore as from 2016, Ageas Portugal is considered as one CGU.

The value in use calculation uses expected dividends, based on business plans approved by local and Ageas' management over a period of five years. The business plans take into consideration the further integration of the different entities in Portugal.

Estimates for after this period have been extrapolated using a growth rate of 2.0 percent, which represents an approach of expected inflation in Portugal. The discount rate used is based on the risk-free interest rate, country risk, market risk premium and a beta coefficient of 1.05, amounts to 8.5 percent. The impairment test showed that the recoverable amount exceeded the carrying value of the CGU including goodwill. Consequently, goodwill for Ageas Portugal was not impaired.

Based on the sensitivity analysis with regard to the assumptions, goodwill for Ageas Portugal would still not be impaired if the growth rate was negative or the discount rate increased by 7.5 percentage points.

Ageas UK

Goodwill for Ageas UK amounts to EUR 265.2 million (2016: EUR 274.9 million). The net goodwill after impairment amounts to EUR 237.0 million (2016: EUR 245.6 million). The change in amount between 2017 and 2016 is caused by exchange rate differences between the euro and pound sterling. In the United Kingdom, all entities are owned and controlled by Ageas UK holding with its own Executive Committee which decides on all strategic issues. Therefore as from 2016, Ageas UK is considered as one CGU.

The value in use calculation uses expected dividends based on business plans approved by local and Ageas' management over a period of five years. Estimates for after this period have been extrapolated using a growth rate of 2.0 percent, which represents an approach of expected inflation.

The discount rate used, including a beta coefficient of 1.0, amounts to 7.8 percent. The impairment test showed that the recoverable amount exceeded the carrying value of the CGU including goodwill and goodwill was therefore not impaired.

Based on the sensitivity analysis with regard to the assumptions, goodwill for the UK business would not be impaired if the long-term growth rate dropped by 3.3 percentage points and the discount rate increased by 2.8 percentage points.

Other

Other includes goodwill in CGU's in France and Belgium.

Amortisation of VOBA

The expected amortisation expenses for VOBA from 2018 onwards are as follows.

	Estimated amortisation of VOBA
2018	16.1
2019	14.8
2020	13.2
2021	11.5
2022	9.7
Later	23.4

19 Shareholders' equity

The following table shows the composition of shareholders' equity as at 31 December 2017.

Share capital	
Ordinary shares: 209,399,949 shares issued and paid with a fraction value of EUR 7.40	1,549.6
Share premium reserve	2,251.5
Other reserves	2,481.2
Currency translation reserve	(84.2)
Net result attributable to shareholders	623.2
Unrealised gains and losses	2,789.6
Shareholders' equity	9,610.9

19.1 Ordinary shares

Shares issued and potential number of shares

In accordance with the provisions regulating ageas SA/NV, to the extent law permits, and in the interest of the Company, the Board of Ageas was authorised for a period of three years (2017-2019) by the General Meeting of Shareholders of 17 May 2017 to increase the share capital by a maximum amount of EUR 155,400,000 for general purposes.

Applied to a fraction value of EUR 7.40, this enables the issuance of up to 21,000,000 shares, representing approximately 10% of the total current share capital of the Company. This authorisation also enables the Company to meet its obligations entered into in the context of the issue of the financial instruments. Shares can also be issued due to the so-called alternative coupon settlement method (ACSM), included in certain hybrid financial instruments (for details see note 46 Contingent liabilities).

Ageas has issued options or instruments containing option features that could, upon exercise, lead to an increase in the number of outstanding shares.

The number of shares issued includes shares that relate to the FRESH convertible instrument (4.0 million). The FRESH is a financial instrument that was issued in 2002 by Ageasfinlux SA. One of the features of this instrument is that it can only be redeemed through conversion into 4.0 million Ageas shares. Ageasfinlux SA has acquired all necessary Ageas shares to redeem the FRESH (consequently they are included in the number of Ageas shares outstanding). However, Ageasfinlux SA and Ageas have agreed that these shares will not receive dividend nor will they have voting rights as long as these shares are pledged to the FRESH. As Ageasfinlux SA is part of Ageas Group, the shares related to the FRESH are treated as treasury shares (see below) and eliminated against shareholders' equity (see note 21 Subordinated liabilities).

Treasury shares

Treasury shares are issued ordinary shares that have been bought back by Ageas. The shares are deducted from shareholders' equity and reported in other reserves.

The total number of treasury shares (10.4 million) consists of shares held for the FRESH (4.0 million) and the remaining shares resulting from the share buy-back programme (6.5 million, see below) of which 0.1 million shares are used for the vesting of the restricted share programme. Details of the FRESH securities are provided in note 21 Subordinated liabilities.

Share buy-back programme 2017

Ageas announced on 9 August 2017 a new share buy-back programme as from 21 August 2017 up to 3 August 2018 for an amount of EUR 200 million.

Between 21 August 2017 and 31 December 2017, Ageas bought back 1,924,024 shares corresponding to 0.92% of the total shares outstanding and totalling EUR 77.2 million.

Share buy-back programme 2016

Ageas announced on 10 August 2016 a share buy-back programme as from 15 August 2016 up to 4 August 2017 for an amount of EUR 250 million.

Ageas completed on 4 August 2017 the share buy-back programme announced on 10 August 2016. Between 15 August 2016 and 4 August 2017, Ageas bought back 7,002,631 shares corresponding to 3.34% of the total shares outstanding and totalling EUR 250 million.

Share buy-back programme 2015

Ageas announced on 5 August 2015 a share buy-back programme from 17 August 2015 to 5 August 2016 for an amount of EUR 250 million.

Ageas completed on 5 August 2016 the share buy-back programme announced on 5 August 2015. Between 17 August 2015 and 5 August 2016, Ageas bought back 6,977,544 shares corresponding to 3.22% of the total shares outstanding and totalling EUR 250 million.

The General Meeting of Shareholders of 27 April 2016 approved the cancellation of 2,226,350 own shares that had been bought back until 31 December 2015.

The General Meeting of Shareholders of 17 May 2017 approved the cancellation of the remaining 4,751,194 own shares of the Share buy-back programme 2015 and the 2,419,328 own shares that had been bought back until 31 December 2016 for the Share buy-back programme 2016.

Restricted share programme

In 2014, 2015 and 2016, Ageas created restricted share programmes for its senior management (see also note 7 section 7.2 Employee share option and share purchase plans).

19.2 Shares entitled to dividend and voting rights

The table below gives an overview of the shares entitled to dividend and voting rights as at 31 December.

in thousands	
Number of shares issued as at 31 December 2017	**209,400**
Shares not entitled to dividend and voting rights:	
Shares held by ageas SA/NV	6,378
Shares related to the FRESH (see note 21)	3,968
Shares related to CASHES (see note 46)	3,959
Shares entitled to voting rights and dividend	**195,095**

CASHES and settlement with BNP Paribas Fortis SA/NV and BNP Paribas

BNP Paribas Fortis SA/NV (the former Fortis Bank) issued a financial instrument called CASHES in 2007. One of the features of this instrument was that it could only be redeemed through conversion into 12.5 million Ageas shares.

BNP Paribas Fortis SA/NV acquired all necessary Ageas shares to redeem the CASHES (consequently they were included in the number of Ageas shares outstanding). The shares held by BNP Paribas Fortis SA/NV related to the CASHES are not entitled to dividend nor do these have voting rights (see note 21 Subordinated liabilities and note 46 Contingent liabilities).

In 2012, BNP Paribas made a (partially successful) cash tender for the CASHES and on 6 February 2012, BNP Paribas Fortis SA/NV converted 7,553 of the tendered CASHES securities out of 12,000 CASHES securities outstanding (62.9%) into 7.9 million Ageas shares.

Ageas and BNP Paribas had agreed that BNP Paribas could purchase CASHES under the condition that they are converted into Ageas shares. In 2016, 656 CASHES were purchased and converted. The agreement between Ageas and BNP Paribas expired at year-end 2016. At this moment, 4.0 million Ageas shares related to the CASHES are still held by BNP Paribas Fortis SA/NV.

Outstanding shares

The following table shows the number of outstanding shares.

in thousands	Shares issued	Treasury shares	Shares outstanding
Number of shares as at 1 January 2016	223,778	(11,490)	212,288
Cancelled shares	(7,208)	7,208	
Balance (acquired)/sold		(7,171)	(7,171)
Used for management share plans		221	221
Number of shares as at 31 December 2016	216,570	(11,232)	205,338
Cancelled shares	(7,171)	7,171	
Balance (acquired)/sold		(6,507)	(6,507)
Used for management share plans		175	175
Number of shares as at 31 December 2017	209,400	(10,394)	199,006

The table below gives an overview of the shares issued and the potential number of shares as at 31 December.

in thousands	
Number of shares as at 31 December 2017	209,400
Shares that may be issued per Shareholders' Meeting of 17 May 2017	21,000
In connection with option plans (see note 7)	480
Total potential number of shares as at 31 December 2017	230,880

19.3 Other reserves

Treasury shares, i.e. ordinary shares bought back by Ageas, are deducted from shareholders' equity and reported in other reserves. Other reserves also include the adjustment for the written put options on non-controlling interests. Each year the balance of profits for the year and the dividends related to the year are added to or deducted from the other reserves.

19.4 Currency translation reserve

The currency translation reserve is a separate component of shareholders' equity where the exchange differences arising from translation of the results and financial positions of foreign operations that are included in the Ageas Consolidated Financial Statements are reported.

Ageas does not hedge net investments in operations that do not have euro as their functional currency unless the impact of potential foreign exchange movements is considered beyond Ageas's Risk Appetite. However, loans not provided for permanent funding purposes and known payments or dividends in a foreign currency are hedged. Exchange differences arising on loans and other currency instruments designated as hedging instruments of such investments are recorded in equity (under the heading 'Currency translation reserve') until the disposal of the net investment, except for any hedge ineffectiveness, which will be immediately recognised in the income statement. On disposal of an entity, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

19.5 Unrealised gains and losses included in shareholders' equity

The table below shows the unrealised gains and losses included in shareholders' equity.

31 December 2017	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	7,643.8	(52.9)	184.6	(35.7)		7,739.8
Related tax	(1,826.0)	13.2		1.6		(1,811.2)
Shadow accounting	(3,102.2)					(3,102.2)
Related tax	808.9					808.9
Non-controlling interests	(873.7)	16.8	5.6	5.6		(845.7)
Discretionary participation feature (DPF)	8.2				(8.2)	
Total	2,659.0	(22.9)	190.2	(28.5)	(8.2)	2,789.6

31 December 2016	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	8,272.8	(67.9)	283.6	(45.4)		8,443.1
Related tax	(2,665.9)	18.3		2.7		(2,644.9)
Shadow accounting	(3,983.7)					(3,983.7)
Related tax	1,352.8					1,352.8
Non-controlling interests	(732.7)	21.8	7.7	6.8		(696.4)
Discretionary participation feature (DPF)	9.2				(9.2)	
Total	2,252.5	(27.8)	291.3	(35.9)	(9.2)	2,470.9

Unrealised gains and losses on available for sale investments are discussed in detail in note 11 Financial investments. Unrealised gains and losses on held to maturity investments represent unrealised gains and losses to be amortised.

Changes in the fair value of derivatives that are designated and qualify as a cash-flow hedge are recognised as an unrealised gain or loss in shareholders' equity. Any hedge ineffectiveness is immediately recognised in the income statement.

Ageas enters into insurance contracts that feature not only a guaranteed part but also other benefits, of which the amounts and timing of declaration and payment are solely at the discretion of Ageas. Depending on the contractual and statutory terms and conditions, unrealised changes in the fair value of the asset mix related to such contracts are, after the application of shadow accounting, reported in shareholders' equity under separate discretionary participation features (DPF) and in unrealised gains and losses related to available for sale investments.

The table below shows changes in gross unrealised gains and losses included in shareholders' equity for 2016 and 2017.

	Available for sale investments	Held to maturity investments	Revaluation of associates	Cash flow hedges	Total
Gross unrealised gains (losses) as at 1 January 2016	7,540.7	(88.2)	501.3	81.5	8,035.3
Changes in unrealised gains (losses) during the year	1,184.8		(217.7)	(2.5)	964.6
Reversal unrealised (gains) losses because of sales	(218.7)				(218.7)
Reversal unrealised losses because of impairments	4.1				4.1
Acquisition and divestments of associates	(236.8)			(133.6)	(370.4)
Amortisation		19.9		9.2	29.1
Other	(1.3)	0.4			(0.9)
Gross unrealised gains (losses) as at 31 December 2016	8,272.8	(67.9)	283.6	(45.4)	8,443.1
Changes in unrealised gains (losses) during the year	(473.4)		(98.2)	3.3	(568.3)
Reversal unrealised (gains) losses because of sales	(124.9)				(124.9)
Reversal unrealised losses because of impairments	(1.6)				(1.6)
Acquisition and divestments of associates	(28.0)			6.8	(21.2)
Amortisation		14.6			14.6
Other	(1.1)	0.4	(0.8)	(0.4)	(1.9)
Gross unrealised gains (losses) as at 31 December 2017	7,643.8	(52.9)	184.6	(35.7)	7,739.8

19.6 Dividend capacity

The companies comprising Ageas are subject to legal restrictions regarding the amount of dividend they may pay to their shareholders.

The Dutch Civil Code stipulates that a Dutch company may pay dividends only if the net equity of that company exceeds the total of the paid-up and called-up capital and the reserves required by law or by the company's Articles of Association.

Under the Belgian Company Code, 5% of a company's annual net profit must be placed in a legal reserve fund until this fund reaches 10% of the share capital. No dividends may be paid if the value of the company's net assets falls below, or following payment of a dividend would fall below, the sum of its paid-up capital and non-distributable reserves.

Subsidiaries and associates are also subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries in which those subsidiaries operate and from shareholder agreements with the partners in the company. In certain situations consensus between the shareholders is required before dividend is declared.

In addition, shareholder agreements (related to parties having a non-controlling interest in Ageas subsidiaries) may include:

- specific articles on voting rights or dividend distribution;
- lock-up periods during which all parties having shares are not allowed to sell shares before a certain period or without the prior approval of the other parties involved;
- options to sell or resell shares to the other party (parties) involved in the shareholders agreement including the underlying calculation methodology to value the shares;
- earn-out mechanisms which allow the party originally selling the shares to obtain additional revenues when certain objectives are realised;
- exclusivity clauses or non-competition clauses related to the sales of insurance products.

Proposed dividend for 2017

Ageas's Board has decided to propose for approval by the Annual General Meeting of Shareholders a gross cash dividend of EUR 2.10 per share for 2017.

19.7 Return on equity

Ageas calculates return on equity by dividing the net result for the period by the net average equity (excluding unrealised gains and losses) at the beginning and the end of the period.

Return on equity for 2017 and 2016 is as follows:

	2017	2016
Return on equity Insurance (excluding unrealised gains & losses)	14.6%	10.6%

20 Insurance liabilities

Life liabilities

Life liabilities are established when a policy is sold in order to ensure that sufficient funds are set aside to meet the future claims relating to that policy. Life insurance liabilities can be split into:

- Liabilities arising from Life insurance contracts (see 20.1);
- Liabilities arising from Life investment contracts (see 20.2);
- Liabilities related to unit-linked contracts (see 20.3).

Non-life liabilities

- Liabilities arising from Non-life insurance contracts (see 20.4).

The details of these insurance liabilities are provided hereafter. For more detailed information on sensitivities and risk exposures for the insurance liabilities, please refer to note 5.4 Details of various risk exposures.

20.1 Liabilities arising from Life insurance contracts

The following table provides an overview of the liabilities arising from Life insurance contracts.

	31 December 2017	31 December 2016
Liability for future policyholder benefits	25,602.5	25,722.8
Reserve for policyholder profit sharing	162.3	176.5
Shadow accounting	1,723.6	2,326.9
Before eliminations	27,488.4	28,226.2
Eliminations	(7.6)	(8.1)
Gross	27,480.8	28,218.1
Reinsurance	(10.1)	(22.9)
Net	27,470.7	28,195.2

Changes in the liabilities arising from Life insurance contracts (gross of reinsurance and before eliminations) are shown below.

	2017	2016
Balance as at 1 January	28,226.2	29,078.5
Acquisitions of subsidiaries		372.4
Divestments of subsidiaries		(2,380.8)
Gross inflow	1,848.3	2,034.1
Time value	753.3	844.8
Payments due to surrenders, maturities and other	(2,157.7)	(1,971.1)
Transfer of liabilities	(54.8)	(158.6)
Shadow accounting adjustment	(603.2)	925.4
Net changes in group contracts		16.1
Other changes, including risk coverage	(523.7)	(534.6)
Balance as at 31 December	27,488.4	28,226.2

In 2016, acquisitions of subsidiaries relates to Ageas Seguros in Portugal and divestments relates to AICA in Asia (see note 3).

The shadow accounting adjustment is a reflection of the unrealised gains and losses on the investment portfolio, related to the evolution of market yields. In 2016, an addition of EUR 483 million is caused by a change in estimate. The estimates of prospective cash flows of the investment portfolio now incorporates a probability of default and the discount rate to determine the net present value no longer includes an illiquidity premium.

The transfer of liabilities mainly relates in 2016 to the defined contribution plans with a guaranteed rate in Belgium (see note 7.1.1.2) and to internal movements between product portfolios. In 2016, the line item 'Net changes in Group contracts' offsets the same line item regarding unit-linked contracts (see section 20.3). The line item 'Other changes, including risk coverage', mainly relates to insurance and actuarial risk consumption regarding guarantees included in the contracts, and therefore vary together with the volumes.

The effect of changes in assumptions used to measure the liabilities related to Life insurance contracts was immaterial in both 2017 and 2016.

20.2 Liabilities arising from Life investment contracts

The following table provides an overview of the liabilities arising from Life investment contracts.

	31 December 2017	31 December 2016
Liability for future policyholder benefits	29,801.5	30,097.9
Reserve for policyholder profit sharing	170.4	147.4
Shadow accounting	1,378.7	1,656.9
Gross	31,350.6	31,902.2
Reinsurance		
Net	31,350.6	31,902.2

Changes in the liabilities arising from Life investment contracts are shown below.

