ANNUAL REPORT 2018

The power of connection

ageas

Annual Report
2018

Brussels, 29 March 2019

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

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Introduction

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The Ageas Annual Report 2018 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 2018, with comparative figures for 2017, 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: **Supporter of your life**

01 General description and strategy of Ageas

2018 has been an important and reflective year for Ageas for many reasons. Ten years on from the financial crisis, we pressed the pause button to contemplate the events of the past decade. As the starting point for our new 3-year strategic plan, Connect21, we re-evaluated our purpose as an insurer. And finally, we dared to dream. We dipped a toe into the future, to imagine what life could be like, and the steps we would need to take today to stay competitive and relevant for all our stakeholders long-term.

Focusing on sustainable growth

Since the financial crisis of 2008, which had such a profound impact worldwide in the years that followed, Ageas emerged from what was left of the former Fortis Holding, evolving from an insurance company seeking a new identity to a self-confident and profitable insurance company, ready to broaden its scope and further develop its presence geographically, while creating value for its customers.

We recovered our reputation, one of our most valuable assets. We reinvented and reinvigorated our business model and organisation, strengthening ties with our partners worldwide including BNP Paribas Fortis in Belgium. We drew a line under the past, thanks to the Fortis settlement, now in full execution mode, and we transformed our holding in an insurance group with a reinsurance license, allowing us to regain optimal financial flexibility and strong financial ratings. It is time now to close the door on the past and to look to the future with renewed confidence. Along the way, we learned a lot about ourselves and the strengths we have as a Group, especially the tenacity and talent of our people. As we look to the future, we aspire to further increase our relevance within the world of tomorrow, by focusing on sustained responsible and profitable growth.

Delivering a strong performance

We have always delivered on our financial targets, and 2018 was no exception. We developed a very clear strategy and geographic focus with the customer at the epicentre. For our investors, we increased shareholder value almost ten-fold over the past 10 years. Back in 2009, imagining Ageas as a company worth approximately EUR 8 billion with 47 million customers, 45,000 employees in 14 countries across Europe and Asia with EUR 34 billion in inflows, and a net profit of around EUR 800 million would have been a leap of faith. However, that is today’s reality. We can look back with pride having achieved this great result.

We closed out Ambition 2018 strongly, delivering against the targets we set back in 2015. We made it clear at that time that our success would be determined by how all stakeholders value their relationships with us over the long term. We feel confident that we have ticked that box, but we also know there will always be more that we can do. As a Group we are always striving for relentless improvements. The world continues to change and staying ahead requires that we remain hyper-relevant, not only to our customers but to all stakeholders, which also means continuously evolving and reinventing ourselves to retain our competitive edge.

Connect21: A 3-year plan “Made by Ageas”

Our newly launched 3-year strategic plan, Connect21, starts and ends with the customer in mind. It is a strategy that was entirely developed by our own people proudly carrying the label “Made by Ageas”. In developing the strategy, we explored the very essence of why we exist. The conclusion was pretty simple. We exist to support our customers through the ups and downs of life’s journey. As a supporter of their lives, we focus on the “what-ifs” and “what is possible”, which means helping them at every twist and turn. That is nothing new perhaps, except that the world is becoming more complex, so that role is constantly challenged and expanded, not by us, but by the customer and indeed all our stakeholders.

The customer road-signs are very clear as we enter 2019. We will venture into new areas beyond traditional insurance and working around those societal themes where we can prove our strengths, from health, old age and mobility, to modern forms of housing and infrastructure. In this context we will embrace a selection of relevant United Nations Sustainable Development Goals and actively work to support these. We will continue to invest in technological innovations allowing us to deliver the best customer service, and we will continue to do so in partnership, which continues to be a very big part of our DNA.

Being hyper-relevant for our customers

We have worked hard over the past 3 years to transform ourselves to become a more customer centric organisation. The reality of the “new world” in which we find ourselves in means that we must constantly push the boundaries to respond to what matters to the customer at each point in the customer journey.

We not only looked at the reality of today, but also at what might be in the future. We want to stay hyper-relevant and evolve alongside the changing expectations of our customers. This also means predicting what the world could be like 15 years down the line.

It is not just about what you choose to do and when, it is also about how you choose to do it. In defining Connect21 we also set out 4 new values: care, dare, deliver, share.

As we turn to the next chapter in our journey, we respect that our own success as a Group is also a reflection of the support that we have received. After all, we all need someone in our corner. We are grateful to our long-standing investors and customers for the consistent support they have given us over many years. We thank our passionate employees across Ageas and our partners for the exceptional work they do every day to support our customers’ lives. We are grateful to those in broader society with whom we interact directly or indirectly. We always have, and always will, do our utmost to do the right thing and to do even better in the future.

New targets under Connect21

When setting our targets for Connect21 we reflected on a number of things. On the one hand we wanted some consistency with previous plans, recognising that this is important to the outside world, and specifically the financial community. But, at the same time, Connect21 also represents a new chapter in our story and one that lays the foundation for the next decade in a fast-changing world. We needed to demonstrate that we are moving forward with conviction and momentum, with the events of the past behind us and ready to respond to new challenges.

Our targets confirm the unchanged and important focus on operational performance and solid capital management but at the same time they also represent a deliberate choice to focus more on growth, in a responsible and sustainable way. The following targets represent our commitment for the coming 3 years:

Operating margin Life

Division between Guaranteed and Unit-Linked product targets maintained. Margin on Guaranteed products has been increased to 85-95 bps. Margin on Unit-Linked products has been revised down slightly to 30-40 bps to reflect the impact of the disposal of our Hong Kong activities in 2016, versus the previous plan.