	2017	2016
Balance as at 1 January	31,902.2	29,902.9
Acquisitions of subsidiaries		478.9
Divestments of subsidiaries		(0.8)
Gross inflow	2,036.8	2,703.5
Time value	517.9	570.3
Payments due to surrenders, maturities and other	(2,411.5)	(2,070.5)
Transfer of liabilities	(277.6)	(52.4)
Shadow accounting adjustment	(278.2)	436.1
Other changes, including risk coverage	(139.0)	(65.8)
Balance as at 31 December	31,350.6	31,902.2

The shadow accounting adjustment is a reflection of the unrealised gains and losses in the investment portfolio, related to the evolution of market yields. The transfer of liabilities mainly relates to internal movements between product portfolios. The line item 'Other changes, including risk coverage', mainly relates to insurance and actuarial risk consumption regarding guarantees included in the contracts, and therefore vary together with the volumes.

The effect of changes in assumptions used to measure the liabilities related to Life investment contracts was immaterial in both 2017 and 2016.

20.3 Liabilities related to unit-linked contracts

Liabilities related to unit-linked contracts are broken down into insurance and investment contracts as follows.

	31 December 2017	31 December 2016
Insurance contracts	2,538.0	2,296.9
Investment contracts	13,278.2	12,056.4
Total	15,816.2	14,353.3

The following table shows the changes in liabilities related to unit-linked insurance contracts.

	2017	2016
Balance as at 1 January	2,296.9	2,155.0
Acquisitions of subsidiaries		92.9
Divestments of subsidiaries		(64.5)
Gross inflow	258.5	199.8
Changes in fair value / time value	133.6	20.0
Payments due to surrenders, maturities and other	(148.1)	(85.1)
Transfer of liabilities	(1.7)	(3.6)
Net changes in group contracts		(16.1)
Other changes, including risk coverage	(1.2)	(1.5)
Balance as at 31 December	2,538.0	2,296.9

The following table shows the changes in liabilities related to unit-linked investment contracts.

	2017	2016
Balance as at 1 January	12,056.4	12,986.8
Divestments of subsidiaries		(912.6)
Gross inflow	1,612.4	1,331.2
Changes in fair value / time value	663.7	379.4
Payments due to surrenders, maturities and other	(1,379.0)	(1,773.9)
Transfer of liabilities	366.3	110.7
Other changes, including risk coverage	(41.6)	(65.2)
Balance as at 31 December	13,278.2	12,056.4

The transfer of liabilities mainly reflects internal movements between different product contracts. In 2016, the line item 'Net changes in Group contracts' offsets the same line item regarding non unit-linked contracts (see section 20.1). The line item 'Other changes, including risk coverage', mainly relates to insurance and actuarial risk consumption, for complementary guarantees included in the contracts.

20.4 Liabilities arising from Non-life insurance contracts

The following table provides an overview of the liabilities arising from Non-life insurance contracts.

	31 December 2017	31 December 2016
Claims reserves	6,293.0	6,403.4
Unearned premiums	1,280.0	1,571.7
Reserve for policyholder profit sharing	22.9	24.9
Before eliminations	7,595.9	8,000.0
Eliminations	(20.9)	(24.8)
Gross	7,575.0	7,975.2
Reinsurance	(703.8)	(616.6)
Net	6,871.2	7,358.6

Non-life claims liabilities are recognised for claims that have occurred but have not yet been settled, quantifying the outstanding loss liability. In general, Ageas insurance companies define claims liabilities by product category, cover and year, and take into account (un)discounted prudent forecasts of pay-outs on reported claims and estimates of unreported claims. Allowances for claims expenses and inflation are also included. The pay-outs are typically undiscounted. However, some accident and health claims (in particular Workers' Compensation) have a long-term nature and their liabilities are calculated with similar to life techniques, including thus also discounted cash flows.

Unearned premiums relate to the unexpired portion of the risk, for which the premium has been received but has not yet been earned by the insurer.

Changes in the liabilities arising from insurance contracts for Non-life insurance contracts (gross of reinsurance and before eliminations) are shown below.

		2017		2016
Balance as at 1 January		8,000.0		7,463.5
Acquisitions of subsidiaries				638.5
Divestments of subsidiaries		(551.2)		
Addition to liabilities current year	2,815.7		3,012.3	
Claims paid current year	(1,394.2)		(1,519.3)	
Change in liabilities current year	1,421.5		1,493.0	
Addition to liabilities prior years	(13.5)		(48.0)	
Claims paid prior years	(1,069.6)		(1,130.1)	
Change in liabilities prior years	(1,083.1)		(1,178.1)	
		338.4		314.9
Change in unearned premiums		(47.0)		9.7
Transfer of liabilities		1.1		(2.0)
Foreign exchange differences		(100.6)		(419.9)
Other changes		(44.8)		(4.7)
Balance as at 31 December		7,595.9		8,000.0

Divestments of subsidiaries in 2017 relates to the sale of Cargeas in Italy. Acquisition of subsidiaries in 2016 relates to Ageas Seguros in Portugal. See note 3 Acquisitions and disposals. Foreign exchange differences relates to the British pound exchange rate.

Addition to liabilities includes in 2016 the impact from the decision on 27 February 2017 of UK Lord Chancellor on the Ogden rate, used by the UK courts to calculate financial losses in the form of a lump sum in personal injury cases, and has lowered this rate from positive 2.5% to minus 0.75%. The new rate has been applied to remeasure the insurance liabilities at 31 December 2016 with an impact of EUR 146 million.

The negative change in unearned premiums in 2017 mainly relates to the time lag in repricing new business and renewals in UK, as residual consequence of the Ogden discount rate change.

20.5 Insurance Liabilities Adequacy Testing

The adequacy of insurance liabilities ('Liability Adequacy Test') is tested by each company at each reporting date. The tests are generally performed on legal fungible level for Life and on product level for Non-life. Ageas considers current best estimates of all contractual cash flows, including related cash flows such as commissions, reinsurance and expenses. For Life Insurance contracts, the tests include cash flows resulting from embedded options and guarantees and investment income.

The present value of these cash flows has been determined by (a) using the current book yield of the existing portfolio, based on the assumption that reinvestments after the maturity of the financial instruments will take place at a risk free rate plus volatility adjustment and (b) a risk-free discount rate allowing a volatility adjustment based on EIOPA methodology (after the last liquid point the so called Ultimate Forward Rate extrapolation is used). The contract boundaries of Solvency II are applied. Local insurance companies can apply stricter local requirements for the liability adequacy test.

The net present value of the cash flows is compared with the corresponding technical liabilities. Any shortfall is recognized immediately in the profit or loss account, either as a DAC or VOBA impairment or as a loss recognition. If, in a subsequent period, the shortfall decreases, the decrease is reversed through profit or loss.

The tests carried out at 2017 year-end have confirmed that the reported liabilities are adequate.

Overview of insurance liabilities by operating segment

The table below provides an overview of the liabilities by operating segment.

		Non-life gross liability split:			Life gross liability split:	
31 December 2017	Total Non-life	Unearned premium	Claims outstanding	Total Life	Unit-linked	Life Guaranteed
Belgium	3,937.4	350.4	3,587.0	58,347.5	7,979.1	50,368.4
UK	2,797.3	767.0	2,030.3			
Continental Europe	841.1	162.6	678.5	16,307.7	7,837.1	8,470.6
Reinsurance	20.1		20.1			
Eliminations	(20.9)		(20.9)	(7.6)		(7.6)
Insurance total	7,575.0	1,280.0	6,295.0	74,647.6	15,816.2	58,831.4

		Non-life gross liability split:			Life gross liability split:	
31 December 2016	Total Non-life	Unearned premium	Claims outstanding	Total Life	Unit-linked	Life Guaranteed
Belgium	3,886.7	351.9	3,534.8	58,996.7	7,164.4	51,832.3
UK	2,694.6	842.1	1,852.5			
Continental Europe	1,388.8	377.7	1,011.1	15,485.0	7,188.9	8,296.1
Reinsurance	29.9		29.9			
Eliminations	(24.8)		(24.8)	(8.1)		(8.1)
Insurance total	7,975.2	1,571.7	6,403.5	74,473.6	14,353.3	60,120.3

21 Subordinated liabilities

The following table provides a specification of subordinated liabilities.

	31 December 2017	31 December 2016
FRESH	1,250.0	1,250.0
Fixed Rate Reset Perpetual Subordinated Notes	456.8	518.6
Fixed to Floating Rate Callable Subordinated Notes	99.7	99.6
Fixed to Floating Rate Callable Subordinated Loan BCP Investments	58.8	58.8
Dated Fixed Rate Subordinated Notes	396.0	395.7
Total subordinated liabilities	2,261.3	2,322.7

The following table shows the changes in subordinated liabilities.

	2017	2016
Balance as at 1 January	2,322.7	2,380.4
Redemption		(76.0)
Foreign exchange differences	(63.2)	16.6
Amortisation premiums and discounts	1.8	1.7
Closing balance	2,261.3	2,322.7

21.1 FRESH

On 7 May 2002, Ageasfinlux SA issued undated Floating Rate Equity-linked Subordinated Hybrid capital securities (FRESH) for a total principal amount of EUR 1,250 million at a floating rate of 3 month Euribor + 135 basis points. The securities have no maturity date, but may be exchanged for Ageas shares at a price of EUR 315 per share at the discretion of the holder. The securities will automatically convert into Ageas shares if the price of the Ageas share is equal to or higher than EUR 472.50 on twenty consecutive stock exchange business days. The securities qualify as Grandfathered Tier 1 capital under European regulatory requirements for insurers (Solvency II).

The securities were issued by Ageasfinlux SA, with ageas SA/NV acting as co-obligor. The principal amount of the securities will not be repaid in cash. The sole recourse of the holders of the FRESH against the co-obligor with respect to the principal amount are the 4.0 million Ageas shares that Ageasfinlux SA pledged in favour of such holders. Pending the exchange of the FRESH for Ageas shares, these Ageas shares do not have any dividend rights or voting rights (the reported number of outstanding Ageas shares as at 31 December 2017 already includes the 4.0 million Ageas shares issued for the purpose of such exchange).

In the event that dividends are not paid on the Ageas shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%) and in certain other exceptional circumstances, payment of coupons will be made in accordance with the so-called alternative coupon settlement method (ACSM). The ACSM implies that new Ageas shares will be issued and delivered to the holders of the FRESH. To date all coupons have been paid in cash. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored.

21.2 Fixed Rate Reset Perpetual Subordinated Notes

On 21 March 2013, AG Insurance issued USD 550 million Fixed Rate Reset Perpetual Subordinated Notes at an interest rate of 6.75%, payable semi-annually. The Notes may be redeemed at the option of AG Insurance, in whole but not in part, on the first call date (March 2019) or on any interest payment date thereafter. On the first call date and each sixth anniversary of the first call date the rate will be reset, based on the six year US dollar Mid Swap rate plus a margin of 5.433%. The Notes are listed on the Luxembourg Stock Exchange and qualify as Grandfathered Tier 1 capital under European regulatory requirements for insurers (Solvency II).

21.3 Fixed-to-Floating Callable Subordinated Notes

On 18 December 2013, AG Insurance issued EUR 450 million Fixed-to-Floating Callable Subordinated Notes due at an interest rate of 5.25% and with a maturity of 31 years. The notes may be redeemed at the option of AG Insurance, in whole but not in part, on the first call date at 18 June 2024 or at any interest payment date thereafter. On their first call date the Notes will bear interest at a floating rate of 3 month Euribor plus 4.136% per annum, payable quarterly. The Notes qualify as Tier 2 capital under prevailing European regulatory requirements for insurers (Solvency II). The Notes are subscribed by ageas SA/NV (EUR 350 million) and by BNP Paribas Fortis SA/NV (EUR 100 million) and are listed on the Luxembourg Stock Exchange. The part underwritten by ageas SA/NV is eliminated as intercompany transaction.

21.4 Fixed-to-Floating Callable Subordinated Loan BCP Investments

On 5 December 2014, Ageas Insurance International N.V. (51%) (AII) and BCP Investments B.V. (49%) granted a subordinated loan of EUR 120 million to Millenniumbcp Ageas at 4.75% per annum up to the first call date in December 2019 and 6 month Euribor + 475 basis points per annum thereafter. The part underwritten by AII is eliminated because it is an intercompany transaction. The Notes qualify as Grandfathered Tier 1 capital under prevailing European regulatory requirements for insurers (Solvency II).

21.5 Dated Fixed Rate Subordinated Notes

On 31 March 2015, AG Insurance issued EUR 400 million Fixed Rate Subordinated Securities at an interest rate of 3.5% and with a maturity of 32 years. The securities may be redeemed at the option of AG Insurance, in whole but not in part, on the first call date at 30 June 2027 or at any interest payment date thereafter. On the first call date and on each fifth anniversary of the first call date the interest rate will be reset equal to the sum of the five-year euro mid swap rate plus 3.875%. The Notes are listed on the Luxembourg Stock Exchange and qualify as Tier 2 capital under prevailing European regulatory requirements for insurers (Solvency II).

22 Borrowings

The table below shows the components of borrowings.

	31 December 2017	31 December 2016
Repurchase agreements	1,028.6	1,300.0
Loans	794.1	1,061.8
Due to banks	1,822.7	2,361.8
Funds held under reinsurance agreements	99.3	92.0
Finance lease agreements	18.0	19.8
Other borrowings	29.3	22.2
Total borrowings	1,969.3	2,495.8

Repurchase agreements are essentially secured short-term loans that are used to hedge specific investments with resettable interest rates and for cash management purposes.

Ageas has pledged debt securities with a carrying amount of EUR 1,044.8 million (2016: EUR 1,288.4 million) as collateral for repurchase agreements.

In addition, property has been pledged as collateral for loans and other with a carrying amount of EUR 190.5 million (2016: EUR 426.5 million).

The carrying value of the borrowings is a reasonable approximation of their fair value as contract maturities are less than one year (repurchase agreements) and/or contracts carry a floating rate (loans from banks). Accordingly, the fair value is based upon observable market data (level 2).

The following table shows the changes in borrowings.

	31 December 2017	31 December 2016
Balance as at 1 January	2,495.8	2,787.5
Acquisition of subsidiaries	105.5	119.4
Divestment of subsidiaries	(162.6)	(595.8)
Proceeds from issuance	22.1	88.1
Payments	(495.1)	(85.9)
Foreign exchange differences	(2.4)	(40.0)
Amortisation premiums and discounts		0.1
Realised Gains & Losses	(3.4)	(1.6)
Other changes	9.4	224.0
Closing balance	1,969.3	2,495.8

The following table shows the undiscounted cash flows of the borrowings classified by relevant maturity group as at 31 December.

	2017	2016
Less than 1 year	1,121.7	1,501.0
1 year to 3 years	146.6	295.7
3 years to 5 years	307.3	233.1
More than 5 years	170.3	201.8
Total	1,745.9	2,231.6

Finance lease obligations

Ageas's obligations under finance lease agreements are detailed in the table below.

	2017		2016	
	Minimum lease payments	Present value of the minimum lease payments receivable	Minimum lease payments	Present value of the minimum lease payments receivable
Less than 3 months	0.6	0.5	0.6	0.5
3 months to 1 year	1.7	1.5	1.9	1.3
1 year to 5 years	13.3	10.4	9.0	4.4
More than 5 years	46.4	5.6	53.7	13.6
Total	62.0	18.0	65.2	19.8
Future finance charges	44.0		45.4	

23

Deferred tax assets and liabilities

Deferred taxes are recognised for temporary differences between the IFRS book value and the tax book values as well as for tax losses carried forward to the extent that it is probable there will be sufficient future taxable profit against which the deferred tax asset can be utilised.

The components of deferred tax assets and deferred tax liabilities as at 31 December are shown below.

	Statement of financial position		Income statement	
	2017	2016	2017	2016
Deferred tax assets related to:				
Financial investments (available for sale)	8.9	3.4	1.4	8.3
Investment property	21.0	34.5	(11.6)	0.1
Loans to customers	1.9	2.1	(0.2)	(0.2)
Property, plant and equipment	42.3	38.3	2.2	(1.0)
Intangible assets (excluding goodwill)	8.1	3.9	4.5	(0.6)
Insurance policy and claim reserves	765.4	1,416.3	(57.1)	(2.6)
Debt certificates and subordinated liabilities	(1.9)	(2.1)	0.2	0.2
Provisions for pensions and post-retirement benefits	176.1	202.5	(9.6)	5.8
Other provisions	9.1	13.4	(3.0)	(3.4)
Accrued expenses and deferred income	1.0	1.5	(0.4)	
Unused tax losses	132.1	132.7	(19.9)	2.7
Other	10.4	63.0	(32.8)	(15.6)
Gross deferred tax assets	1,174.4	1,909.5	(126.3)	(6.3)
Unrecognised deferred tax assets	(29.6)	(44.6)	(1.2)	(3.3)
Net deferred tax assets	1,144.8	1,864.9	(127.5)	(9.6)
Deferred tax liabilities related to:				
Derivatives held for trading (assets)	0.7	1.0	0.3	1.3
Financial investments (available for sale)	1,603.9	2,480.2	(9.0)	26.6
Unit-linked investments	1.4	(1.0)	(2.4)	(2.8)
Investment property	115.1	153.3	37.0	11.6
Loans to customers	2.5	3.0	0.6	(0.1)
Property, plant and equipment	138.1	177.0	38.9	8.0
Intangible assets (excluding goodwill)	93.1	98.4	5.1	4.7
Other provisions	2.2		(2.2)	12.5
Deferred policy acquisition costs	30.9	36.9	6.0	(2.2)
Deferred expense and accrued income	0.8	1.2	0.3	0.1
Tax exempt realised reserves	24.3	38.0	13.7	13.3
Other	37.0	56.0	30.9	(10.6)
Total deferred tax liabilities	2,050.0	3,044.0	119.2	62.4
Deferred tax income (expense)			(8.3)	52.8
Net deferred tax	(905.2)	(1,179.1)		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts in the statement of financial position after such offsetting are as follows.

	2017	2016
Deferred tax asset	149.7	171.5
Deferred tax liability	1,054.9	1,350.6
Net deferred tax	(905.2)	(1,179.1)

As at 31 December 2017, EUR 965.3 million was charged to equity related to deferred tax and EUR 37.8 million was charged to equity related to current tax (2016: EUR 1,244.8 million and EUR 48.8 million respectively, both charged to equity).

In December 2017, a new corporate tax law was enacted in Belgium whereby as of 1 January 2018 the corporate tax rate in Belgium has been reduced from 33.99% to 29.58%, which will be further reduced to 25% as from 1 January 2020. These tax rate reductions have resulted in the significant decrease of the net deferred tax liabilities.

Deferred tax assets are recognised to the extent that it is probable that there will be sufficient future taxable profit against which the deferred tax asset can be utilised. Deferred tax assets have been recognised on unused (claimed) tax losses and unused tax credits at an estimated tax value of EUR 102.5 million (2016: EUR 88.0 million), whereas such have not been recognised for an amount of EUR 4,999.2 million (2016: EUR 4,890 million). From the total tax losses an estimated tax value of EUR 4,499.2 million can be carried forward indefinitely whereas an estimated amount of EUR 602.5 million will expire over a period of nine years, each year's expiration depending on year of origin. Most of the (claimed) tax loss carry forward position originates from the liquidation of Brussels Liquidation Holding (the former Fortis Brussels, the company that held the Fortis banking operations). Tax-wise, the loss on the sale of the Fortis Bank only materialised at the moment of liquidation.

Deferred tax assets depending on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences amount to EUR 102.5 million (2016: EUR 88.0 million) and have been recognised based on the expectation that sufficient taxable income will be generated in future years to utilise these deferred tax assets.

24
RPN (I)

The RPN(I) is a financial instrument that results in quarterly payments being made to, or received from, BNP Paribas Fortis SA/NV.

BNP Paribas Fortis SA/NV issued CASHES securities in 2007 with ageas SA/NV as co-obligor. CASHES are convertible securities that convert into Ageas shares at a pre-set price of EUR 239.40 per share. BNP Paribas Fortis SA/NV and ageas SA/NV, at that point in time both parts of the Fortis Group, introduced a Relative Performance Note, designed to avoid accounting volatility on the Ageas shares and on the at fair value valued CASHES in the books of BNP Paribas Fortis SA/NV. Upon the break-up of Fortis in 2009, BNP Paribas Fortis SA/NV and Ageas agreed to pay interest on a reference amount stated in this Relative Performance Note. The quarterly interest payment is valued as a financial instrument and referred to as RPN(I).

The RPN(I) exists to the extent that CASHES securities remain outstanding in the market. Originally, 12,000 CASHES securities were issued in 2007. In February 2012 BNP Paribas launched a public tender on CASHES at a price of 47.5% and converted 7,553 tendered CASHES securities into Ageas shares; Ageas agreed to pay a EUR 287 million indemnity to BNP Paribas as the conversion triggered a pro rata cancellation of the RPN(I) liability.

In May 2015 Ageas and BNP Paribas agreed that BNP Paribas can purchase CASHES from individual investors at any given time, under the condition that the purchased securities are converted into Ageas shares; at such conversion the pro rata part of the RPN(I) liability is paid to BNP Paribas, while Ageas receives a break-up fee which is subject to the price at which BNP Paribas succeeds to purchase CASHES.

BNP Paribas purchased and converted 656 CASHES under this agreement in the first nine months 2016; Ageas paid EUR 44.3 million for the pro rata settlement of the RPN(I), after the deduction of the received break-up fee. The agreement between Ageas and BNP Paribas expired at year-end 2016 and has not been renewed.

At 31 December 2017, 3,791 CASHES remained outstanding.

Reference amount and interest paid

The reference amount is calculated as follows:

- the difference between EUR 2,350 million and the market value of 12.53 million Ageas shares in which the instrument converts, less
- the difference between EUR 3,000 million par issuance and the market value of the CASHES as quoted by the Luxembourg Stock Exchange, multiplied by
- the number of CASHES securities outstanding divided by the number of CASHES securities originally issued.

Ageas pays interest to BNP Paribas Fortis SA/NV on the average reference amount in the quarter (if the above outcome becomes negative BNP Paribas Fortis SA/NV will pay Ageas); the interest amounts to 3 month Euribor plus 90 basispoints. Ageas pledged 6.3% of the total AG Insurance shares outstanding in favour of BNP Paribas Fortis SA/NV.

Valuation

Ageas applies a transfer notion to arrive at the fair value of the RPN(I) liability. Fair value is defined in IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition is explicitly described as an exit price, linked with the price 'paid to transfer a liability'. When such pricing is not available and the liability is held by another entity as an asset, the liability needs to be valued from the perspective of the market participant that holds the asset. Ageas values its liability at the reference amount.

The RPN reference amount is based on the CASHES price and Ageas share price. The reference amount increased from EUR 275.0 million at year-end 2016 to EUR 448.0 million at 31 December 2017, predominantly due to an increase in the CASHES price from 66.40% to 85.94% over 2017, partly compensated by an increase of the Ageas share price from EUR 37.61 to EUR 40.72 over the same period.

Sensitivity of RPN(I) Value

At 31 December 2017 each 1% increase in the CASHES price, expressed as a percentage of its par value, leads to an increase of EUR 9.5 million in the reference amount, while each EUR 1.00 increase in the Ageas share price decreases the reference amount by EUR 4.0 million.

25
Accrued interest and other liabilities

The composition of accrued interest and other liabilities is as follows.

	31 December 2017	31 December 2016
Deferred revenues	123.5	127.3
Accrued finance costs	29.3	29.1
Accrued other expenses	86.9	125.1
Derivatives held for hedging purposes	46.4	50.6
Defined benefit pension liabilities	678.6	654.4
Defined benefit liabilities other than pension	130.0	122.1
Termination benefits	7.8	8.7
Other long-term employee benefit liabilities	16.2	15.1
Short-term employee benefit liabilities	89.7	85.8
Accounts payable	217.7	196.4
Due to agents, policyholders and intermediaries	448.2	477.9
VAT and other taxes payable	140.4	142.5
Dividends payable	18.6	20.6
Due to reinsurers	23.2	37.9
Derivatives held for trading	9.1	74.1
Other liabilities	346.5	491.7
Total	2,412.1	2,659.3

Details of employee benefit liabilities can be found in note 7 section 7.1 Employee benefits.

Derivatives held for trading are valued based on level 2 (observable market data in active markets). See also note 29 Derivatives for further details. All purchases and sales of financial assets requiring delivery within the time-frame established by regulation or market convention are recognised on the trade date, i.e. the date on which Ageas becomes a party to the contractual provisions of the instrument.

The line item ´Other liabilities´ includes payables related to the clearing of securities transactions, cash received awaiting allocation to investments and small expenses to be paid.

Deferred revenues and accrued amounts are considered to be short term liabilities with a maturity of less than one year. The following tables show the undiscounted cash flows of the payables and other liabilities classified by relevant maturity group.

At 31 December 2017	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
VAT and other taxes payable	77.8	9.4		51.5
Dividends payable	18.6			
Accounts payable	210.1	6.1	0.3	0.3
Due to agents, policyholders and intermediaries	124.7	53.3	3.0	261.2
Due to reinsurers	23.2			
Other liabilities	295.4	7.2	8.1	
Total	749.8	76.0	11.4	313.0

At 31 December 2016	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
VAT and other taxes payable	86.2	8.6		46.7
Dividends payable	20.6			
Accounts payable	184.7	0.3	0.3	0.4
Due to agents, policyholders and intermediaries	115.3	58.3	2.7	294.9
Due to reinsurers	37.9			
Other liabilities	329.7	1.4	51.5	
Total	774.4	68.6	54.5	342.0

26 Provisions

The provisions mainly relate to legal disputes and reorganisations and are based on best estimates available at period-end based on management judgement, in most cases supported by the opinion of legal advisors. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations/disputes. We refer to note 46 Contingent liabilities, which describes the various ongoing litigation proceedings.

Global settlement related to the Fortis events of 2007 and 2008

On 14 March 2016, Ageas and the claimants' organisations, Deminor, Stichting FortisEffect, Stichting Investor Claims Against Fortis (SICAF), and the Dutch Shareholder Association VEB (the “Parties”) announced a settlement proposal with respect to all civil proceedings related to the former Fortis group for events in 2007 and 2008 for an amount of EUR 1.2 billion.

In addition, Ageas announced on 14 March 2016 that it also reached an agreement with the D&O Insurers (the “Insurers”), the D&O's involved in litigation and BNP Paribas Fortis.

On 24 March 2017, the Amsterdam Appeal Court held a public hearing during which it heard the request to declare the Settlement binding as well as the arguments that were submitted against it. On 16 June 2017, the court took the interim decision not to declare the Settlement binding in its current format. On 12 December 2017, the petitioners filed an amended and restated settlement with the Amsterdam Court of Appeal. This settlement takes into consideration the main concerns of the Court and the overall budget was raised by EUR 100 million to EUR 1.3 billion.

In an interim decision of 5 February 2018, the Amsterdam Court of Appeal requested a more detailed explanation of the costs and compensations to the claimant organisations, to be submitted with the Court at the latest per 6 March 2018. On 16 March 2018, a public hearing is scheduled to address this topic. On 27 March, an additional public hearing will be held to discuss the amended and restated settlement agreement of 12 December 2017.

The Parties are pursuing to obtain a decision from the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders in accordance with the Dutch Act on Collective Settlement of Mass Claims (Wet Collectieve Afwikkeling Massaschade, "WCAM").

The Settlement will only be final (i) if the Amsterdam Appeal Court has declared the Settlement binding and (ii) if at the end of the opt-out period, the agreed opt-out ratio has not been exceeded or Ageas has waived its termination right.

The financial impact of the settlements announced on 12 December 2017 has been recognised in the IFRS financial statements of the financial years 2014-2017. The total impact can be summarised as follows:

The total impact of the proposed settlements on the Group net IFRS result amounts to EUR 1,126.4 million, of which EUR 1,026.4 million was taken into account during the period 2014-2016. The additional impact in 2017 is therefore limited to EUR 100 million.

The main components of the EUR 1,109.5 million provision as at 31 December 2017 are:
- EUR 1,308.5 million related to the WCAM settlement agreement;
- EUR 58.6 million related to costs and expenses for organizations' representation of retail investors' interests and/or their future role in the settlement administration process minus EUR 21.3 million already paid;
- EUR 53.7 million related to the tail risk, estimated at 4% of the total settlement amount;
- minus the settlement amount of EUR 290 million to be contributed by foundation FORclaims that temporarily manages this amount settled between Ageas and D&O insurers.

Related to the settlement agreement, an amount of EUR 241 million was paid to the Stichting FORsettlement (‘Stichting’) as an advance payment to settle the claims. However, as the settlement is not yet declared binding this payment is not deducted from the Settlement provision but accounted for as a receivable from the Stichting. Once the settlement is declared binding this payment will be deducted from the provision for the settlement.

The amounts are presented under the line item ´Provisions´ in the statement of financial position and the line item ´Change in provisions´ in the income statement.

Changes in provisions during the year are as follows.

	2017	2016
Balance as at 1 January	1,067.2	175.0
Acquisition and divestment of subsidiaries	(0.5)	4.5
Increase (Decrease) in provisions	106.3	892.7
Utilised during the year	5.5	(4.1)
Foreign exchange differences	(0.4)	(0.9)
Balance as at 31 December	1,178.1	1,067.2

EUR 1,109.5 million of the total amount of provisions at 31 December 2017 relates to the settlement agreement (2016: EUR 1,024.4 million).

27 Liabilities related to written put options NCI

27.1 Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV

Ageas concluded on 12 March 2009 an agreement on the sale of 25% + 1 share of AG Insurance to Fortis Bank (now named BNP Paribas Fortis SA/NV) for an amount of EUR 1,375 million. This agreement was approved by the Shareholder's Meetings of Ageas in April 2009. As part of this transaction, Ageas granted to Fortis Bank a put option to resell the acquired stake in AG Insurance to Ageas in the six-month period starting 1 January 2018.

Ageas has concluded that the exercise of the put option is unconditional. In accordance with IAS 32, Ageas is therefore obliged to recognise a financial liability amounting to the present value of the estimated exercise price of the put option in 2018. This financial liability is shown as a separate line item (Liability related to written put option) in the statement of financial position. In addition, the liability is allocated to the General Account, as the liability relates to Ageas Insurance International N.V. (the parent company of AG Insurance). Ageas values the liability at the amount expected to be paid on settlement, discounted back to the reporting date.

The counterpart of this liability is a write down of the value of the non-controlling interest underlying the option. The difference between the value of the non-controlling interest and the fair value of the liability is added to the other reserves which are included in shareholders' equity. Subsequent changes in the fair value of the liability related to the put option are recorded in other reserves.

If the option is exercised in 2018, the liability will be settled by a cash payment by Ageas to BNP Paribas Fortis SA/NV resulting in Ageas reacquiring 25% + 1 share of AG Insurance. However, if the option matures without being exercised, then the liability will be written off against non-controlling interest and other reserves.

Calculation of the liability

As from year-end 2017, Ageas uses the price earnings ratio of a relevant peer group as the key metric for the valuation of the Life business and a discounted cash flow model for the Non-life business of AG Insurance as a basis for the calculation of the liability. Until 2016, the valuation method for the Life business was based on embedded value multiples of Life insurance companies.

For determining the expected settlement amount, the applied valuation method is based on:

- weighted average price earnings ratios for life insurance companies. The peer group consists of only pure Life companies operating in continental Europe;
- a growth rate for Non-life of 1.2% (2016: 1.2%) and a pay-out ratio of 100% for 2017, 2018 and 2019;
- a discount rate for Non-life of 7.0% (2016: 7.0%).

Treatment of the option in the income statement

As long as the option is not exercised, the results in the consolidated income statement linked to non-controlling interest (the 25% + 1 share part of BNP Paribas Fortis SA/NV) will be recorded as non-controlling interest.

Based on these assumptions, the net present value of the liability as at 31 December 2017 is EUR 1,449 million (31 December 2016: EUR 1,266 million). The following sensitivities have been calculated.

Discount rate	+1% point	(1%) point
Value liability	1,383	1,542
Relative impact	(4.6%)	6.4%

Price Earnings ratio	+1% point	(1%) point
Value liability	1,543	1,355
Relative impact	6.5%	(6.5%)

Growth rate	+1% point	(1%) point
Value liability	1,532	1,390
Relative impact	5.7%	(4.1%)

The impact of the liability related to the written put option on shareholders' equity is as follows:

Value Put Option	31 December 2017	31 December 2016	Change
Value Liability Put Option	1,449.0	1,266.0	183.0
Corresponding Non Controlling Interest	(1,698.6)	(1,561.2)	(137.4)
Impact on Shareholders' Equity	249.6	295.2	(45.6)

27.2 Put option AG Insurance granted to Parkimo

AG Insurance granted an unconditional put option on its 10.05% ownership to Parkimo, a minority shareholder of Interparking. The put option has been measured at the fair value of the expected settlement amounting to EUR 102.7 million (2016: 101.0 million). AG Insurance has granted other put options for an amount of EUR 7.9 million (2016: EUR 7.9 million)

28

Non-controlling interest

The following table provides information about the most significant non-controlling interests (NCI) in Ageas entities.

	% of non-controlling interest	Result as at 31 December 2017	Equity as at 31 December 2017	% of non-controlling interest	Result as at 31 December 2016	Equity as at 31 December 2016
Group company						
AG Insurance (Belgium)	25.0%	145.8	1,698.6	25.0%	130.2	1,561.2
Interparking SA (part of AG Insurance)	49.0%	33.8	229.9	49.0%	21.7	208.8
Sicavonline (part of CEU) [1]					(0.4)	
Millenniumbcp Ageas (part of CEU)	49.0%	29.6	285.5	49.0%	19.8	283.3
Cargeas Assicurazioni (part of CEU)	50.0%	16.5		50.0%	21.9	104.6
Other		1.1	35.9		2.5	47.7
Total		226.8	2,249.9		195.7	2,205.6
Adjustment NCI AG Insurance related to						
Liability on written put option (see note 27)			(1,698.6)			(1,561.2)
Total NCI		226.8	551.3		195.7	644.4

1) *In Q4 2016 Ageas acquired the remaining 35% of Sicavonline.*

Non-controlling interest (NCI) represents the relative participation of a third party in the shareholders' equity of an Ageas subsidiary as determined by Ageas, in accordance with international financial reporting standards.

Details on the adjustment NCI AG Insurance related to liability on written put option are provided in note 27 Liabilities related to written put options NCI section 27.1.

Subsidiaries

The details of the statement of financial position of AG Insurance are included in note 9 Information on operating segments. Details of other subsidiaries of Ageas in which non-controlling interests are held are:

	Assets as at 31 December 2017	Liabilities as at 31 December 2017	Equity as at 31 December 2017	Assets as at 31 December 2016	Liabilities as at 31 December 2016	Equity as at 31 December 2016
Subsidiary						
Cargeas Assicurazioni				872.3	705.3	167.0
Millenniumbcp Ageas	10,639.6	10,351.5	288.1	9,941.3	9,657.6	283.7

29 Derivatives

Derivatives used by individual subsidiaries comply with the relevant supervisory regulations and Ageas's internal guidelines. Derivatives are used to manage market and investment risks, both for trading purposes as for hedging purposes. The subsidiaries manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is to hedge against adverse market movements for selected securities or for parts of a portfolio. Ageas selectively uses derivative financial instruments such as swaps, options and forwards to hedge changes in currency rates or interest rates in its investment portfolio. Interest rate contracts form the largest part, with 57%, of the total derivatives portfolio at 31 December 2017 (2016: 49%).