Combined Ratio Non-Life

Maintained as target with level further sharpened to 96% or lower.

Capital management
With respect to our capital management a first important change is the change of focus from Insurance to Group level and this as a result of the almost complete clean-up of the legacies. This simplification should help to make the Ageas story much more accessible for the outside world.

Solvency II
The Solvency II target stays at 175% and moved from Insurance to Group and applies to the consolidated entities only.

Dividend pay-out ratio
Also the basis for the dividend pay-out has shifted from Insurance to Group net result. The dividend pay-out ratio moved to more than 50% of the Group net result (excluding the result on RPN(I)) compared to a previous pay-out ratio of 40 to 50% of the Insurance net result.

Share buy-back (SBB)
An annual amount of at least EUR 150 million of share buy backs is targeted except in case of a significant M&A transaction.

Earnings per share
A target for the Earnings per share of 5-7% by the end of 2021 (excluding the result on RPN(I), replaces ROE (Return on Equity). This underscores Ageas's ambition to grow not only its business but also its net profit in a sustainable way.

Our business model going forward
As we see ourselves evolving over time and implementing our Connect21 strategic plan, our business model will move in the following direction:

“As Ageas we embrace technology to provide our customers in Europe and Asia a great customer experience when we help them to prepare for the future, protect them, prevent things from happening and giving them the assistance they need. We empower our local businesses that work through partnerships and alliances and reap the benefits of sharing the experiences within our group so that we can be the true supporter of the life of all stakeholders: customers, employees, partners, investors and society at large. Our revenue sources are the traditional premiums paid by our customers as well as the investment result from our asset management activities and finally we may see our fee income increasing to the extent we manage or develop our services beyond insurance”.

In 2018 Ageas delivered solid results thanks to a strong operating performance, even in sometimes challenging circumstances. As shown in the table below, Ageas closed the Ambition 2018 strategy and successfully reached 5 out of its 6 financial targets.

Ageas's Ambition 2018 financial targets	Target by end 2018	Position end 2018	Position end 2017
Return on Equity of Insurance activities (excluding unrealised gains & losses)	11 - 13%	11.8%	14.6%
Life Operating Margin - Guaranteed	85 - 90 bps	88 bps	93 bps
Life Operating Margin - Unit-Linked	40 - 45 bps	25 bps	27 bps
Combined Ratio	< 97%	94.3%	95.2%
Solvency II Insurance	175%	202%	196%
Dividend Range	40 - 50%	52%	42%

02 Developments and results

2.1 Results and solvency of Ageas

The Group net profit amounted to EUR 809 million compared to EUR 623 million last year. The Insurance net result decreased to EUR 797 million compared to EUR 960 million last year. Most of the negative variation observed this year came from a EUR 256 million lower contribution of net capital gains and losses. At constant scope the underlying result improved significantly mainly driven by improved operating performances in the UK and Asia.

Life and Non-Life

The net result of the Life activities decreased significantly to EUR 508 million (vs. EUR 623 million) with EUR 229 million lower support from net capital gains compared to last year, driven by volatile equity markets, especially in the last quarter. After a strong start to the year, the contribution from the non-consolidated partnerships was substantially lower over the second half, mainly due to the impact of the equity market in China. The lower fourth quarter net profit resulted from turbulent financial markets. The improved operating margin in Belgium compensated for the lower performance in Continental Europe.

The net result of the Non-Life activities decreased from EUR 337 million to EUR 289 million; however, scope-on-scope the net result increased by EUR 45 million, stemming from improved operating performance across all segments. The impact related to the adverse weather in Belgium and the UK amounted to EUR 60 million compared to only EUR 4 million last year that benefitted from exceptionally benign weather. Last year's result included EUR 93 million contribution from Cargeas and a EUR 46 million negative impact related to Ogden.

The internal Non-Life reinsurer Intreas collected premiums for EUR 61 million from operating companies within the Group and, as last year, contributed EUR 8 million to the Non-Life net result.

General Account

The General Account contributed EUR 12 million, including EUR 89 million related to the revaluation of the RPN(I) liability and EUR 20 million related to the sale of the Luxembourg activities. The increase in staff and other operating expenses to EUR 87 million was mainly related to the execution of the settlement.

Solvency

The Own Funds of the Group amounted to EUR 8.0 billion, EUR 4.3 billion above SCR. This led to a strong Group Solvency II_{ageas} ratio of 215%, 18pp up compared to year-end 2017 on the back of the expiration of the put option, the divestment of our activities in Luxembourg, and the increased fungibility of Own Funds related to the license obtained to operate reinsurance activities. The Insurance Solvency ratio improved to 202%, with increasing Solvency ratios in Belgium and the UK.

The operational free capital generation amounted to EUR 629 million, including EUR 99 million in dividends from the non-European NCP's. It covered the expected dividend over the period and the share buy-back.

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

ageas SA/NV reported for the financial year 2018 based on Belgian Accounting Principles a positive net result of EUR 825 million (2017: EUR 289 million) and a shareholders' equity of EUR 6,160 million (2017: EUR 5,993 million).

For a more detailed explanation on the statutory net result of ageas SA/NV and other Belgian regulatory requirements in accordance with article 96 of the Belgian Company code, please refer to the Summarised Company Financial Statements of ageas SA/NV. PwC 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

Indian Non-Life insurer RSGI

On 22 February 2019, Ageas announced that all necessary regulatory approvals have been obtained and confirmed the completion of the acquisition of 40% of the share capital of the Indian Non-Life insurance company Royal Sundaram General Insurance Co. Limited (RSGI). The transaction has a net cash impact of EUR 185 million.