Important hedging instruments are equity forward contracts, equity options, total return swaps, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be used for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge). When Ageas applies hedge accounting in order to mitigate accounting mismatches, the criteria for hedge accounting are met. In particular the effectiveness of hedge relationships in offsetting changes in fair values or cash flows between the hedging instrument and the hedged item are assessed. Furthermore, the required hedge documentation is prepared. At inception, all hedge relationships are approved to ensure that all hedge requirements are fulfilled and the hedge documentation is complete. If the formal hedge relation cannot be established or is too cumbersome, then the derivatives are booked as held for trading.

Foreign exchange contracts

Futures are contracts that require settlement at a specified price and on a specified future date and can be traded in similar markets. Forwards are customised contracts between two entities where settlement takes place on a specific date in the future at today's pre-agreed price. On a consolidated level, currency futures and forward contracts accounted for 99% of the currency derivative instruments (based on notional amounts) at year-end 2017 compared to 100% at the end of 2016. The currency futures and forward contracts are mainly held to hedge the currency risk on foreign currency denominated assets and decreased from EUR 1,927 million in 2016 to EUR 1,286 million in 2017 due to the decreased position in commercial loans denominated in USD. At year-end 2017, Ageas had an amount of EUR 18 million currency swaps outstanding (2016: nil).

Interest rate contracts

The notional amounts of interest rate contracts decreased from EUR 1,991 million in 2016 to EUR 1,940 million in 2017 with a market value of respectively EUR 56 million (net liability) and EUR 29 million (net liability).

Swap contracts are agreements between two parties to exchange one set of cash flows for another set of cash flows. Payments are made on the basis of the swap's notional value. Ageas uses interest rate swap contracts primarily to manage cash flows arising from interest received or paid and cross-currency swap contracts to manage foreign currency denominated cash flows (see 'Foreign exchange contracts').

Interest rate swaps represent the major part of the interest rate contracts (97%) at 31 December 2017, with a notional amount of EUR 1,881 million. At year-end 2016, the notional amount was EUR 1,818 million (91%).

The option portfolio amounted to EUR 59 million (market value EUR 0 million) in 2017 and represented 3% of the interest rate contracts. In 2016, the option portfolio amounted to EUR 173 million (9%). The decrease in value is due to the maturity of part of the option portfolio in 2017.

Trading derivatives

	31 December 2017			31 December 2016		
	Fair values			Fair values		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange contracts						
Forwards and futures	27.6	0.5	1,286.2	2.0	60.8	1,926.7
Swaps	0.2		18.4			
Total	**27.8**	**0.5**	**1,304.6**	**2.0**	**60.8**	**1,926.7**
Interest rate contracts						
Swaps	5.9	8.1	353.2	2.9	12.8	376.1
Options	0.1		59.0	0.2		91.0
Total	**6.0**	**8.1**	**412.2**	**3.2**	**12.8**	**467.1**
Equity/Index contracts						
Options and warrants		0.5			0.5	
Total		**0.5**			**0.5**	
Other	**2.0**			**2.8**		**35.2**
Total	35.8	9.1	1,716.8	8.0	74.1	2,429.0
Fair values supported by observable market data	9.7	0.5		0.2	10.9	
Fair values obtained using a valuation model	26.1	8.6		7.8	63.2	
Total	35.8	9.1		8.0	74.1	
Over the counter (OTC)	35.8	9.1	1,716.8	8.0	74.1	2,429.0
Total	35.8	9.1	1,716.8	8.0	74.1	2,429.0

Hedging derivatives

	31 December 2017			31 December 2016		
	Fair values			Fair values		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate contracts						
Swaps	2.8	21.2	1,527.8		43.4	1,441.9
Options				0.1		82.2
Total	**2.8**	**21.2**	**1,527.8**	**0.1**	**43.4**	**1,524.1**
Equity/Index contracts						
Forwards and futures	7.7	25.1	170.6	4.3	7.2	97.4
Total	**7.7**	**25.1**	**170.6**	**4.3**	**7.2**	**97.4**
Total	10.5	46.3	1,698.4	4.4	50.6	1,621.5
Fair values supported by observable market data	7.7	39.8		4.3	36.6	
Fair values obtained using a valuation model	2.8	6.5		0.1	14.0	
Total	10.5	46.3		4.4	50.6	
Over the counter (OTC)	10.5	46.3	1,698.4	4.4	50.6	1,621.5
Total	10.5	46.3	1,698.4	4.4	50.6	1,621.5

Derivatives are valued based on level 2 (observable market data in active markets).

30 Commitments

Commitments received and given at 31 December are as follows.

Commitments	2017	2016
Commitment Received		
Credit lines	646.7	526.6
Collateral and guarantees received	4,864.0	4,919.5
Total received	5,510.7	5,446.1
Commitment Given		
Guarantees, Financial and Performance Letters of Credit	126.9	91.4
Credit lines	*1,610.0*	*1,468.5*
Used	*(686.5)*	*(618.3)*
Available	923.5	850.2
Collateral and guarantees given	1,059.6	1,695.4
Entrusted assets and receivables	726.3	724.2
Capital rights & commitments	125.9	243.1
Other off balance-sheet commitments	792.4	884.2
Total given	3,754.6	4,488.5

The major part of commitments received consists of collateral and guarantees received, and relates mainly to collateral received from customers on residential mortgages and to a lesser extent to policyholder loans and commercial loans.

Commitments given largely comprise collateral and guarantees given (EUR 1,060 million) in connection with repurchase agreements, entrusted assets and receivables (EUR 726 million), and extended credit lines.

Other off balance sheet commitments as at 31 December 2017 include EUR 99 million in outstanding credit bids (31 December 2016: EUR 58 million) and EUR 535 million in real estate commitments (31 December 2016: EUR 749 million).

31 Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair value of those classes of financial assets and financial liabilities not reported at fair value on the Ageas consolidated statement of financial position. Liabilities are held at amortised cost.

A description of the methods used to determine the fair value of financial instruments is given below.

			2017		2016
	Level	Carrying value	Fair value	Carrying value	Fair value
Assets					
Cash and cash equivalents	2	2,552.3	2,552.3	2,180.9	2,180.9
Financial Investments held to maturity	1 / 3	4,559.5	6,780.0	4,715.3	7,120.9
Loans	2	9,416.0	10,223.7	8,685.0	9,357.6
Reinsurance and other receivables	2	2,185.9	2,185.9	2,192.3	2,192.3
Total financial assets		18,713.7	21,741.9	17,773.5	20,851.7
Liabilities					
Subordinated liabilities	2	2,261.3	2,364.3	2,322.7	2,360.0
Borrowings	2	1,969.3	1,968.9	2,495.8	2,495.0
Total financial liabilities		4,230.6	4,333.2	4,818.5	4,855.0

Fair value is the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction.

Ageas uses the following methods, in the order listed, when determining the fair value:

- quoted price (unadjusted) in an active market;
- valuation techniques based on in the market observable inputs;
- valuation techniques not based on market observable inputs;
- cost.

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of fair value. No adjustment is made to the fair value of large holdings of shares, unless there is a binding agreement to sell the shares at a price other than the market price. The appropriate quoted market price for an asset held or a liability to be issued is the current bid price, and for an asset to be acquired or a liability held, the ask price. Mid-market prices are used as a basis for establishing the fair value of assets and liabilities with offsetting market risks.

If no active market price is available, fair values are estimated using present value or other valuation techniques based on market observable input existing at the reporting date. If there is a valuation technique commonly used by market participants to price an instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, Ageas applies that technique.

Valuation techniques that are well established in financial markets include recent market transactions, discounted cash flows and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider when setting a price, and should be consistent with accepted economic methodologies for pricing financial instruments.

The basic principles for estimating fair value are:

- maximise market inputs and minimise internal estimates and assumptions;
- change estimating techniques only if an improvement can be demonstrated or if a change is necessary because of the availability of information.

The fair value presented is the 'clean' fair value, which is the total fair value or 'dirty' fair value less interest accruals. Interest accruals are reported separately.

Methods and assumptions used in determining fair value are largely dependent on whether the instrument is traded on financial markets and the information that is available to be incorporated into the valuation models. A summary of different financial instrument types along with the fair value treatment is included below:

(I) Fair values for securities available for sale or at fair value through profit or loss are determined using market prices from active markets. If no quoted prices are available from an active market, the fair value is determined using discounted cash flow models. Discount factors are based on a swap curve plus a spread reflecting the risk characteristics of the instrument. Fair values for securities held to maturity (only necessary for disclosures) are determined in the same way.

(II) Fair values for derivative financial instruments are obtained from active markets or determined using, as appropriate, discounted cash flow models and option pricing models.

(III) Fair values for unquoted private equity investments are estimated using applicable market multiples (e.g. price/earnings or price/cash flow ratios) refined to reflect the specific circumstances of the issuer.

(IV) Fair values for loans are determined using discounted cash flow models based upon Ageas's current incremental lending rates for similar type loans. For variable-rate loans that re-price frequently and have no significant change in credit risk, fair values are approximated by the carrying amount. Option pricing models are used for valuing caps and prepayment options embedded in loans that have been separated in accordance with IFRS.

(V) Off-balance-sheet commitments or guarantees are fair valued based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standings.

We refer to note 11, 12 and 17 for details on level 3 valuation in the balance sheet.

Non-exchange-traded financial instruments are often traded in over-the-counter (OTC) markets by dealers or other intermediaries from whom market prices are obtainable.

Quotations are available from various sources for many financial instruments traded regularly in the OTC market. Those sources include the financial press, various publications and financial reporting services, and also individual market makers.

Quoted market prices provide the most reliable fair value for derivatives traded on a recognised exchange. Fair value of derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative.

Common valuation methodologies for an interest rate swap incorporate a comparison of the yield of the swap with the current swap yield curve. The swap yield curve is derived from quoted swap rates. Dealer bid and offer quotes are generally available for basic interest rate swaps involving counterparties whose securities are investment grade.

Factors that influence the valuation of an individual derivative include the counterparty's credit rating and the complexity of the derivative. If these factors differ from the basic factors underlying the quote, an adjustment to the quoted price may be considered.

Subordinated liabilities are recorded at amortized cost, as Ageas wants to avoid that spread movements stemming from a change in its own credit standing would impact the recognized liability value: consequently Ageas shareholders equity could improve if its credit standing would deteriorate. The subordinated debt linked to issued FRESH securities carries a floating rate, implying that the fair value of the principle outstanding amount is not sensitive to interest rate fluctuations.

The fair value (FV) calculation of financial instruments not actively traded on financial markets can be summarised as follows.

Instrument Type	Ageas Products	Fair Value Calculation
Instruments with no stated maturity	Current accounts, saving accounts etc.	Nominal value.
Instruments without optional features	Straight loans, deposits etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average of new production during last three months.
Instruments with optional features	Mortgage loans and other instruments with option features	Product is split and linear (non-optional) component is valued using a discounted cash flow methodology and option component valued based on option pricing model.
Subordinated bonds or receivables	Subordinated assets	Valuation is based on broker quotes in an in-active market (level 3).
Private equity	Private equity and non-quoted participations investments	In general based on the European Venture Capital Association's valuation guidelines, using enterprise value/EBITDA, price/cash flow and price/earnings etc.
Preference shares (non-quoted)	Preference shares	If the share is characterised as a debt instrument, a discounted cash flow model is used.

Ageas pursues a policy aimed at quantifying and monitoring pricing uncertainties related to the calculation of fair values using valuation techniques and internal models. Related uncertainties are a feature of the ‘model risk’ concept.

Model risk arises when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market, leading to assumptions about the input data themselves.

The introduction of new, sophisticated products in the market has resulted in the development of mathematical models to price them. These models in turn depend on assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms and other possible approximations needed to replicate the complexity of the financial instruments.

Furthermore, the underlying hypotheses of a model depend on the general market conditions (e.g. specific interest rates, volatilities) prevailing at the time the model is developed. There is no guarantee that the model will continue to yield adequate results should market conditions change drastically.

Any related model uncertainty is quantified as accurately as possible and is the basis for adjusting the fair value calculated by the valuation techniques and internal models.

Notes to the Consolidated Income Statement

32 Insurance premiums

The following table provides an overview of the composition of gross inflow and net earned premiums for the year ended 31 December.

	2017	2016
Gross inflow Life	5,755.9	6,268.5
Gross inflow Non-life	4,304.7	4,342.2
General and eliminations	(1.0)	(0.3)
Total gross inflow	10,059.6	10,610.4

	2017	2016
Net earned premiums Life	4,107.5	4,889.3
Net earned premiums Non-life	4,148.0	4,112.3
General and eliminations	(1.0)	(0.3)
Total net earned premiums	8,254.5	9,001.3

Life

The table below shows the details of gross inflow Life for the year ended 31 December.

	2017	2016
Unit-linked insurance contracts		
Single written premiums	171.3	116.6
Periodic written premiums	87.1	83.2
Total unit-linked insurance contracts	258.4	199.8
Non unit-linked insurance contracts		
Single written premiums	279.4	269.3
Periodic written premiums	829.2	833.8
Group business total	*1,108.6*	*1,103.1*
Single written premiums	308.1	352.1
Periodic written premiums	431.6	578.8
Individual business total	*739.7*	*930.9*
Total non unit-linked insurance contracts	1,848.3	2,034.0
Investment contracts with DPF		
Single written premiums	1,581.5	2,249.4
Periodic written premiums	453.1	451.6
Total investment contracts with DPF	2,034.6	2,701.0
Gross premium income Life	4,141.3	4,934.8
Single written premiums	1,578.4	1,270.6
Periodic written premiums	36.2	63.1
Premium inflow deposit accounting	1,614.6	1,333.7
Gross inflow Life	5,755.9	6,268.5

Gross inflow Life consists of premiums received by insurance companies for issued insurance and investment contracts. Premium inflow of insurance contracts and investment contracts with DPF is recognised in the income statement. Premium inflow of investment contracts without DPF, mainly unit-linked contracts, is (after deduction of fees) directly recognised as liabilities (deposit accounting). Fees are recognised as fee income in the income statement.

	2017	2016
Gross premium Life	4,141.3	4,934.8
Ceded reinsurance premiums	(33.8)	(45.5)
Net premiums Life	4,107.5	4,889.3

Non-life

The table below shows the details of net earned premiums Non-life for the year ended 31 December. Premiums for motor, fire and other damage to property, and other are grouped in Property & Casualty.

2017	Accident & Health	Property & Casualty	Total
Gross written premiums	911.7	3,393.0	4,304.7
Change in unearned premiums, gross		47.0	47.0
Gross earned premiums	911.7	3,440.0	4,351.7
Ceded reinsurance premiums	(31.0)	(164.7)	(195.7)
Reinsurers' share of unearned premiums	2.9	(10.9)	(8.0)
Net earned premiums Non-life	883.6	3,264.4	4,148.0

2016	Accident & Health	Property & Casualty	Total
Gross written premiums	867.3	3,474.9	4,342.2
Change in unearned premiums, gross	(2.0)	(7.7)	(9.7)
Gross earned premiums	865.3	3,467.2	4,332.5
Ceded reinsurance premiums	(32.0)	(183.7)	(215.7)
Reinsurers' share of unearned premiums	4.7	(9.2)	(4.5)
Net earned premiums Non-life	838.0	3,274.3	4,112.3

Below is a breakdown of the Non-life net earned premiums by insurance operating segment.

2017	Accident & Health	Property & Casualty	Total
Belgium	480.5	1,380.3	1,860.8
UK	30.1	1,463.1	1,493.2
Continental Europe	372.8	395.2	768.0
Reinsurance	0.2	25.8	26.0
Net earned premiums Non-life	883.6	3,264.4	4,148.0

2016	Accident & Health	Property & Casualty	Total
Belgium	471.5	1,364.6	1,836.1
UK	38.5	1,559.9	1,598.4
Continental Europe	327.7	336.0	663.7
Reinsurance	0.3	13.8	14.1
Net earned premiums Non-life	838.0	3,274.3	4,112.3

33 Interest, dividend and other investment income

The table below provides details of interest, dividend and other investment income for the year ended 31 December.

	2017	2016
Interest income		
Interest income on cash & cash equivalents	1.0	3.5
Interest income on loans to banks	18.0	17.3
Interest income on investments	1,734.0	1,921.2
Interest income on loans to customers	202.7	210.8
Interest income on derivatives held for trading	(2.5)	(1.7)
Other interest income	2.3	13.3
Total interest income	1,955.5	2,164.4
Dividend income from equity securities	144.4	136.2
Rental income from investment property	221.8	237.9
Revenues parking garage	412.5	349.0
Other investment income	19.8	51.2
Total interest, dividend and other investment income	2,754.0	2,938.7

34 Result on sales and revaluations

Result on sales and revaluations for the year ended 31 December is broken down as follows.

	2017	2016
Debt securities classified as available for sale	26.7	98.8
Equity securities classified as available for sale	52.8	22.2
Financial instruments held for trading	2.2	(15.3)
Investment property	2.2	38.1
Capital gain (losses) on sale of shares of subsidiaries and associates	204.7	495.7
Investments in associates	2.9	0.3
Property, plant and equipment	2.1	2.1
Assets and liabilities held at fair value through profit or loss	7.6	1.5
Hedging results	(2.6)	3.8
Other	(20.1)	(1.5)
Total Result on sales and revaluations	278.5	645.7

Derivatives held for trading are initially recognised at acquisition cost, including any transaction costs to acquire the financial instrument. Subsequent measurement is at fair value with changes in fair value recorded in the income statement.

All changes in fair value of the assets and liabilities held at fair value through profit or loss are reported above. This includes unrealised gains and losses from revaluations and realised gains and losses upon derecognition of the assets or liabilities.

Hedging results contain the changes in fair value attributable to the hedged risk (mainly interest rate risk) of hedged assets and liabilities and the changes in fair value of the hedging instruments.

The capital gain on sale of shares of subsidiaries and associates of EUR 0.2 billion in 2017 relates mainly to the sale of Cargeas and the sale of 50% of BG1. The EUR 0.5 billion in 2016 relates mainly to the sale of the Life insurance business in Hong Kong. These disposals are explained in more detail in note 3 Acquisitions and disposals.