Following the transaction Ageas now holds 40% of the share capital of RSGI, Sundaram Finance 50% and various other shareholders the remaining 10%.

There have been no other material events since the date of the Consolidated statement of financial position that would require adjustment to the Ageas Consolidated Financial Statements as at 31 December 2018.

2.4 Dividend

The Ageas Board will propose to the Annual General Meeting of Shareholders on 15 May 2019, the distribution of a total gross cash dividend of EUR 2.20 per share.

Share buy-back programmes

Ageas completed on 3 August 2018 the share buy-back programme announced on 9 August 2017 and announced on 8 August 2018 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 Other significant developments

Cardif Luxembourg Vie

Ageas confirmed on 21 December 2018, the completion of the sale of its 33% stake in the capital of Cardif Luxembourg Vie (CLV), to BNP Paribas Cardif. The total cash consideration of the transaction amounted to EUR 152 million.

The sale of CLV generated a net capital gain of EUR 35 million for the Group; EUR 15 million at Insurance level in the segment Continental Europe and EUR 20 million in the General Account.

Both the capital gain and the cash impact were recorded in the last quarter of 2018.

Reinsurance license at ageas SA/NV level

In June 2018 NBB has granted ageas SA/NV licenses to underwrite reinsurance activities for both Non-life and Life. The main purpose for the integration of the Group reinsurance activities within the holding company is to provide an additional tool for the Group to manage risks and capital at a central level. The aim is to increase capital fungibility and to realise diversification benefits by bringing together risks from different types and different regions. The fungible capital that will be generated in this way can be used to finance growth (organic or through new acquisitions) and/or to provide support to our operating companies where needed.

Fortis settlement

On 13 July 2018, the Amsterdam Court of Appeal declared binding the Fortis settlement entered into between Ageas, Stichting FORsettlement and the claimant organisations (i.e. Vereniging van Effectenbezitters, Deminor, Stichting Investor Claims Against Fortis (SICAF) and Stichting FortisEffect).

This decision means that Eligible Shareholders (i.e. persons who held Fortis Shares at any time between close of business on 28 February 2007 and close of business on 14 October 2008) are entitled to compensation for the events of 2007-2008 subject to a full release of liability with respect to these events, and in accordance with the (other) terms of the settlement agreement.

The opt-out period of five months as determined by the Court ended on Monday 31 December 2018. Eligible Shareholders who did not wish to be bound by the Fortis settlement could opt out during this period. Ageas had the right to terminate the Fortis settlement in the event opt-out notices represent an amount exceeding 5% of the settlement amount of EUR 1,3 billion. Given the very limited number of opt-out notices received prior to that date, on 20 December 2018 the Board of Ageas decided to waive its termination right. Following that decision, the settlement is effectively final.

Expiry of 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. 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.

BNP Paribas Fortis did not exercise the put option before 30 June 2018, the end of the exercise period, therefore BNP Paribas Fortis remains shareholder for 25% + 1 share in AG Insurance. Also, the existing distribution agreement will continue without explicit end date but subject to a 3-year termination notice period.

Dutch Offices

In 2017 the Management reviewed its headquarter organisation in order to improve the efficiency and as a response to the changing needs of the organization. As a consequence of this review ageas SA/NV decided to close its office established in the Netherlands and to integrate the staff in the Brussels' Head Quarter offices. The effective merger took place end of September 2018.

As from 1 January 2019, the holding entities Ageas Insurance International and Goldpark are transferred from the Netherlands to Belgium.

03

Value creation in and for society

3.1 Our commitment to stakeholders is further strengthened through Connect21

As an insurance company, Ageas is at the heart of a number of societal themes which are very much present in all our lives. An ageing population, health related matters, new forms of living, mobility and climate change, all create risks and opportunities for our businesses. To be strategically and financially relevant not just today, but also in the future, we must reflect as a Group on the best way to tackle these challenges and to create value for all of our stakeholders, taking into account the specificities of each country in which we are active and in each activity that we operate.

While Ambition 2018, the 3 year strategic plan launched in 2015, positioned Ageas for the first time explicitly as a stakeholder driven company focused on customers, employees, partners and investors, Connect21, the new 3 year plan launched at the beginning of 2019 reconfirms but also further extends and re-emphasises a firm commitment towards all stakeholders with "society" explicitly added as a fifth stakeholder category. Ultimately our strategic ambition is to create "shared value" which means reflecting in a balanced way when taking business decisions, considering the interests and concerns of each stakeholder group. To make this engagement more concrete, Ageas agreed on a number of pledges for each stakeholder category and Ageas is currently working on a framework to put them into practice. As a next step, Ageas will measure its effectiveness in achieving them via a mix of financial and non-financial performance indicators.

Ageas has also formally committed to adhering to the UN Sustainable Development Goals (SDG), choosing to actively work around 10 specific goals, typically those where it believes it has skills and strengths to really make a difference. Many of our products and services contribute towards providing comfort in the lives of our customers. Connect21 goes one step further foreseeing over time a clear link between the SDG's and the product portfolio, while stimulating inclusion and innovation with respect to products and services that reflect this societal commitment.

The initiatives we take will have an additional positive impact on the pledges made within each stakeholder category. The sections that follow provide more concrete examples on how Ageas intends to contribute actively to the realisation of the selected SDG norm(s).