35

Investment income related to unit-linked contracts

The investment income related to unit-linked contracts is presented below.

	2017	2016
(Un)realised gains (losses) - insurance contracts	131.3	69.2
(Un)realised gains (losses) - investment contracts	448.2	127.3
(Un)realised gains (losses)	579.5	196.5
Investment income - insurance contracts	7.1	6.4
Investment income - investment contracts	199.3	222.8
Realised investment income	206.4	229.2
Total investment income related to unit-linked contracts	785.9	425.7

36

Share in result of associates

Share in result of associates for the year ended 31 December is specified by main associate in the table below.

2017	Total income (100% interest)	Total expenses (100% interest)	Net result (100% interest)	% Ageas interest	Share in result of associates (Ageas share)
Taiping Holdings	16,835.4	(16,002.6)	832.8	20.0% - 24.9%	205.1
Muang Thai Group Holding	3,287.6	(3,047.7)	239.9	7.8% - 30.9%	71.9
Mayban Ageas Holding Berhad	1,538.4	(1,379.4)	159.0	31.0%	49.2
Cardif Lux Vie	4,558.0	(4,516.8)	41.2	33.3%	13.7
Aksigorta	406.3	(372.9)	33.4	36.0%	12.0
Tesco Insurance Ltd	446.3	(419.8)	26.5	50.1%	13.3
BG1	10.7	(5.5)	5.2	50.0%	2.6
DTHP	50.9	(71.0)	(20.1)	33.0%	(6.6)
East West Ageas Life	15.5	(31.5)	(16.0)	50.0%	(8.0)
Evergreen	18.8	(10.0)	8.8	35.7%	3.1
Predirec	1.9	(1.3)	0.6	29.5%	0.2
IDBI Federal Life Insurance	310.2	(293.4)	16.8	26.0%	4.4
Royal Park Investments	16.3	(9.5)	6.8	44.7%	3.0
MB Ageas Life JSC	7.7	(17.1)	(9.4)	32.0%	(3.0)
Other					48.9
Total share in result of associates					409.8

2016	Total income (100% interest)	Total expenses (100% interest)	Net result (100% interest)	% Ageas interest	Share in result of associates (Ageas share)
Taiping Holdings	14,378.5	(13,953.0)	425.5	20.0% - 24.9%	105.5
Muang Thai Group Holding	3,024.1	(2,784.4)	239.7	7.8% - 30.9%	70.2
Mayban Ageas Holding Berhad	1,339.2	(1,209.5)	129.7	31.0%	40.1
Cardif Lux Vie	3,618.5	(3,589.9)	28.6	33.3%	9.6
Aksigorta	362.8	(341.7)	21.1	36.0%	7.6
Tesco Insurance Ltd	487.1	(528.5)	(41.4)	50.1%	(20.7)
DTHP	112.6	(101.4)	11.2	33.0%	3.7
East West Ageas Life	5.6	(17.4)	(11.8)	50.0%	(5.8)
Evergreen	21.9	(5.8)	16.1	35.7%	5.7
Predirec	3.8	(0.2)	3.6	29.4%	1.1
IDBI Federal Life Insurance	231.0	(230.8)	0.2	26.0%	0.1
Royal Park Investments	83.7	(21.4)	62.3	44.7%	27.9
MB Ageas Life JSC	0.7	(1.3)	(0.6)	32.0%	(0.2)
Other					5.0
Total share in result of associates					249.8

37
Fee and commission income

Fee and commission income for the year ended 31 December is specified in the table below.

	2017	2016
Fee and commission income		
Reinsurance commissions	29.2	29.9
Insurance and investment fees	145.3	142.6
Asset management	29.2	31.0
Guarantees and commitment fees	1.5	1.3
Other service fees	74.6	166.0
Total fee and commission income	279.8	370.8

The line item ´Other service fees´ mainly relates to fees received by Ageas brokerage companies for the sale of insurance policies to third parties.

38 Other income

Other income includes the following elements for the year ended 31 December.

	2017	2016
Other income		
Proceeds of sale of property intended for sale	6.2	41.6
Recovery of staff and other expenses from third parties	47.6	48.3
Other	105.9	109.5
Total other income	159.7	199.4

The line item ‘Other’ mainly includes the re-invoicing of service costs related to rental activities.

39

Insurance claims and benefits

The details of insurance claims and benefits, net of reinsurance, for the year ended 31 December are shown in the table below.

	2017	2016
Life insurance	4,943.1	5,852.5
Non-life insurance	2,518.9	2,808.0
General account and eliminations	0.3	(0.8)
Total insurance claims and benefits, net	7,462.3	8,659.7

Details of Life insurance claims and benefits, net of reinsurance, are shown below.

	2017	2016
Benefits and surrenders, gross	5,007.9	4,448.3
Change in liabilities arising from insurance and investment contracts, gross	(48.4)	1,422.3
Total Life insurance claims and benefits, gross	4,959.5	5,870.6
Reinsurers' share of claims and benefits	(16.4)	(18.1)
Total Life insurance claims and benefits, net	4,943.1	5,852.5

Details of Non-life insurance claims and benefits, net of reinsurance, are shown in the following table.

	2017	2016
Claims paid, gross	2,463.8	2,649.4
Change in liabilities arising from insurance contracts, gross	338.4	314.9
Total Non-life insurance claims and benefits, gross	2,802.2	2,964.3
Reinsurers' share of claims paid	(91.0)	(83.0)
Reinsurers' share of change in liabilities	(192.3)	(73.3)
Total Non-life insurance claims and benefits, net	2,518.9	2,808.0

40 Financing costs

The following table shows the breakdown of financing costs by product for the year ended 31 December.

	2017	2016
Financing costs		
Subordinated liabilities	68.4	75.0
Borrowings	21.0	24.7
Other borrowings	1.1	11.6
Derivatives	7.5	8.1
Other liabilities	18.8	47.8
Total financing costs	116.8	167.2

41 Change in impairments

Change in impairments for the year ended 31 December is as follows.

	2017	2016
Change in impairments of:		
Investments in debt securities	0.2	1.2
Investments in equity securities and other	14.1	56.8
Investment property	2.4	1.1
Loans	0.6	1.3
Reinsurance and other receivables	(0.1)	(2.6)
Property, plant and equipment	2.6	(1.4)
Goodwill and other intangible assets	1.3	2.1
Investments in associates		6.1
Accrued interest and other assets	0.7	0.1
Total change in impairments	21.8	64.7

42 Fee and commission expenses

The components of fee and commission expenses for the year ended 31 December are as follows.

	2017	2016
Fee and commission expenses		
Securities	0.4	1.1
Intermediaries	1,075.6	1,138.4
Asset management fees	15.0	16.0
Custodian fees	5.4	4.3
Other fee and commission expenses	14.3	17.5
Total fee and commission expenses	1,110.7	1,177.3

43 Staff expenses

Staff expenses for the year ended 31 December are as follows.

	2017	2016
Staff expenses		
Salaries and wages	578.2	603.1
Social security charges	129.5	127.4
Pension expenses relating to defined benefit pension plans	41.5	44.8
Defined contribution plan expenses	13.1	14.5
Share-based compensation	5.4	5.5
Other	57.7	50.7
Total staff expenses	825.4	846.0

The line item 'Other' includes the cost of termination benefits, restructuring costs and non-monetary benefits for staff such as leased cars, restaurant and insurance premiums.

Note 7 section 7.1 Employee benefits contains further details of post-employment benefits and other long-term employee benefits, including pension costs related to defined benefit plans and defined contribution plans.

44 Other expenses

Other expenses for the year ended 31 December are as follows.

	2017	2016
Depreciation on tangible assets		
Buildings held for own use	36.9	37.0
Leasehold improvements	5.3	6.0
Investment property	91.3	95.1
Equipment	33.6	36.2
Amortisation of intangible assets		
Purchased software	9.5	12.6
Internally developed software	3.7	3.6
Value of business acquired (VOBA)	17.3	24.2
Other intangible assets	21.5	18.9
Other		
Operating lease rental expenses and related expenses	22.2	54.3
Operating and other direct expenses relating to investment property	55.1	55.3
Operating and other direct expenses relating to property for own use	195.9	191.9
Professional fees	137.7	146.1
Capitalised deferred acquisition costs	(409.3)	(427.6)
Depreciation deferred acquisition costs	394.5	397.3
Marketing and public relations costs	58.0	69.3
Information technology costs	158.5	138.0
Maintenance and repair expenses	21.5	21.9
Cost of sale of property intended for sale	5.7	40.4
Other	258.5	262.6
Total other expenses	1,117.4	1,183.1

The line item ´Operating and other direct expenses relating to investment property / property for own use' is partly compensated by income accounts as reported in note 38 Other Income.

The line item 'Other' includes in 2017 and 2016 expenses for travel, post, telephone, temporary staff and training.

44.1 Audit fees

The line item ´Professional fees´ includes fees paid to Ageas auditors. For 2017 and 2016, these fees can be broken down into the following components:

- audit fees, which include fees for auditing the statutory and consolidated financial statements, the review of the interim financial statements as well as the review of the Embedded Value report;
- audit-related fees, which include fees for work performed on prospectuses, non-standard auditing and advisory services not related to statutory auditing;
- fees for tax advice;
- other non-audit fees, which include fees for support and advice.

The breakdown of audit fees for the year ended 31 December is as follows.

	2017 Ageas Statutory Auditors	2017 Other Ageas Auditors	2016 Ageas Statutory Auditors	2016 Other Ageas Auditors
Audit fees	4.8	1.9	4.6	1.3
Audit-related fees	0.2		0.8	0.1
Tax fees	0.3		0.2	
Other non-audit fees	0.1	0.2	0.2	0.2
Total	5.4	2.1	5.8	1.6

45 Income tax expenses

The components of income tax expenses for the year ended 31 December are as follows.

	2017	2016
Current tax expenses for the current period	257.0	263.2
Adjustments recognised in the period for		
current tax of prior periods	(7.1)	0.8
Previously unrecognised tax losses, tax credits and		
temporary differences increasing (reducing) current tax expenses		0.7
Total current tax expenses	249.9	264.7
Deferred tax arising from the current period	25.0	(15.8)
Impact of changes in tax rates on deferred taxes	(6.3)	1.3
Deferred tax arising from the write-down or (reversal)		
of a write-down of a deferred tax asset	1.2	3.3
Previously unrecognised tax losses, tax credits and		
temporary differences reducing deferred tax expense	(11.6)	(41.6)
Total deferred tax expenses (income)	8.3	(52.8)
Total income tax expenses (income)	258.2	211.9

Below is a reconciliation from expected to actual income tax expense. Given the financial reporting consolidation at the Belgian top holding company ageas SA/NV, the Group tax rate is determined at the prevailing corporate income tax rate in Belgium. Deviations between expected and actual income tax expense in the various jurisdictions in which the Ageas Group operates resulting from local tax laws and regulations, are stated at local tax rates applicable in such jurisdictions and can be broken down into the categories depicted below.

	2017	2016
Result before taxation	1,108.2	434.7
Applicable group tax rate	33.99%	33.99%
Expected income tax expense	376.7	147.7
Increase (decrease) against local tax rates resulting from:		
Tax exempt income (including dividend and capital gains)	(93.0)	(146.1)
Share in net result of associates and joint ventures	(105.6)	(65.5)
Disallowed items	25.9	20.9
Previously unrecognised tax losses and temporary differences	(15.2)	(44.9)
Write-down and reversal of write-down of deferred tax assets, including current year tax-losses deemed non-recoverable	111.9	313.0
Impact of changes in tax rates on temporary differences	(6.9)	1.3
Foreign tax rate differential	(56.4)	(30.1)
Adjustments for current and deferred tax of previous years	(13.2)	4.5
Deferred tax on investments in subsidiaries, associates and joint ventures	15.0	16.6
Notional interest deduction	(2.4)	(12.4)
Local income taxes (state/city/cantonal/communal taxes)	0.7	(0.3)
Other	20.7	7.2
Actual income tax expenses (income)	258.2	211.9

The 2017 Group tax rate is back to its normal level after the year 2016 which was heavily impacted by the recognition in the General Account, without any tax mitigation, of the cost for the proposed settlement for the Fortis litigations.

Notes to items not recorded in the consolidated statement of financial position

46 Contingent liabilities

46.1 Contingent liabilities related to legal proceedings

Like any other financial group, Ageas Group is involved as a defendant in various claims, disputes and legal proceedings arising in the ordinary course of its business.

In addition, as a result of the events and developments surrounding the former Fortis Group between May 2007 and October 2008 (e.g. acquisition of parts of ABN AMRO and capital increase in September/October 2007, announcement of the solvency plan in June 2008, divestment of banking activities and Dutch insurance activities in September/October 2008), Ageas is or may still become involved in a series of legal proceedings and in a criminal procedure pending in Belgium.

Ageas denies and will continue to challenge all allegations of wrongdoing. If these proceedings were to be successful, this could have substantial consequences for Ageas's financial position. Such consequences remain unquantifiable at this stage.

On 14 March 2016 Ageas entered into a settlement agreement with several claimant organisations that represent a series of shareholders in collective claims before the Belgian and Dutch courts (the "Settlement"). On 23 May 2016 the parties to the Settlement, i.e. Ageas, Deminor, Stichting FortisEffect, Stichting Investor Claims Against Fortis, VEB and Stichting FORsettlement requested the Amsterdam Court of Appeal to declare the settlement binding for all eligible Fortis shareholders who will not opt out before the expiry of a given period, in accordance with the Dutch Act on Collective Settlement of Mass Claims (*Wet Collectieve Afwikkeling Massaschade*). In the meantime Ageas also reached an agreement with Mr Arnauts and Mr Lenssens, two Brussels based attorneys who launched legal action against Ageas on behalf of a number of claimants, and in 2017 with the Luxembourg based company Archand s.à.r.l. and affiliated persons, to support the settlement.

The Settlement will only be final (i) if the Amsterdam Appeal Court declares the Settlement binding and (ii) if at the end of the opt-out period, the agreed opt-out ratio is not exceeded except if Ageas has waived its termination right. On 24 March 2017, the Amsterdam Appeal Court held a public hearing during which it heard the request to declare the Settlement binding as well as the arguments that were submitted against it. On 16 June 2017, the court took the interim decision not to declare the Settlement binding in its current format. The petitioners were offered the opportunity to submit a supplemented and amended agreement to the court by 17 October 2017 at the latest. As per 16 October 2017, Ageas had decided to make a final additional effort of EUR 100 million (and confirmed this decision in a press release).

An extension of the filing period for 8 weeks was requested to the court on 16 October 2017. The court granted the request. Per 12 December 2017, the parties submitted a supplemented and amended settlement agreement. A public hearing focusing only on the fees and earning models of the claimant organisations is scheduled in Amsterdam on 16 March 2018, a second public hearing focusing on the merits of the settlement proposal will be held per 27 March 2018.

I Proceedings covered by the Settlement

1. CIVIL PROCEEDINGS INITIATED BY SHAREHOLDERS OR ASSOCIATIONS OF SHAREHOLDERS

A provision of EUR 1.1 billion has been recognized for the Settlement, including a provision of EUR 54 million related to the tail risk, estimated at 4% of the total settlement amount (see note 26 Provisions).

The parties to the Settlement agreed to suspend the legal proceedings initiated against Ageas and instructed their lawyers accordingly. In addition, since the filing of the request with the Amsterdam Appeal Court, all legal proceedings in the Netherlands, mentioned below in section 1.1 are suspended by operation of law.

The parties also committed to finally terminate their legal proceedings when the settlement becomes final. Deminor will use its best efforts to terminate proceedings in which it is involved by requesting its constituents to provide instructions to terminate the proceeding in accordance with Article 821 BJC.

These proceedings, both in Belgium and in the Netherlands, (i) aim at the payment of compensatory damages based on alleged miscommunication and/or market abuse committed, by Fortis during the period between May 2007 and October 2008 and/or (ii) are (in)directly related to the transactions in September/October 2008.

1.1 In the Netherlands

1.1.1 VEB

On 19 January 2011, VEB (Vereniging van Effectenbezitters) initiated a collective action before the Amsterdam District Court seeking a ruling that various communications between September 2007 and 3 October 2008 constituted a breach of law by Fortis, by financial institutions involved in the September/October 2007 capital increase, and/or by certain of Fortis' former directors and executives. VEB characterises each of these breaches as an unlawful act by all or certain defendants and states that these defendants were therefore liable for the loss incurred by any (former) shareholder who bought shares during the relevant period. Inter alia, VEB alleges (against Fortis, certain of its former directors and executives and against the forementioned financial institutions) that the information provided in the September 2007 prospectus for the 9 October 2007 capital increase on Fortis' position exposure to the subprime situation, was incorrect and incomplete.

1.1.2 Stichting FortisEffect

Stichting FortisEffect and a series of individuals represented by Mr De Gier appealed with the Amsterdam Appeal Court against the judgment of the Amsterdam District Court of 18 May 2011 that dismissed their collective action to invalidate the decisions taken by the Fortis Board in October 2008 and unwind the relevant transactions, or alternatively, to pay damages. On 29 July 2014 the Amsterdam Appeal Court decided that the sale of the Dutch Fortis entities in 2008 remains unaffected. However, it also ruled that during the period of 29 September through 1 October 2008 Fortis provided misleading and incomplete information to the markets. The Court concluded that Ageas should indemnify the damages suffered as a result thereof by the shareholders concerned. The damages, if any, should be decided upon and determined in further proceedings. Ageas has launched an appeal against the Court's decision with the Dutch Supreme Court in October 2014. FortisEffect equally appealed with the Supreme Court a.o. because the Appeal Court ruled that the communication of the Dutch State was not misleading. As FortisEffect's action against the Dutch State is not covered by the settlement, its appeal against the Dutch State was not suspended. On 30 September 2016 the Supreme Court rejected the appeal relating to the Dutch State's communication.

1.1.3 Stichting Investor Claims Against Fortis (SICAF)

On 7 July 2011, 'Stichting Investor Claims Against Fortis' ('SICAF'), a 'Stichting' (Foundation) under Dutch law, brought a collective action before the Utrecht Court based on alleged Fortis miscommunication on various occasions during 2007 and 2008. SICAF alleges, i.a. (against Fortis and against two financial institutions) that the information provided in the September 2007 prospectus for the 9 October 2007 rights issue on Fortis' position in and exposure to the subprime situation was incorrect and incomplete.

On 3 August 2012, the same SICAF, on behalf of and together with a number of identified (former) shareholders, brought a second action before the Utrecht Court against the same defendants and certain former Fortis directors and executives, claiming damages. The allegations in this second action are materially similar to the first action. In addition, the plaintiffs claim that Fortis failed in its solvency policy in the period 2007 and 2008.

1.1.4 Claims on behalf of individual shareholders

In proceedings initiated by a series of individuals represented by Mr Bos, the Utrecht Court decided on 15 February 2012 that Fortis and two co-defendants (the former CEO and the former financial executive) disclosed misleading information during the period from 22 May through 26 June 2008. The Court further ruled that separate proceedings were necessary to decide whether the plaintiffs had suffered damages, and if so, the amount of such damages. In the same proceedings, certain former Fortis directors and top executives requested the Court to acknowledge the alleged Ageas obligation to hold them harmless for the damages resulting from or relating to the legal proceedings initiated against them and resulting from their mandates within the Fortis group. An appeal against the Utrecht Court judgement was filed with the Arnhem Appeal Court. In appeal, Mr Bos claims damages for alleged miscommunication about (i) Fortis' subprime exposure in 2007/2008, about (ii) Fortis' solvency in January – June 2008, (iii) the remedies required by the European Commission in the context of the ABN AMRO take-over and (iv) Fortis' liquidity and solvency position on 26 September 2008.

Since 1 August 2014, Mr Meijer initiated five separate proceedings, each one on behalf of an individual claimant, before the Utrecht Court, claiming to compensate for the loss due to alleged miscommunication by Fortis in the period September 2007 to September 2008.

On 23 September 2014, a former Fortis shareholder initiated proceedings against Ageas before the Utrecht Court, claiming damages because of miscommunication by Fortis between 29 September 2008 and 1 October 2008 as stated in the 29 July 2014 FortisEffect decision. On 1 April 2015 the court decided that this procedure will be joined with the first two Meijer proceedings.

On 11 May 2015, a former Fortis shareholder initiated proceedings against Ageas and a former Fortis executive before the Amsterdam court, claiming damages because of miscommunication on Fortis' financial position.

1.1.5 Stichting Fortisclaim

On 10 June 2016 Stichting Fortisclaim brought a collective action against Ageas before the Utrecht Court based on (i) Fortis' management of the solvency planning after the takeover of ABN AMRO and (ii) Fortis' various communications in the period 24 May 2007 to 3 October 2008 on its subprime exposure, its solvency, its liquidity, and its position after the first rescue weekend in September 2008.

1.2 In Belgium

1.2.1 Modrikamen

On 28 January 2009, a series of shareholders represented by Mr Modrikamen brought an action before the Brussels Commercial Court initially requesting the annulment of the sale of ASR to the Dutch State and the sale of Fortis Bank to SFPI (and subsequently to BNP Paribas), or alternatively damages. On 8 December 2009, the Court inter alia decided that it was not competent to judge on actions against the Dutch defendants. On 17 January 2013, the Brussels Court of Appeal confirmed this judgment in this respect. In July 2014, Mr Modrikamen filed an appeal before the Supreme Court on this issue. On 23 October 2015 the Supreme Court rejected this appeal. To date the proceedings before the commercial court continue regarding the sale of Fortis Bank and aim at the payment of a compensation by BNP Paribas to Ageas, as well as by Ageas to the claimants. In an interim judgment of 4 November 2014, the court declared about 50% of the original claimants not admissible. On 29 April 2016 the Brussels Commercial Court decided to suspend the proceedings awaiting the outcome of the criminal procedure.

1.2.2 Deminor

On 13 January 2010, a series of shareholders associated with Deminor International (currently named DRS Belgium) brought an action before the Brussels Commercial Court, seeking damages based on alleged lack of/or misleading information by Fortis during the period from March 2007 to October 2008. On 28 April 2014, the court declared in an interim judgment about 25% of the claimants not admissible.

1.2.3 Other claims on behalf of individual shareholders

On 12 September 2012, Patripart, a (former) Fortis shareholder, and its parent company Patrinvest, brought an action before the Brussels Commercial Court, seeking damages based on alleged lack of or misleading information in the context of the 2007 rights issue. On 1 February 2016 the court fully rejected the claim. On 16 March 2016, Patrinvest filed an appeal before the Brussels Appeal Court.

On 29 April 2013, a series of shareholders represented by Mr Arnauts brought an action before the Brussels Commercial Court, seeking damages based on alleged incomplete or misleading information by Fortis in 2007 and 2008; this action is suspended awaiting the outcome of the criminal proceedings.

On 25 June 2013, a similar action before the same court was initiated by two shareholders; those claimants ask for their case to be joined to the Deminor case. In the meantime, claimants agreed that their case be postponed *sine die*.

On 19 September 2013, certain (former) Fortis shareholders represented by Mr Lenssens initiated a similar action before the Brussels Civil Court; this action is suspended awaiting the outcome of the criminal proceedings.

II Proceedings not covered by the Settlement

2. ADMINISTRATIVE PROCEDURE IN BELGIUM

The Belgian Financial Services and Markets Authority ('FSMA') initiated an investigation on Fortis' external communication during the second quarter of 2008. On 17 June 2013, the Sanctions Commission decided that in the period May-June 2008 Fortis communicated too late or incorrectly on the remedies required by the European Commission in the context of the ABN AMRO take-over, on its future solvency position upon full integration of ABN AMRO and on the success of the NITSH II offer. Therefore, the Sanctions Commission levied a fine on Ageas of EUR 500,000. On 24 September 2015, the Brussels Appeal Court ruled on the decision of the FSMA Sanctions Commission, and decided to impose a reduced fine of EUR 250,000 on Ageas for misleading statements made on 12 June 2008. Because of procedural reasons, there were a French-speaking procedure and a Dutch-speaking procedure. In each procedure, a decision is taken by the Brussels Appeal Court per 24 September 2015. Ageas filed an appeal against the Court's French decision with the Supreme Court on 24 August 2016. Ageas filed an appeal against the Court's Dutch decision with the Supreme Court on 14 June 2017

3. CRIMINAL PROCEDURE IN BELGIUM

In Belgium, since October 2008 a criminal procedure is ongoing in relation to events mentioned above in the introduction to this chapter. In February 2013, the public prosecutor filed his written indictment with charges of (i) false annual accounts 2007 due to overestimation of subprime assets, (ii) enticement to subscribe the 2007 rights issue with incorrect information and (iii) publication of incorrect or incomplete information on subprime on various occasions between August 2007 and April 2008, for which charges he requested the *Chambre du conseil/Raadkamer* that certain individuals be referred for trial before the criminal court. As several interested parties requested and obtained additional investigative measures, the hearing before the *Chambre du conseil/Raadkamer* was postponed *sine die*. For the time being referral of Ageas is not being requested by the public prosecutor.

4. OTHER LEGAL PROCEEDINGS

4.1 Legal proceedings initiated by Mandatory Convertible Securities (MCS) holders

The Mandatory Convertible Securities (MCS) issued in 2007 by Fortis Bank Nederland (Holding) N.V. (now ABN AMRO Bank N.V.), together with Fortis Bank SA/NV (now BNP Paribas Fortis SA/NV), Fortis SA/NV and Fortis N.V. (both now ageas SA/NV), were mandatorily converted on 7 December 2010 into 106,723,569 Ageas shares. Prior to 7 December 2010, certain MCS holders unilaterally decided at a general MCS holders' meeting to postpone the maturity date of the MCS until 7 December 2030. However, at the request of Ageas, the President of the Brussels Commercial Court suspended the effects of this decision. Following 7 December 2010, the same MCS holders contested the validity of the conversion of the MCS and requested its annulment or, alternatively, damages for an amount of EUR 1.75 billion. On 23 March 2012, the Brussels Commercial Court ruled in favour of Ageas, dismissing all claims of the former MCS holders. Hence, the conversion of the MCS into shares issued by Ageas on 7 December 2010 remains legally valid and no compensation is due. Certain former MCS holders appealed against this judgment, claiming damages for a provisional amount of EUR 350 million and the appointment of an expert. A procedural hearing will be on 29 March 2018.

4.2 Legal proceedings initiated by RBS

On 1 April 2014, Royal Bank of Scotland (RBS) initiated two legal actions against Ageas and other parties: (i) an action before the Brussels Commercial Court in which RBS claims an amount of EUR 75 million, based on an alleged guarantee given by Fortis in 2007 in the context of a share deal between ABN AMRO Bank (now RBS) and Mellon and (ii) an arbitration procedure before ICC in Paris in which RBS initially claimed a total amount of EUR 135 million, i.e. the alleged EUR 75 million guarantee and EUR 60 million arising from escrow provisions. In March 2016, RBS dropped this latter claim of EUR 60 million. Following the hearings in January 2017 in the ICC arbitration, RBS agreed to withdraw the proceedings before the Brussels Commercial Court. Per 29 January 2018, the ICC Tribunal has informed Ageas of its award in Ageas's favour. All RBS's claims are dismissed.

5. HOLD HARMLESS UNDERTAKINGS

In 2008, Fortis granted certain former executives and directors, at the time of their departure, a contractual hold harmless protection covering legal expenses and, in certain cases, also the financial consequences of any judicial decisions, in the event that legal proceedings were brought against them on the basis of their mandates exercised within the Fortis group. Ageas contests the validity of the contractual hold harmless commitments to the extent they relate to the financial consequences of any judicial decisions.

Furthermore, and as standard market practice in this kind of operations, Ageas entered into agreements with certain financial institutions facilitating the placing of Fortis shares in the context of the capital increases of 2007 and 2008. These agreements contain indemnification clauses that imply hold harmless obligations for Ageas subject to certain terms and conditions. Some of these financial institutions are involved in certain legal proceedings mentioned in this chapter.

In the context of a settlement with the underwriters of D&O liability insurance and Public Offering of Securities Insurance policies relating to the events and developments surrounding the former Fortis Group in 2007 - 2008, Ageas granted a hold harmless undertaking in favour of the insurers for the aggregate amount of coverage under the policies concerned. In addition, Ageas granted certain indemnity and hold harmless undertakings in favour of certain former Fortis executives and directors and of BNP Paribas Fortis relating to future defence costs, as well as in favour of the directors of the two Dutch foundations created in the context of the Settlement.

6. GENERAL OBSERVATIONS

If a (supplemented and amended) Settlement becomes final, the civil proceedings mentioned in section 1 may be settled, except for the claimants who timely opt out. These claimants can continue or start proceedings against Ageas. As mentioned above, a provision of EUR 1,1 billion has been recognized for the Settlement, including EUR 52 million for the tail risk.

If a (supplemented and amended) Settlement would not be implemented, the civil proceedings mentioned in section 1 may continue. In that case, without prejudice to any specific comment made elsewhere in this chapter, given the various stages, the continuously evolving nature and the inherent uncertainties and complexity of the current proceedings described herein, Ageas's management is not in a position to assess the outcome of the claims or actions brought against Ageas, nor can it determine whether they can be successfully contested or whether they might or might not result in significant losses in the Ageas Consolidated Financial Statements. Ageas will make provisions if and when, in the opinion of management and the Board of Directors, consulting with its legal advisors, it considers that, for these matters it is more likely than not that payments will need to be made by Ageas and that the relevant amounts can be reliably estimated.

However, if any of these proceedings were to lead to negative consequences for Ageas or were to result in awarding monetary damages to plaintiffs claiming losses incurred as a result of Fortis miscommunication or mismanagement, this could have substantial consequences on Ageas's financial position. Such consequences remain unquantifiable at this stage.

46.2 Liabilities for hybrid instruments of former subsidiaries

In 2007 BNP Paribas Fortis SA/NV issued CASHES (Convertible And Subordinated Hybrid Equity-linked Securities), with ageas SA/NV acting as co-obligor (BNP Paribas Fortis SA/NV was at that point in time a subsidiary). From the original 12,000 securities issued, 3,791 securities remain outstanding, representing a nominal amount of EUR 948 million.

The securities have no maturity date and cannot be repaid in cash, they can only be exchanged into Ageas shares at a price of EUR 239.40 per Ageas share. A mandatory exchange takes place if the price of the Ageas share is equal to or higher than EUR 359.10 on twenty consecutive stock exchange business days. BNP Paribas Fortis SA/NV owns 3,958,859 Ageas shares for the purpose of the potential exchange.

The sole recourse of the holders of the CASHES against any of the co-obligors with respect to the principal amount are the Ageas shares that BNP Paribas Fortis SA/NV holds, these shares are pledged in favour of such holders.

BNP Paribas Fortis SA/NV pays the coupon on the CASHES, in quarterly arrears, at a variable rate of 3 month Euribor plus 200 basis points, up to the exchange of the securities for Ageas shares. In the event that Ageas declares no dividend on its shares, or that the dividends to be declared are below a threshold with respect to any financial year (dividend yield less than 0.5%), and in certain other circumstances, coupons will mandatorily need to be settled by ageas SA/NV via issuance of new shares in accordance with the so called Alternative Coupon Settlement Method (ACSM), while BNP Paribas Fortis SA/NV would need to issue instruments that qualify as hybrid Tier 1 instruments to Ageas as compensation for the coupons paid by ageas SA/NV. If the ACSM is triggered and there is insufficient available authorised capital to enable ageas SA/NV to meet the ACSM obligation, the coupon settlement will be postponed until such time as the ability to issue shares is restored.

In an agreement reached in 2012, that amongst others led to the tender and subsequent conversion of CASHES, Ageas agreed to pay an annual indemnity to BNP Paribas Fortis SA/NV that equals the grossed up dividend on the shares that BNP Paribas Fortis SA/NV holds.

46.3 Other contingent liabilities

Together with BGL BNP Paribas, Ageas Insurance International N.V. has provided a guarantee to Cardif Lux Vie S.A. for up to EUR 100 million to cover outstanding legal claims related to Fortis Lux Vie S.A., a former subsidiary of Ageas that was merged at year-end 2011 with Cardif Lux International S.A.

Furthermore, certain individual customers of Ageas France, a fully owned subsidiary of Ageas Insurance International, filed claims against Ageas France in connection with its alleged unilateral modification of the terms and conditions of a unit-linked product by on-charging certain transaction fees. In addition to claiming reimbursement of these fees, plaintiffs also claimed prejudice for lost opportunities for arbitrating between Unit-linked funds and a guaranteed fund using latest known value dates, as well as prohibition for on-charging of the fees. In November 2014 Paris Appeal Court confirmed the first instance decision allowing the claims and appointed experts to determine the scope of indemnification. Following an appeal filed by Ageas France with the French Supreme Court, on 8 September 2016 the French Supreme Court substantially annulled the Paris Appeal Court decision in favour of Ageas France and referred the case to the Versailles Appeal Court.

47

Lease agreements

Ageas has entered into lease agreements for the use of office space, office equipment, vehicles and parking facilities. The following table reflects future commitments to non-cancellable operating leases as at 31 December.

	2017	2016
Less than 3 months	18.1	15.5
3 months to 1 year	54.3	46.1
1 year to 5 years	242.1	208.1
More than 5 years	381.0	386.8
Total	695.5	656.5
Annual rental expense:		
Lease payments	11.9	44.0

48

Events after the date of the statement of financial position

There have been no material events since the date of the Consolidated statement of financial position that would require adjustments to the Ageas Consolidated Financial Statements as at 31 December 2017.

Statement of the Board of Directors

The Board of Directors of Ageas is responsible for preparing the Ageas Consolidated Financial Statements as at 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the European Transparency Directive (2004/109/EC), and for presenting the Report of the Board of Directors in accordance with the legal and regulatory requirements applicable in Belgium.

The Board of Directors has reviewed the Ageas Consolidated Financial Statements and the Report of the Board of Directors on 27 March 2018 and has authorised their issue.

The Board of Directors of Ageas declares that, to the best of its knowledge, the Ageas Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Ageas, and of the uncertainties that Ageas is facing and that the information contained therein has no omissions likely to modify significantly the scope of any statements made.

The Board of Directors of Ageas also declares that the Report of the Board of Directors gives a fair overview of the development and performance of the businesses of the Group.

The Ageas Annual Report consisting of the Consolidated Financial Statements and Report of the Board of Directors will be submitted to the Annual General Meeting of Shareholders for approval on 16 May 2018.

Brussels, 27 March 2018

Board of Directors

Chairman	Jozef De Mey
Vice-Chairman	Guy de Selliers de Moranville
Chief Executive Officer	Bart De Smet
Chief Financial Officer	Christophe Boizard
Chief Risk Officer	Filip Coremans
Chief Operating Officer	Antonio Cano
Directors	Richard Jackson
	Yvonne Lang Ketterer
	Jane Murphy
	Lionel Perl
	Lucrezia Reichlin
	Katleen Vandeweyer
	Jan Zegering Hadders

Independent Auditor's Report

Statutory auditor's report to the general meeting ageas SA/NV on the consolidated financial statements as of and for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of ageas SA/NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the audit of the consolidated financial statements for the year ended 31 December 2017, as well as our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed as statutory auditor by the general meeting of 29 April 2015, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2017. We have performed the statutory audit of the consolidated financial statements of ageas SA/NV for 9 consecutive financial years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 103,340.8 million, the consolidated income statement shows a profit for the year of EUR 850.0 million and the consolidated statement of comprehensive income shows a total comprehensive income of the year of EUR 1,127.5 million.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 26 Provisions to the consolidated financial statements for the year ended 31 December 2017, which describes that the Group has recognized a provision of EUR 1.1 billion relating to the amended and restated settlement proposal with respect to all civil proceedings related to the former Fortis group for the events in 2007 and 2008. The impact of the proposed amended and restated settlement on the Group net result for the year ended 31 December 2017 amounts to EUR 100 million. The note describes that the settlement will only be final (i) if the Amsterdam Appeal Court declares the settlement binding and (ii) if at the end of the opt-out period, the agreed opt-out ratio is not exceeded or the Company waives its termination right. Our opinion is not modified in respect of this matter.