In preparing this disclosure our approach has stayed consistent with last year[1] focusing on the material aspects for Ageas as a Group, complemented by new insights gained during the preparation of Connect21 in the course of 2018.

The sections that follow start for each stakeholder category with the pledges agreed on during the Connect21 exercise. This provides also a first glimpse at how Ageas intends to deliver on its stakeholder engagement model in the coming years. Ultimately it should be possible to measure as close as realistically possible the realisation of the objectives for each stakeholder category with relevant qualitative and quantitative data. As such Ageas aims to maintain and strengthen its long term relevance to all stakeholder groups in a fast changing world.

Within Connect21 the following visual symbolises our stakeholder engagement and a clear commitment on who we want to be as a Group, a true “Supporter of your life”.

The scope of the figures is set at the level of the fully consolidated subsidiaries excluding the associates unless otherwise stated. Information covering the Group including associates is marked with *.

1 *See Annual Report 2017, page 13*

3.2 Our customers and partners

Material topics covered in relation to our customers

- Customer experience
- Customer literacy and fair treatment
- Relevance of our products, services, communication for our customers also to the wider society

We exist for our customers. We are there to support them through the ups and downs of life's journey. In a world that is sometimes difficult to navigate and predict, we protect what they have today and make their dreams for tomorrow come true. As "Supporter of your life" we take care of the "what ifs" and the "what's possible" so that our customers can "live their life to the fullest with peace of mind at every stage of their journey. This is our company's purpose.

Within Connect21 we agreed on the following pledges towards our customers:

- We help customers to protect what they have and to make possible what they aspire
- We engage with our customers for the long term
- We provide a great customer experience
- We offer a personalised approach underpinned by clear and open communication

These cannot be realised without the right partnerships. Hence, the pledges towards our partners are:

- We invest in long term partnerships or alliances
- We give our trust to partners who share our values and ambitions
- We constantly seek to evolve and improve partnerships to the benefit of all parties
- We look for opportunities that allow us to succeed together

A great customer experience, where it all starts

Groupwide Ageas serves nearly 47 million customers directly or indirectly in 14 countries across Europe and Asia. It divested its Life activities in Luxembourg and entered the Non-Life market in India via a joint venture with Royal Sundaram General Insurance (RSGI). We remain committed to offer Life and Non-Life solutions to individual customers and Small and Medium enterprises through a broad range of channels. We are operating in mainly mature markets in Western Europe and in developing areas through joint ventures in Asia. Although market circumstances are different, within Connect21 we have the intention to enlarge our scope by focusing more on prevention and assistance or helping our customers to anticipate potential risks on top of regular protection and assistance in case of an adverse event. This fits perfectly within our ambition to be there for our customers across their entire life and to encourage them to live their life to the fullest and to "dare". The latter has also been explicitly added to the company's values. This extended ambition will most probably result in new types of partnerships beyond the traditional alliances.

Improving the customer journey will be supported by adequate communication and service design and a constant focus on adapting our products to new demands, responding to new societal trends such as the sharing economy, green products and servicing while making use of the technological and digital features to make the life of our customer easier.

In line with the General Data Protection Regulation (GDPR) Ageas reviewed, over the last 2 years, the rules and principles relative to the processing and protection of personal data within Ageas and its entities. These rules give more rights to data subjects on the one hand and provide strict and formal rules for our organisations on the other hand. They also address the transfer of personal data outside the EU. By doing so we strengthen data-based services, increase transparency and control, protecting the interests of our staff, customers and other key stakeholders regarding data privacy. Since the human factor could be a weak link Ageas is investing in permanent awareness and mandatory training related to personal data management processes. In 2018 we organised suitable training for our people. Overall our information security policy and data management policy cover all of the above aspects. The Ageas Group Information Security & Data Protection team supports the implementation, while the Risk Management team and the Compliance team oversee the adherence throughout the Group.

Remaining relevant for our customers

In 2018 various new products and services have been initiated, tested or launched already underpinning the new strategic focus of Connect21 and further underlining the clear intention of Ageas to contribute to a better society by offering products and services that respond to a number of anticipated societal needs.

In **Belgium**, AG Insurance launched “Phil at Home” in 2018, a service solution aimed at setting up an open ecosystem allowing the elderly to stay at home longer. This service is a combination of innovative technology and personal coordination. More specifically AG Insurance offers an insurance solution that permits its customers to make use of specific home assistance services (e.g. safety, maintenance, repairs and modifications to the home) at any stage of their lives. Over time additional services like mobility, care and administration alongside new partners are expected to complete this service. This offer should make it possible for the elderly to enjoy life longer in their own personal environment.

AG Insurance is working closely together with Touring, the Belgian Mobility association. Both are convinced that mobility solutions in the long term will be different to the current ones and change will be needed to stay relevant in the future mobility ecosystem. Reflecting on future mobility solutions fits perfectly with the role AG Insurance wants to play ‘beyond insurance’, alongside a strong partner like Touring. The collaboration between AG Insurance and Touring includes common strategic reflections about the future of mobility, participation in a pilot phase of the MAAS project in Antwerp, and other initiatives that will be launched in 2019. The MAAS (Mobility As A Service) project is a mobility solution that brings together different transport means into one app that suggests the best way to get from A to B, and managed through one mobility budget that can be used to pay for a taxi, public transport, car/bike sharing, etc.

In **Portugal**, Médis launched an ambitious and innovative joint venture with the National Pharmacy Association GoFar, in 2017 which is operating at full speed in 2018. This partnership allows customers to have integrated access to outstanding and differentiated high quality healthcare. It makes use of modern IT technology to facilitate customer access in a more efficient way.

In 2018 Médis decided to focus on a true oral health ecosystem, launching Médis Dental Insurance, the first health insurance product in Portugal exclusively focused on dental treatment. In January 2019 it opened the first dental clinic in Lisbon and a further two during the course of the year are planned. Over the next 4 years, a nationwide network of 30 clinics should be operational, offering a real solution to address underserved dental health care needs. Customers can make online appointments in extended opening hours during the week and at the weekend, with access to a Personal Patient Manager and the facilities of a reliable and highly skilled medical team with experience in several areas of dentistry, using state of the art equipment, and technologies. It is the ambition to further integrate this new service within the product offering of Médis.

And lastly Médis closed a partnership with the Portuguese Association of Diabetics, launching a pilot project at the end of 2018 offering a screening to all its employees on this disease. The aim is not only to screen for the disease in an early phase but also to stimulate a behaviour change within the broader Portuguese society. Within Europe, Portugal is one of the countries with the highest number of diagnosed diabetics. This initiative fits perfectly within the strategic intent to work more on prevention and anticipation, taking care also of our employees.

All together with the current rebranding, Médis is reinforcing its image as a trusted health partner to clients.

In **Asia**, Ageas has already been experimenting for many years with products beyond traditional insurance, from cure to prevention with a local touch. In Thailand especially, the creation of the Fuchsia Innovation Centre has contributed significantly to several new products and concepts. Already in 2017, Ageas aligned itself in Thailand 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 the family. MyThaiDNA is a health and nutrition tool delivered via an App which gives information about healthier choices based on an individual’s genetic make-up. In the course of 2018 thousands of kits have been distributed and used. Going forward this may lead to the offer of individual dietary plans based on the results of the sample tests via MyThaiDNA. A third project, also in Thailand, is a new initiative aimed at “insuring the uninsurable” by expanding our health insurance to diabetics that are traditionally complex to insure. BaoWan BetterCare is the first ever dynamic pricing insurance for type 2 diabetes in Asia. Through an App, Muang Thai Life offers dynamic pricing adapted every six months based on medical data allowing better premium levels where the patient can prove that his or her condition is being better managed. Being a “Supporter of your life”. The product was approved by the local regulator and launched in the second quarter of 2018.

Aside from health related initiatives, Ageas’s joint ventures with local partners aim to respond to a number of specific societal needs that are among others influenced by the climatological circumstances typical for the region. In this context, the company provides in Thailand agricultural insurance products that are based on an index driven formula. If the yield (harvest) per hectare falls below the index, the insurance pays out. This is a government scheme that is partly subsidised and supported by several reinsurers. In India a similar programme is in place. In Malaysia, our joint venture provides coverage for natural perils, which includes flooding, landslides, drought, earthquakes, tsunami as well as air or fire affecting the agricultural sector.

Technology enabling the launch of new relevant products and services

The aforementioned products and services demonstrate the importance of technological progress and how specific Apps or solutions based on data analytics and better predictive models enable Ageas to offer more sustainable products which can differentiate in pricing or enable a broader customer base including customer categories that previously were often excluded from insurance.

In general, technological innovation in the domain of data analytics, FinTech, robotic process automation, artificial intelligence or voice control open the doors to many new offerings that facilitate the life of our customers but can also contribute to a better understanding, and a higher level of financial literacy which is also an important objective in the context of an increased relevance.

In **Belgium**, “My Global Benefits” enables employees of corporations to access 24/7 online their pension status and to find comprehensive information on their healthcare cover. This is part of the strategy of our Belgian Group Life business to set up a fully integrated and digital B2B2C solution for customers.

Artificial intelligence (AI) is being used to automate the treatment of incoming communications, to enhance accuracy and the speed of response. It is also an excellent illustration of how we help our customers to be better informed and to increase the access to the information a customer needs to feel more comfortable with our product offer.

Both in the **UK** and in **Turkey**, AI is a fully integrated into the claims handling process. The use of AI led to increased efficiency in the handling of claims to the benefit of customers. Ageas UK launched Tractable, a new AI solution that changes the whole customer experience for car drivers, reducing the claims life cycle and allowing customers to get back on the road quicker. A similar kind of automation has been introduced in Turkey, called ADA, automating a number of activities on behalf of employees, agents and now customers of Aksigorta. Motor Policy approval requests have been reduced to 2-3 minutes from 2-3 hours and available 24/7, having very positive effects on customer satisfaction levels.

In **China**, customer service is benefiting from the use of chatbots, answering customer queries with the ability to also engage in “casual” chat. Chatbots understand unstructured enquiries and provide answers or solutions based on pre- programmed data and available 24/7 to customers.

And finally, Ageas is one of the founders of B3i, a collaborative initiative of 15 global insurers and reinsurers that explores and tests the potential for blockchain based solutions in the insurance industry. B3i Services AG was created in March 2018 with a view to unlock the enormous potential of blockchain for the insurance industry including a response to a number of societal issues.

Strengthening our brand to support our engagement

Strengthening the brand is one of the levers to realise our strategy.

As Ageas launches Connect21, it does so mindful of the fact that the world is changing fast thanks to the speed of technological and scientific evolution, the changing nature of risk and the expectations of our customers and other stakeholders. To remain competitive and hyper-relevant in the future we will need to constantly assess, re-evaluate and translate our learnings to new innovative ideas.