Furthermore, we draw your attention to note 46 Contingent liabilities to the consolidated financial statements as at 31 December 2017, which describes that the Company is or may still become involved in a series of legal proceedings and in a criminal procedure pending in Belgium as a result of the events and developments surrounding the former Fortis Group between May 2007 and October 2008. If these proceedings were to be successful, this could have significant consequences for the Group's financial position. Such consequences remain unquantifiable at this stage. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of liabilities arising from life insurance and life investment contracts

We refer to the headings “Liabilities arising from life insurance contracts” and “Liabilities arising from life investment contracts” of the consolidated statement of financial position in the consolidated financial statements and to notes n°20.1 “Liabilities arising from Life insurance contracts” and n°20.2 “Liabilities arising from Life investment contracts”.

Description

As at 31 December 2017, the Group has EUR 27.5 billion of liabilities for life insurance contracts and EUR 31.4 billion of liabilities for life investment contracts. These liabilities are calculated based on actuarial techniques as determined by law, which are based on pre-specified mortality tables and other parameters derived from the contract. These liabilities represent a major component of the Group’s statement of financial position.

At each reporting date the adequacy of the liabilities arising from life insurance and life investment contracts is verified based on a Liability Adequacy Test (LAT) to be carried out in accordance with IFRS 4 “Insurance contracts”. These liabilities are increased with any insufficiency arising from the execution of the LAT. The actuarial models used for the calculation of the LAT are complex and the assumption setting process within these models contains judgment considering that best estimate/current assumptions are applied (and no longer the parameters embedded in the law and the contract conditions). The judgements made in the assumptions setting process may have a significant impact on the LAT outcome.

Furthermore, the Group’s accounting policies also encompasses the adoption of shadow accounting (an option under IFRS 4), and consequently the recognition of an additional liability as a result of the application of shadow accounting if required.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls relating to the actuarial processes for the determination of the liabilities for life insurance and life investment contracts and LAT.
- Assessment of the appropriateness of the actuarial techniques used in the calculation of the liabilities for life insurance and life investment contracts and the assumptions used (which are based on legal and contractual requirements).
- Assessment of the roll-forward analysis of the liabilities arising from life insurance and life investment contracts prepared by Management, including inspection of reconciling items, if any.
- Recalculation of the liabilities arising from life insurance and life investment contracts for a sample of life insurance and life investment contracts.
- Assessment of the consistency of the actuarial techniques applied for the LAT against prior years and whether changes made to the actuarial models (including the underlying assumptions) are in line with our understanding of business developments, and our expectations derived from market experience.
- Recalculation of the cash flows used within the LAT for a sample of life insurance and life investment contracts.
- Benchmarking the assumptions used in the LAT with past observations and market observable data.
- Assessment of the results of the LAT outcome, including a comparison of the results from one reporting period to another.
- Inspection of the reports issued by the actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the liabilities for life insurance and life investment contracts.
- Recalculation of the shadow LAT liability using the data (net unrealized capital gains) derived from the asset management IT system.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of liabilities arising from non-life insurance contracts

We refer to heading “Liabilities arising from non-life insurance contracts” of the consolidated statement of financial position in the consolidated financial statements and to note n°20.4 “Liabilities arising from non-life insurance contracts”.

Description

As at 31 December 2017, the Group has EUR 7.6 billion of liabilities arising from non-life insurance contracts. The estimation of these liabilities involves actuarial techniques and requires judgement given that these are based on previous claims experience, existing knowledge of events, expectations about future developments and terms and conditions of the relevant insurance policies.

Estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. These estimates are sensitive to various factors and uncertainties, and requires judgement in setting the underlying assumptions.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls relating to the actuarial processes for the determination of the liabilities arising from non-life insurance contracts.
- Assessment of the consistency and appropriateness of the actuarial techniques applied for all business lines (including the underlying assumptions) against prior years and whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience.
- Independent calculation of the claims liabilities for the major business lines (motor, fire, general liability, legal assistance, workmen’s compensation and health insurance) based on commonly used actuarial techniques for these type of businesses. We compared the results of our independent calculation with the amounts determined by the Group, and we obtained evidence supporting any significant differences observed.
- Assessment whether the claims liabilities have been determined in accordance with the implemented reserving policies by the Group.
- Recalculation of the annuity reserve for a sample of claims for the business lines workmen’s compensation and disability.
- Assessment of the roll-forward analysis of the liabilities arising from workmen’s compensation and disability prepared by Management, including inspection of reconciling items, if any.
- Assessment of the adequacy of the liabilities arising from non-life insurance contracts through an analysis of the run-off results of the claims and annuity liabilities.
- Assessment of the results of the Liability Adequacy Test (LAT), including a comparison of the results from one reporting period to another. We also compared the LAT outcome with the results from our independent calculation of the claims and annuity liabilities (cf. supra).
- Inspection of the reports issued by the Actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the liabilities arising from non-life insurance contracts.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of financial investments, investments related to unit-linked contracts and loans

We refer to headings “Financial investments”, “Investments related to unit-linked contracts”, and “Loans” of the consolidated statement of financial position in the consolidated financial statements and to notes n°11 “Financial investments”, n°13 “Loans”, and n°31 “Fair value of financial assets and financial liabilities” in which the fair value of financial assets and financial liabilities not reported at fair value on the Companies statement of financial position is disclosed.

Description

As at 31 December 2017, the Group has EUR 88.6 billion of financial investments, investments related to unit-linked contracts and loans, representing 86% of total assets. The valuation of financial investments, investments related to unit-linked contracts and loans at fair value, as well as the related disclosures, are based on a range of inputs. Many of the inputs required can be obtained from readily observable prices and rates on liquid markets. Where observable market data are not available, estimates are developed and are subject to a higher level of judgement.

Our audit procedures
With the assistance of our valuation specialists we performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls relating to the valuation process of the financial investments, investments related to unit-linked contracts and loans.
- Assessment of the Group's valuation of individual investment holdings. Where observable market data are available, we compared the prices used in the valuation prepared by the Group with independent third party sources. Where observable market data are not available, we evaluated on a sample basis the appropriateness of the valuation models and the inputs to the models, and where available we tested those data against market data.
- Analysis of significant evolutions in fair values and unrealized capital gains and losses from prior year to current year.
- Inspection of the minutes of the Investment committee, Credit risk committee and Pricing committee and rationale for conclusions made therein as input for our risk assessment.
- Impairment analysis by evaluating the permanent character of the unrealized losses for the positions with significant unrealized capital losses and assessing the appropriate application of the accounting policies with regards to impairment.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Fair value of investment property and property held for own use

We refer to the notes n°12 "Investment property", and note n°17 "Property, plant and equipment", in which the fair value of investment property and property held for own use, not reported at fair value on the Companies statement of financial position is disclosed.

Description
As at 31 December 2017 the fair value of the investment property and property held for own use disclosed in the consolidated financial statements amounts to respectively EUR 3.8 billion and EUR 1.5 billion and reflects the disclosure of important unrecognized net of tax fair value gains of EUR 1.2 billion. The fair value is determined based on valuation techniques that involve significant judgment with regards to non-observable market data used within the discounted cash flow valuation models. Furthermore, the output of these discounted cash flow valuation models are sensitive to various factors and uncertainties. The Group appointed external appraisers as external management expert to assist them in the valuation process.

Notes n°12 "Investment property" and n°17 "Property, plant and equipment" provide significant information for the user of the consolidated financial statements. Furthermore, the fair value of investment property is an important input parameter in the performed Liability Adequacy Test (LAT) as described above.

Our audit procedures
With the assistance of our valuation specialists we performed the following procedures:

- Assessment of the design of the key controls relating to the valuation process.
- Reconciliation of the fair value disclosed in the expert valuation reports to the accounting records.
- Reconciliation for a sample of the tenancy schedules and other property related data extracted from the accounting records with the data used as input for the valuations performed by external management experts.
- Reconciliation of a sample of tenancy contracts to the tenancy schedules.
- Challenging the appropriateness of key assumptions and the valuation techniques used in the valuation such as market rent levels, future vacancy rates, yield factors, discount rates, maintenance expenses and transaction expenses by comparing them with those used in the past by the Group, as well as with current market data.
- Inspection of the valuation reports for a sample of properties, reconciliation of fair value to the Group's accounting records and discussion of our findings and observations with management and with the external management experts.
- Evaluation of the competence, capabilities and objectivity of the external management experts.

IT systems and controls over financial reporting

Description
We identified IT systems and controls over financial reporting as a key audit matter for the Group because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Of particular importance are system calculations, other IT application controls and interfaces between IT systems.

Our audit procedures

With the assistance of our IT specialists, we have performed the following procedures:

- Examination of the framework of governance over the Group's IT organisation.
- Assessment of the design and evaluation of the operating effectiveness of general IT controls over program development and changes, access to programs and data and IT operations.
- Assessment of the design and evaluation of the operating effectiveness of IT application controls in the key processes impacting financial reporting of the Group, including compensating controls that are not impacted by general IT controls and additional substantive procedures where considered necessary.
- Assessment of the integrity of data transmission through the different IT systems to the financial reporting systems.

Valuation of the liability related to the written put option on AG Insurance shares held by BNP Paribas Fortis

We refer to the heading "Liabilities related to written put options on NCI" of the consolidated statement of financial position in the consolidated financial statements and to note n°27.1 "Liability related to written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV".

Description

As at 31 December 2017, the Group consolidated statement of financial position includes a liability related to the written put option on AG Insurance shares held by BNP Paribas Fortis amounting to EUR 1.6 billion.

The exercise of the put option is unconditional. In accordance with IAS 32, a financial liability has to be recorded amounting to the present value of the estimated exercise price of the put option in 2018.

The determination of the fair value of the financial liability referred to above requires management judgement to be applied in estimating the exercise price, which is based on the estimated fair value of AG Insurance. The Group uses weighted average Price Earnings multiples of a peer group for the Life business and a discounted cash flow model for Non-Life as a basis for the valuation of the liability. Management's judgements principally relate to the selection of the peer group, discount rate and assumptions used in forecasting earnings and cash flows.

Our audit procedures

With the assistance of our valuation specialists, we have performed the following procedures:

- We evaluated the appropriateness of management's selection of the peer group with respect to price/earnings multiples when estimating the value of the Life business and discount rate for the Non-Life business.
- We evaluated Management process of forecasting earnings and cash flows, including the assessment of the appropriateness of underlying assumptions and testing the mathematical accuracy of the forecasts.
- We assessed whether the budget used in the forecasts was approved by the board of directors.
- We performed sensitivity analyses of significant assumptions, more specifically the weighted price earnings multiple, the discount rate, the forecasted growth rate, the dividend pay-out ratio, the terminal value calculation and the inflation rate.
- We recalculated the fair value based on above tested assumptions and input data.
- We assessed the appropriateness of the disclosures in respect of the liability related to the written put option on AG Insurance shares held by BNP Paribas Fortis, which are included in note n° 27.1 in the consolidated financial statements.

Board of directors' responsibility for the preparation of the consolidated financial statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on the other legal, regulatory and professional requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you. We do not express any form of assurance on the board of directors' annual report on the consolidated financial statements.

The non-financial information required by article 119 §2 of the Companies' Code has been included in the board of directors' annual report on the consolidated financial statements. The Company has prepared this non-financial information based on several international frameworks[1]. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with these international frameworks. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspect

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 30 March 2018

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Olivier Macq
Réviseur d'Entreprises / Bedrijfsrevisor

Frans Simonetti
Réviseur d'Entreprises / Bedrijfsrevisor

1 *ISO 26000, GRI standards, UNEP FI Principles for Sustainable Insurance (PSI), UN-supported Principles for Responsible Investment (PRI), OECD Guidelines for Multinational Enterprises, United Nations Environment Programme Finance Initiative (UNEP FI)*

Summarised ageas SA/NV Company Financial Statements

2017

General information

1. Foreword

Most 'general information' is included in the Report of the Board of Directors of Ageas. This section of general information contains solely information on ageas SA/NV that has not been provided elsewhere.

2. Identification

The company is a public limited company bearing the name ageas SA/NV. Its registered office is at Rue du Marquis 1, 1000 Brussels. This office may be transferred to anywhere else in the Brussels capital region by resolution of the Board of Directors. The company is registered in the Brussels register of legal entities under no. 0451.406.524.

3. Incorporation and publication

The company was incorporated on 6 November 1993 under the name Fortis Capital Holding.

4. Places where the public can verify company documents

The Articles of Association of ageas SA/NV can be inspected at the Registry of the Commercial Court at Brussels, at the company's registered office and at the website of Ageas.

Decisions on the appointment and resignation of Board Members of the companies are published, among other places, in the annexes to the Belgian Law Gazette. Financial reports on the companies and notices convening General Meetings are published in the financial press, newspapers and periodicals. The financial statements of the company are available at the registered office and are also filed with the National Bank of Belgium. They are sent each year to registered shareholders and to others on request.

5. Amounts

All amounts stated in the tables of these financial statements are denominated in millions of euros, unless otherwise indicated.

6. Audit opinion

The company financial statements have not yet been published. KPMG will issue an unqualified auditor's report with an emphasis of matter paragraph on the ageas SA/NV company financial statements.

Statement of financial position after profit appropriation

	31 December 2017	31 December 2016
ASSETS		
Tangible fixed assets	1	1
Tangible fixed assets	1	1
Financial fixed assets	6,791	6,799
Participating interests	6,441	6,449
Loans	350	350
Current assets	1,213	1,322
Trade and other accounts receivable	248	245
Own shares	243	246
Other short-term investments	476	571
Liquid assets	233	247
Deferred charges and accrued income	13	13
TOTAL ASSETS	8,005	8,122
LIABILITIES		
Equity		
Shareholders' equity	5,993	6,351
Subscribed capital	1,550	1,603
Share premium reserve	2,247	2,438
Legal reserve	14	
Reserves not available for distribution	243	246
Reserves available for distribution	1,735	2,149
Profit / loss carried forward	204	(85)
Provisions	1,558	1,299
Amounts payable	454	472
Commercial debts	10	9
Remuneration and social charges	4	3
Other amounts payable	423	442
Accrued charges and deferred income	17	18
TOTAL LIABILITIES	8,005	8,122

Income statement

	2017	2016
Operating income	10	7
Other operating income	5	7
Non-recurring operating income	5	
Financial income	635	715
Income from financial fixed assets	618	692
Income from current assets	17	23
Total income	645	722
Operating expenses	340	(35)
Services and miscellaneous goods	48	72
Remuneration, social charges and pensions	17	15
Provisions for risks and charges	258	(124)
Other operating expenses	17	2
Financial charges	16	61
Interest in respect of amounts payable	2	2
Other financial charges	14	59
Total expenses	356	26
Result before tax	289	696
Tax		
Net result for the period	289	696

	2017	2016
Appropriation of profit		
Profit to be appropriated	204	(85)
Profit for the financial year available for appropriation	289	696
Profit carried forward from the previous financial year	(85)	(781)
Transfers from shareholders' equity	424	419
From the capital and share premium reserves		
From reserves	424	419
Transfers to shareholders' equity	14	
To legal reserve	14	
Result to be carried forward	204	(85)
Profit to be distributed	410	419
Dividends	410	419

Additional disclosure on items in the statement of financial position and income statement and regulatory requirements

1.1 Statutory results of ageas SA/NV under Belgian Accounting Principles

ageas SA/NV reported for the financial year 2017 based on Belgian Accounting Principles a net profit of EUR 289 million (2016: EUR 696 million) and a shareholders' equity of EUR 5,993 million (2016: EUR 6,351 million).

1.2 Notes to the balance sheet and income statement

The balance sheet and income statement can be explained as follows.

1.2.1 Assets

1.2.1.1 Financial fixed assets

(2017: EUR 6,791 million; 2016: EUR 6,799 million)

Financial fixed assets include the following items.

	2017	2016
Financial fixed assets	**6,791**	**6,799**
Participating interests	6,441	6,449
Ageas Insurance International	6,436	6,436
Royal Park Investments	5	13
Loan to AG Insurance	350	350

Participating interests

(2017: EUR 6,441 million; 2016: EUR 6,449 million)

During the year, Royal Park Investments reimbursed part of its capital (EUR 8.9 million).

Loan to AG Insurance

(2017: EUR 350 million; 2016: EUR 350 million)

In 2017 no changes in the loan to AG Insurance took place.

1.2.1.2 Current assets

(2017: EUR 1,213 million; 2016: EUR 1,322 million)

Own shares

(2017: EUR 243 million; 2016: EUR 246 million)

In connection with various share buy-back programmes, ageas SA/NV purchased 6,507,327 own shares for an amount of EUR 248 million. In 2017, 7,170,522 own shares were cancelled.

129,577 of these own shares with a value of EUR 5 million were used to cover the restricted share plans for some members of staff and directors of the company.

1.2.1.3 Other short-term investments

(2017: EUR 476 million; 2016: EUR 571 million)

Other short-term investments include:

	2017	2016
Other short-term investments	476	571
Government bonds	26	35
Corporate debt securities		136
Deposits	450	400

1.2.1.4 Liquid assets

(2017: EUR 233 million; 2016: EUR 247 million)

Liquid assets relate to current accounts with banks.

1.2.1.5 Deferred charges and accrued income

(2017: EUR 13 million; 2016: EUR 13 million)

Accrued income relates mainly to interest on the EUR 350 million loan to AG Insurance and deferred operating expenses.

1.2.2 Liabilities

1.2.2.1 Equity

(2017: EUR 5,993 million; 2016: EUR 6,351 million)

Subscribed capital

(2017: EUR 1,550 million; 2016: EUR 1,603 million)

The decrease in subscribed capital is due to the cancellation of own shares.