In Portugal, the Ageas brand is becoming more and more well-known to the general public helping to drive increased activity particularly around the agency channel where we are seeing an impressive increase in sales. The brand has achieved real traction in just two years reflecting a diverse range of activities designed to keep Ageas front of mind:

- We signed a partnership agreement with the iconic Porto Coliseum, one of the oldest theatres in Portugal, creating the Coliseu Porto Ageas, home to more than 2,000 performances each year.
- We created together with another iconic cultural house “Casa da Música” an Ageas award for young talents, and we support the arts through sponsorship of the renowned classical Marvao International Music Festival and Arts Festival.
- We are the main sponsor of a solidarity run for breast cancer and
- We regularly participate in data-streaming knowledge sharing initiatives with the country’s biggest circulation newspaper on topics like healthcare, reaching around 600,000 people.

Through its Portuguese operations, Ageas teamed up for the next four years with Singularity University (SU) in Portugal as a founding country partner. SU is a global community using exponential technologies to tackle the world’s biggest challenges. Joining this community offers us plenty of opportunities to open our minds, challenge and inspire us in the future interests of our customers, our partners, and our business.

In 2018, AG Insurance, the Belgian subsidiary of Ageas, successfully launched various media campaigns designed to increase its brand recognition and support its customer brand. After these campaigns the total brand awareness increased by some 3% top of mind (TOM). In the UK, Ageas was launched for the very first time as a customer brand, through the launch of a direct distribution channel. Our direct strategy has been underpinned by the theme “Easy As” reflecting our purpose, offering customers a simple, straightforward, no-nonsense customer experience. As one of the largest motor insurers in the UK, Ageas UK brings a clear and relevant message to its (potential) customers: ‘Ageas paid out on over 99% of claims last year’.

Measuring the effectiveness of our pledges

Already within Ambition 2018, customer centricity measurements across the entire Group have been initiated. Within Connect21 we focus on the Net Promotor Score (NPS) as the main KPI. NPS measures how likely it is that customers will recommend Ageas’ products or services. As of 2019 NPS measurements will be implemented across every market in the Group and gradually embedded through every stage of the customer journey. Today Belgium, UK and Continental Europe have already integrated NPS into several lines of business, while Asia is introducing it gradually (around 50% of its companies). Ageas is not aiming to consolidate this data into one Group NPS but it will use these local measurements to improve local processes and to benchmark activities country by country or business line by business line, as relevant.

For example, in the UK and in the context of taking Ageas direct to the customer we have also evolved the way that we monitor our customer service levels. One of the newer customer feedback mechanisms, Trustpilot, indicates highly positive rating for our customer service, and when viewed alongside more traditional channels such as “Which”, we are seeing faster and earlier endorsement for the customer approach.

At a second level, the Group measures also the NES, the Net Effort Score. NES tracks how much effort our customers need to make to buy their product, to arrange their claim and to get appropriate advice, helping us to detect and solve customer pain points.

3.3 Our employees

Material topics covered in relation to our employees

- Diversity and equal opportunity
- Employee health and wellbeing
- Employee satisfaction and engagement
- Human capital development
- Talent attraction and retention

At Ageas more than 45,000 employees spread over Europe and the joint ventures in Asia have joined forces to deliver on the pledges towards all our stakeholders. Within the consolidated entities, the headcount amounts to 11,881 as per 31 December 2018 (with an average seniority of 11.2 years).

Our workforce has decreased over the past 3 years by some 7% mainly reflecting the divestment of our Hong Kong and Italian businesses and the closure of our Glasgow site in UK, partly compensated for by the acquisition of Ageas Seguros in Portugal.

Our employees are of course also one of our key stakeholder categories. Hence, within Connect21 we agreed on a number of clear pledges on the commitment to and the collaboration with our employees:

- We recognise the contribution of each individual
- We promote a collaborative culture based on mutual trust

We invest in our people by creating an environment of constant learning and wellbeing in which each employee can grow and succeed.

Important initiatives in 2018 illustrating our commitment to our employees

Diversity

With respect to diversity, Ageas adopted in 2018 the Ageas EveryOne policy, an approach to Diversity and Inclusion. Ageas encourages its people to think and act differently, to be themselves and to contribute their individual skills. It applies to all employees of the consolidated entities of the Group and its legal bodies.

In terms of figures the total workforce consists of 46% male/54%[2] female co-workers. Gender diversity at Top management level (75%/25%) is in line with the market but we are aware that further action to enhance diversity is required. Board diversity evolved from 82%/18% male/female in 2012 to 64%/36% in 2018. More details are available in section 4 'Corporate Governance Statement'

As an international group we foster an international workforce. This is among other things translated in 16 nationalities working out of the Brussels office of Ageas.

A customised local approach to manage the expected outflow of people based on the age pyramid is supported by a continued focus on our Talent Pipeline and Succession planning.

Digitisation

Another 2018 achievement has been the validation of the "Charter on the Social Effects of Digitisation". This has been signed by management and employee representatives. The charter, a first, will offer a constructive platform to discuss on a regular basis the opportunities and challenges of digitisation. It is built around four pillars: social dialogue, employment, adequate training and work-life balance.

2 *Figures exclude Interparking as from 2018.*

Continuous investment in learning to be prepared for the future

Since the creation of the Ageas Academy, in January 2016, we welcomed already more than 615 participants in different programmes on business wide topics: customer and business knowledge, leadership, new skills and behaviours, and financial & risk management. The programmes are highly appreciated by the participants and deliver above the set KPI of 8/10 on the level of quality & relevance.

The Ageas Academy continues to invest in digital learning. The number of co-workers learning through the digital learning–offer such as "Gear Up Insurance Knowledge" and "Leadership insights" is increasing year on year.

In the context of the new strategic plan Connect21 the Ageas Academy will further focus on the development of new programmes to support the achievement of our business strategy.

In this context, a new partnership with Singularity University in Portugal has been setup in 2018 focused on the more technological and customer- oriented aspects of our employees' education.

Health & Well-being

Various measures have been implemented at the local entity level to improve the Life/Work balance of the employees.

Examples are: Flexible working hours, possibility of Teleworking, and the Flexible Income Plan with a specific focus on Mobility.

As well as several local initiatives, Group initiatives have been launched in the context of the Ageas Challenge, and expanded on in the next chapter. These initiatives include step-challenges, healthy food and sleep-challenges encouraging co-workers to improve their health and well-being. Additional motivation and tips are centralised on a group-wide digital platform.

To respond to mental health problems, including stress-related disorders and burn-out, AG Insurance launched commercially in Belgium the Welcome back programme. This reintegration programme relies on swift engagement after just 4 weeks of absence. Also, within AG Insurance itself, employees have been offered specific medical advice to agree on an appropriate date for return and to ensure returning employees return to the right job, department and, if necessary, on reduced hours. This product illustrates how AG Insurance cares about people and it is evidence of the trust and confidence employees have in their employer in an area where there is still such a barrier to openly search for help and assistance.

Reorganisation

Changing market conditions and internal alignment in some cases necessitated further streamlining of our organisation. The Ageas Corporate Centre in Utrecht closed in September 2018 and the main activities were transferred to the Brussels office. The conditions of the transfer and closure were agreed upon with the employee representatives and specific attention was given to outplacement initiatives. The same holds true for the 'Ageas One' project in the UK where further integration of the support services and the management structure took place after consultation with the local Employee Forum. In Portugal a new Collective Labour Agreement was signed with all Unions, a first in the Portuguese market. At the level of the European Works Council an agreement was reached to set up a separate Works council for Interparking. Ageas recognises that in certain situations the interest of the different parties may not always be completely aligned but our achievements in the above-mentioned files is proof of our strong commitment to social dialogue.

Connect21, a true example of a collaborative culture with a focus on health and wellbeing

At Group level, the making of Connect21 is an excellent example of how Ageas wants to put its commitments into practice. Connect21 was made entirely in house by a selected group of 70 colleagues, equally spread in age, geography, gender and background. Over a period of 6 months, this group worked around a number of themes. They were in direct contact with the Ageas management team and could challenge and discuss their ideas in an open dialogue. Straight, open and very constructive discussions in this mixed population opened the door to diverse input, insights and ideas that would have been less forthcoming in a traditional setting.

In parallel with the intellectual strategic exercise, the Connect21 group was invited to train, under the guidance and surveillance of professional coaches, for a quarter triathlon. The idea was to increase awareness among our employees of the importance of health and the need to actively work on wellbeing in the broader sense.

This initiative has been very much appreciated and contributed without any doubt to the excellent collaboration within the Connect21 working groups.

After this pilot, the Ageas Challenge was launched to all Ageas employees in September 2018 including a programme made up of different initiatives to encourage people to move more and to lead a healthier life. In this context a selected group will participate in the Olympic triathlon of Lisbon 2019.

One set of values

Within Connect21 our values have been updated and made consistent for the very first time across the Group, while still respecting the strong focus on local autonomy. The new values summarise well the key priorities of the new strategy and they reflect the commitment made by our workforce, to deliver on the promises made towards all other stakeholder categories.

Measuring the effectiveness of our pledges to employees

As with the pledges made towards our customers, Ageas measures its main commitments towards employees on an annual base and in a consistent manner.

Our HR approach is built on a continuous dialogue with and measurement of our efforts towards 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.

The overall scores on the six main questions asked, remained in line or improved compared to last year's survey. "I enjoy working with my team" received a score of 86% on 'agree' or 'strongly agree' and continues to be the best performing and also the most improved scoring item. Continued local initiatives are in place to increase employee engagement. These typically focus on efficient communication, continuous training and development, customised compensation and benefits and challenging leadership development.

3.4 Our investors

8 DECENT WORK AND ECONOMIC GROWTH

Material topics covered in relation to our investors

- Economic performance
- Return on the long term

Connect21 also includes pledges towards investors:

- We aim to achieve long term sustainable growth, and to offer competitive returns and a stable growing dividend
- We work to deliver on our financial targets
- We seek and foster strong relationships with investors who support us for the long term, based on confidence, trust and transparency.

Ageas made clear commitments to a set of updated financial targets. These targets on the one hand reflect a desire for continuity and consistency, but at the same time, also respond to the evolving expectations of investors taking into account recent developments within Ageas, and more specifically the solving of the legacies of the past. This, more than ever before led to a realisation that financial targets must support the strategy to develop Ageas into an insurance company for the long term: prepared to handle technological, societal and other challenges it is confronted with. Consequently, the financial targets strike a good balance between operational targets, capital management targets but also targets with respect to solvency.

Furthermore Ageas intends to develop a set of non-financial indicators that should reflect and measure our commitments towards all other stakeholders. It is a process of continuous improvement ultimately leading to a clear view on Ageas' role in society and on how well it is performing for all its stakeholders. Our annual objectives for management and for all our employees, include expectations that focus on both financial and non-financial projects.