Share premium reserve

(2017: EUR 2,247 million; 2016: EUR 2,438 million)

The decrease in share premium reserve is due to the cancellation of own shares.

Legal reserve

(2017: EUR 14 million; 2016: nil)

From the profit available for appropriation will on an annual base 5 percent be allocated to the legal reserve.

Reserves not available for distribution

(2017: EUR 243 million; 2016: EUR 246 million)

The reserves not available for distribution relate to own shares held by ageas SA/NV.

Reserves available for distribution

(2017: EUR 1,735 million; 2016: EUR 2,149 million)

The decrease in the reserves available for distribution relates to a transfer to the reserves not available for distribution related to the buyback of own shares (EUR 248 million), a transfer of EUR 6 million from reserves not available for distribution related to the settlement of a share plan, the cancellation of own shares for EUR 244 million, the dividend that is proposed to be paid out for the financial year 2017 (EUR 410 million).

Profit/loss carried forward

The 2017 financial year closed with a profit of EUR 289 million, which means that taking into account the losses carried forward on previous years, the profit to be carried forward amounts to EUR 204 million.

1.2.2.2 Provisions

(2017: EUR 1,558 million; 2016: EUR 1,299 million)

The movement in the provisions is explained on the one hand by the expected higher settlement amount of RPN(I) (EUR 173 million), an additional provision made for the settlement with respect to proceedings related to the former Fortis group (EUR 100 million) and a payment of this settlement provision (minus EUR 15 million).

1.2.2.3 Amounts payable within one year

(2017: EUR 437 million; 2016: EUR 454 million)

The decrease in amounts payable is mainly explained by the lower amount payable to shareholders with regard to dividends for the financial year (2017: EUR 410 million; 2016: EUR 419 million). In addition, accounts payable include amounts payable related to dividends related to previous years, which have not yet been settled (2017: EUR 11 million; 2016: EUR 17 million).

1.2.2.4 Accrued charges and deferred income

(2017: EUR 17 million; 2016: EUR 18 million)

The composition of accruals and deferred income mainly concerns provisions made with regard to the restricted share plans for some staff members and directors of the company and some provisions for the costs of the Dutch foundations that will account for the settlement with respect to proceedings related to the former Fortis group.

1.2.3 Income statement

1.2.3.1 Financial income

(2017: EUR 635 million; 2016: EUR 715 million)

Financial income includes dividends received from subsidiaries and equity associates (2017: EUR 618 million; 2016: EUR 692 million).

1.2.3.2 Operating expenses

(2017: EUR 340 million; 2016: minus EUR 35 million)

The components of operating expenses are as follows:

Services and miscellaneous goods	EUR	48 million
Staff expenses	EUR	17 million
Reversal of amounts written down	EUR	0 million
Change in provision settlement	EUR	85 million
Provision RPN(I)	EUR	173 million
Other operating expenses	EUR	17 million

1.3 Regulatory requirements (art. 96 and 119 of the Belgian Company Code)

Conflict of interest

Due to a conflict of interest and as required by article 523 of the Company Code, the minutes of the meetings of the Board of Directors on 16 October 2017 and 8 December 2017 are included in the Report of the Board of Directors attached to the statutory financial statements of ageas SA/NV.

1.3.1 Information on circumstances that could profoundly influence the development of the company

See note Forward-looking statements to be treated with caution.

1.3.2 Information on research and development

The company did not carry out any research and development activities.

1.3.3 Branches

As a consequence of the merger between ageas SA/NV and ageas N.V. in 2012, a branch was opened in the Netherlands (Ageas Dutch Branch).

1.3.4 Going concern

In our opinion, there are no objective reasons why valuation principles based on the going concern concept cannot apply. The expectation is that losses carried forward in the statement of financial position will be absorbed in the coming years.

1.3.5 Events after the date of the statement of financial position

There have been no material events since the date of the statement of financial position that would require adjustment to the ageas SA/NV company financial statement as at 31 December 2017.

1.3.6 Other information that according to the Belgian Company Code should be included in the Annual Report

Discharge of the directors and external auditor

As prescribed by law and the company's Articles of Association, we will ask the General Meeting of Shareholders to grant the company's Board of Directors and Auditor discharge in respect of the execution of their mandate.

Capital increase and issue of warrants

In 2017 no capital increase or issue of warrants was made.

Non-audit assignments carried out by the auditor in 2017

In 2017, the external auditor carried out an additional assignment in connection with the Embedded Value Review for the year 2016.

Use of financial instruments

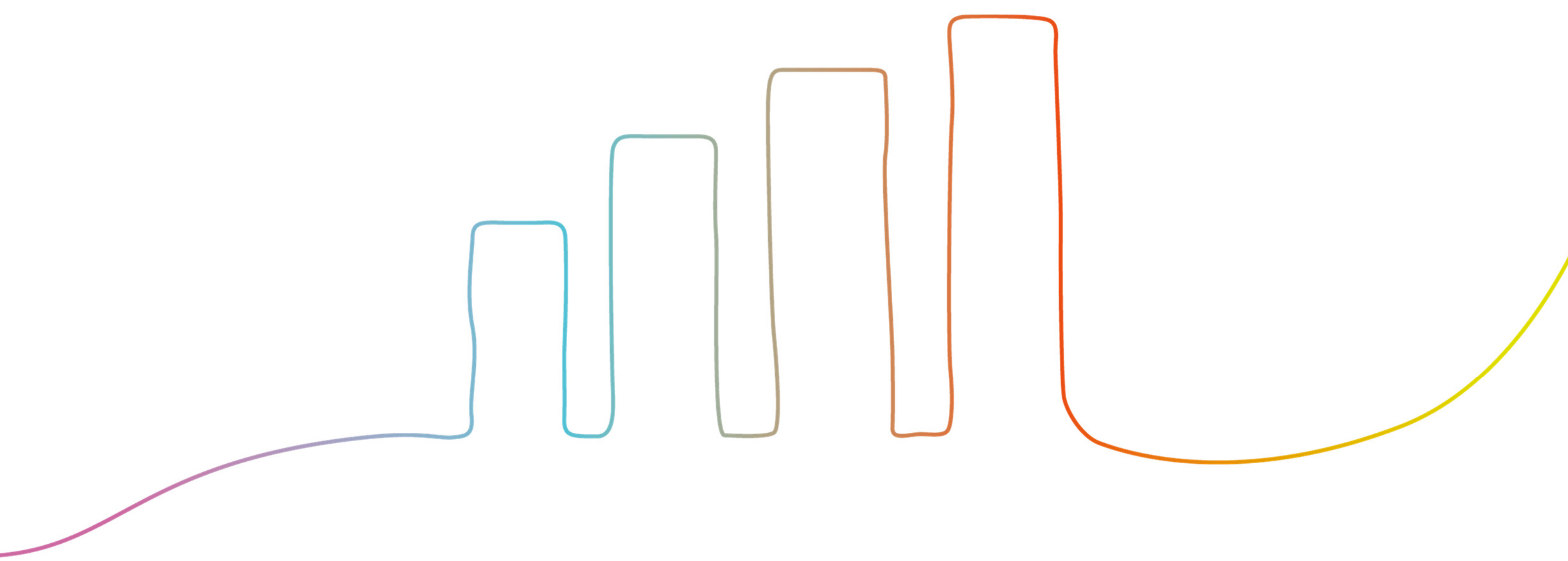
See note 5 Risk management of the Consolidated Financial Statements.

Corporate Governance Statement

See Report of the Board of Directors, part 4 Corporate Governance Statement, in the Annual Report.

Remuneration report

See Report of the Board of Directors, part 4.7 Report of the Remuneration Committee, in the Annual Report.



Other information

Forward-looking statements to be treated with caution

Some of the statements contained in this Annual Report, including but not limited to the statements made in the sections entitled Message to the Shareholders, Description of Activities and Report of the Board of Directors and in note 5 Risk management, refer to future expectations and other forward-looking perceptions that are based on management's current views, estimates and assumptions concerning future events. These forward-looking statements are subject to certain risks and uncertainties, which means actual results, performance or events may differ substantially from what those statements express or imply, including but not limited to our expectations regarding the level of provisions relating to our credit and investment portfolios.

Other more general factors that may impact our results include but are not limited to:

- general economic conditions;
- changes in interest rates and the performance of financial markets;
- frequency and severity of insured loss events;
- mortality, morbidity and persistency levels and trends;
- foreign exchange rates, including euro / US dollar exchange rate;
- changes in competitive and pricing environments, including increasing competition in Belgium;
- changes in domestic and foreign legislation, regulations and taxes;
- regional or general changes in asset valuations;
- occurrence of significant natural or other disasters;
- inability to economically reinsure certain risks;
- adequacy of loss reserves;
- regulatory changes relating to the insurance, investment and/or securities industries;
- changes in the policies of central banks and/or foreign governments;
- general competitive factors on a global, regional and/or national scale.

Availability of company documents for public inspection

The Articles of Association of ageas SA/NV can be inspected at the Registry of the Commercial Court in Brussels and at the company's registered office.

The Annual Report is filed with the National Bank of Belgium. Resolutions on the (re)election and removal of Ageas Board members are published in annexes to the Belgian Law Gazette and elsewhere.

Financial reports on the companies and notices convening AGMs and EGMs are published in the financial press, and other newspapers and periodicals. The Annual Report, as well as a list of all participations of Ageas, is available from Ageas's registered office in Brussels and is also filed with the National Bank of Belgium. The Annual Report, is sent each year to registered shareholders and to others on request.

Provision of information to shareholders and investors

Listed shares

Ageas shares are currently listed on NYSE Euronext Brussels. Ageas also has a sponsored ADR programme in the United States.

Types of shares

Shares in Ageas may be registered or dematerialized shares.

Registration of shares in dematerialised form

The company offers shareholders the opportunity to register their securities free of charge in dematerialised form. Ageas has developed a rapid conversion process for securities in the form of dematerialised shares, enabling delivery at short notice.

ageas SA/NV, Corporate Administration

Rue du Marquis 1, 1000 Brussels, Belgium
E-mail: corporate.adm@ageas.com

Information and communications

The company sends communications to holders of registered dematerialised shares free of charge, including the Annual Report. The company personally invites each holder of dematerialised shares registered with the company to attend General Meetings and provides them with the agenda, the proposed resolutions as well as proxies for their representation and participation in the voting. On the date that payment of the dividend becomes due, the company automatically pays the amount of the dividend due into the bank accounts indicated by the holders of dematerialised shares registered with the company.

Glossary and Abbreviations

Amortised cost
The amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/accretion of any premium/discount, and minus any write-down for impairment.

Asset backed security
A bond or a note backed by debt instruments (not being mortgages) or accounts receivable.

Associate
A company which Ageas has significant influence on but which is not controlled.

Basis point (bp)
One hundredth of a percentage point (0.01%).

Cash flow hedge
A hedge to mitigate exposure to fluctuations in the cash flow of a recognised asset or liability, or forecasted transaction, as a consequence of movements in variable rates or prices.

Clean fair value
The fair value excluding the unrealised portion of interest accruals.

Clearing
Administrative settlement of securities, futures and options transactions through a clearing organisation and the financial institutions associated with it (clearing members).

Contract boundaries
Under Solvency II in principle all obligations relating to the contract, including obligations relating to unilateral rights of the insurance undertaking to renew or extend the scope of the contract and obligations that relate to paid premium, belong to the contract. However, those obligations which relate to insurance cover provided by the undertaking after the future date where the insurance undertaking has a unilateral right (a) to terminate the contract, (b) to reject premiums payable under the contract or (c) to amend the premiums or the benefits payable under the contract in such a way that the premiums fully reflect the risks do not belong to the contract, unless the undertaking can compel the policyholder to pay the premium for those obligations.

Credit spread
The yield differential between government bonds and corporate bonds or credits.

Custody
An agreement, usually between an investor and a bank (or possibly an agent or a trust company), whereby the investor deposits for safekeeping securities, gold or other valuables with the bank, which in turn takes the valuables into safekeeping for a fee.

Deferred acquisition cost
The cost of acquiring new and renewed insurance business, principally commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business.

Derivative
A financial instrument such as a swap, a forward contract, a future contract or an option (both written and purchased). This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.

Disability insurance
Insurance against the financial consequences of long-term disability.

Discounted cash flow method
An approach to valuation, whereby the value is equal to the sum of projected future cash flows discounted at an interest rate that reflects the time value of money and a risk premium that reflects the extra return investors demand for the risk that the cash flow might not materialise.

Discretionary participation feature
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

(a) that are likely to be a significant proportion of the total contractual benefits; (b) whose amount or timing is contractually at the discretion of the issuer; and (c) that are contractually based on: (i) the performance of a specified pool of contracts or a specified type of contract; (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or (iii) the profit or loss of the company, fund or other entity that issues the contract.

Embedded derivative
A derivative instrument that is embedded in another contract – the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract or a sale or purchase contract.

Employee benefits
All forms of considerations given by an entity in exchange for service rendered by employees, in addition to their pay or salary.

Fair value
The amount for which an asset (liability) can be bought (incurred) or sold (settled), between knowledgeable, willing parties in an arm's length transaction.

Fair value hedge
A hedge of an exposure to changes in the fair value of a recognised asset or liability (or a portion thereof) or a firm commitment. The exposure is attributable to a particular risk and will affect reported net income.

Finance lease
A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Goodwill
This represents the amount by which the fair value of the assets acquired, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business, exceeds Ageas's interest in the fair value of assets acquired and liabilities and contingent liabilities assumed.

Gross written premiums
Total premiums (whether or not earned) for insurance contracts written or accepted during a specific period, without deduction for premiums ceded.

Hedge accounting
Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

IFRS
International Financial Reporting Standards have been used as the standard for all listed companies within the European Union since 1 January 2005 to ensure transparent and comparable accounting and disclosure.

Impairment
A decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

Insurance contract
A contract under which one party (Ageas) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Investment contract
A life insurance policy contract that transfers financial risk without transferring significant insurance risk.

Intangible asset
An identifiable non-monetary asset, which is recognised at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Investment property
Property held by Ageas to earn rental income or for capital appreciation.

ISO Currency code list

AUD	Australia, Dollars
CAD	Canada, Dollars
CHF	Switzerland, Francs
CNY	China, Yuan Renminbi
DKK	Denmark, Kroner
GBP	Great Britain (United Kingdom), Pounds
HKD	Hong Kong, dollar
HUF	Hungary, Forint
INR	India, Rupee
MAD	Morocco, Dirham
MYR	Malaysia, Ringgits
PHP	Philippines Peso
PLN	Poland, Zloty
RON	Romania, Leu
SEK	Sweden, Kronor
THB	Thailand, Baht
TRY	Turkey, New Lira
TWD	Taiwan, New Dollars
USD	United States of America, Dollars
VND	Vietnam, Dong
ZAR	South Africa, Rand

Market capitalisation
Value attributed to the company by the stock market. Market capitalisation corresponds to the number of shares outstanding multiplied by the share price at a given time.

NCI
Non-controlling interest.

Net investment hedge
A hedge used to reduce the financial risks of a reporting entity's share of the net assets of a foreign entity by entering into transactions that give an offsetting risk profile.

Notional amount
Amount of currency units, number of shares, a number of units of weight or volume or other units specified in a derivative contract.

Operating lease
A contract that allows the use of an asset in return for periodic payments, but does not convey rights similar to legal ownership of the asset and where the financial risks related to the asset are borne by the lessor.

Operating margin
Operating income divided by net premium. Operating income is the profit or loss stemming from all operations, including underwriting and investments.

Option
A privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed price during a certain period of time or on a specific date.

Private equity
Equity securities of companies that are not listed on a public exchange. Investors wishing to sell their stake in a private company have to find a buyer themselves owing to the lack of a marketplace.

Provision
Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the date of the statement of financial position.

Reverse repurchase agreement
The purchase of securities with an agreement to resell them at a higher price at a specific future date.

Shadow accounting
According to IFRS 4 an insurer is permitted, but not required, to change its accounting policies so that a recognised but unrealised gain or loss on an asset affects the measurement of the insurance liabilities. The related deferred adjustment to the insurance liability (or deferred acquisition costs or intangible assets) is recognised in equity only if the unrealised gains or losses are recognised directly in equity.

Securities lending transaction
A loan of a security from one counterparty to another who must eventually return the same security as repayment. The loan is often collateralised. Securities lending allows an entity in possession of a particular security to earn enhanced returns.

Structured credit instruments
Securities created by repackaging cash flows from financial contracts and encompassing asset-backed securities (ABS), mortgage-backed securities (MBS) and collateralised debt obligations (CDO).

Subordinated bond (loan)
A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings.

Subsidiary
Any company, of which Ageas, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from its activities ('control').

Trade date
The date when Ageas becomes a party to the contractual provisions of a financial asset.

Value of business acquired (VOBA)
The present value of future profits from acquired insurance contracts. VOBA is recognised as an intangible asset and amortised over the period in which the premiums or gross profits of the policies are recognised.

VaR
Abbreviation of value at risk. A technique that uses the statistical analysis of historical market trends and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount.

Abbreviations

AFS	Available for sale
ALM	Asset and liability management
CASHES	Convertible and subordinated hybrid equity-linked securities
CDS	Credit default swap
CEU	Continental Europe
CGU	Cash generating unit
DPF	Discretionary participation features
EPS	Earnings per share
Euribor	Euro interbank offered rate
EV	Embedded value
FRESH	Floating rate equity linked subordinated hybrid bond
HTM	Held to maturity
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAT	Liability Adequacy Test
MCS	Mandatory convertible securities
OTC	Over the counter
SPV	Special purpose vehicle
UK	United Kingdom

Ageas and ageas SA/NV
Rue du Marquis 1
1000 Brussels, Belgium
Telephone: +32 (0) 2 557 57 11
Fax: +32 (0) 2 557 57 50
Internet address: www.ageas.com
E-mail address: info@ageas.com

ageas SA / NV
Rue du Marquis 1 bte 7 - Markiesstraat 1 bus 7
1000 Brussels
Belgium

reporting2017.ageas.com