With respect to the new set of targets and the progress made against the targets of Ambition 2018, we refer to section 1 "General description and strategy of Ageas".

3.5 Our society

Material topics covered in relation to society

- Environmental footprint
- Our broader role in society
- Responsible investment

Society has been explicitly added to Connect21 as a 5th stakeholder category which reinforces that Ageas is conscious of the important role it plays within society. As with other stakeholder groups, the priorities have been captured in a set of pledges:

- Our role as an insurer means actively contributing towards a better society beyond insurance: preparing for an ageing population, protecting against adverse events and building a healthier society.
- Our business provides us with a platform to make a difference, balancing societal benefit with economic value in our core activities.

Ageas wants to actively contribute to a better society

Our commitment is clear: Ageas is there to create opportunities for people and businesses to grow and flourish. It invests in start-ups, via funds like Capricorn ICT, Fortino II and supports academic research relevant to the selected societal themes and the challenges these create.

We want to improve the quality of life of those we impact through our presence, and the products and services we offer. Here we refer to the above section and our pledges towards customers and how we intend to embed the UN SDG norms in an economic responsible way within our strategic thinking and product and service offerings to create both economic and social value.

A structural contribution to a number of societal issues via our investments.

As an insurance company Ageas also managed at the end of 2018 around EUR 80 billion of funds under management globally which is invested among other things in projects in the real economy that respond to a number of ESG criteria, expanded on below, and whereby we offer or contribute towards structural solutions for a number of societal issues.

For the investment strategy of its funds under management, Ageas functions locally, however at Group level, the Ageas Investment Committee (Agico) oversees the principles of investments and sets the guidelines. The Agico is presided by the Chief Financial Officer (CFO). The Agico has an advisory role towards the investments of all consolidated entities and of the joint ventures in Europe (Turkey) and Asia.

Key changes in 2018 with respect to Ageas' investment strategy

In terms of sustainable investments, Ageas and more specifically AG Insurance, representing some 75% of Ageas' investment portfolio, has a long track record in Belgium with for instance, the first sustainable investment solution launched back in 2007. And this strategy continuously evolves and is being fine-tuned which led in the course of 2018 to a number of significant milestone decisions taken within AG Insurance (Belgium). A roll out across the European entities is anticipated in 2019:

Firstly, the integration of environmental, social and governance (ESG) factors has become mainstream in our investment decision process. These factors can create risks and opportunities for companies so we want to integrate them in our investment analysis. All portfolio managers are expected to take these criteria into consideration for any new investment. We systematically use information from ESG data providers such as Sustainalytics N.V. to support and better substantiate the decisions taken. For infrastructure investments, the use of the Equator principles is already in place. For those parts of the portfolio, the investments are being outsourced to external asset managers, which are today all United Nations Principles for Responsible Investment (UN PRI) signatories, and we ask them to integrate ESG analysis into their investment decisions.

Secondly, AG Insurance has extended the exclusion criteria of its investment policy. The exclusion of companies active in the production of controversial weapons (antipersonnel landmines, cluster munitions/bombs, nuclear, chemical and biological weapons, etc.), tax haven jurisdictions and countries subject to international sanctions and embargoes was already in place. In 2018, we extended the exclusion list to all defence companies. Moreover an additional list of manufacturers of tobacco and companies actively involved in coal (mining or electricity production) has been added to the companies that will be excluded from investments. In Belgium for example, this has resulted in a decision to sell all remaining equities positions managed internally in these sensitive sectors. No new investments in these sectors are permitted whether these are in equities or bonds. However, the current bond positions will be allowed to mature.

And finally, AG Insurance signed on 17 December 2018 the UN PRI. Through this action, the company reiterates its commitment to incorporate ESG issues into its investment analysis and in its investment decision framework. All current or future external asset managers used will have to be UN PRI signatories. Ageas Group has joined this commitment and signed on behalf of all its consolidated entities the UN PRI on 24 January 2019.

These decisions, affecting all investment activities constitute a natural evolution for Ageas as a prudent, long-term and socially engaged investor and confirms its intention to a responsible investment strategy.

Responsibly managing our traditional portfolio

Ageas provides long term funding to the real economy including infrastructure projects, especially via its activities in Belgium totalling around EUR 1.9 billion. The financing of projects related to alternative energy such as the construction of solar panels and wind turbines or the financing of companies that turn waste into energy amounts to EUR 300 million.

In Belgium, AG Insurance has also invested among other things in social loans and green bonds. These investments amount to more than EUR 5 billion.

Our sustainable product offer

At Ageas we have a broad range of sustainable investment solutions for retail, private and institutional investors. These sit within our European Life activities in Belgium and Portugal.

- For institutional investors, we can offer group insurance policies that respect strict sustainability criteria such as norms-based screening on human rights and International Labour Organisation (ILO) conventions, negative screening on a.o. tobacco, gambling, animal maltreatment, etc.
- For retail and private clients, we have a growing range of unit-linked sustainable solutions with a focus on sustainable themes (diversity, climate, etc.) or strategies (exclusions of controversial sectors, best-in class, carbon footprint reduction, etc.)

In Belgium we have seen a growing interest in sustainable investment products from institutional clients in 2018. On the retail side, we have seen a significant increase of assets under management from EUR 1.1 billion to EUR 1.4 billion, or an increase of more than 25%.

At year-end 2018 the total amount invested in sustainable solutions respecting the clearly defined ESG criteria, was EUR 4.37 billion or an increase of 6% compared to end 2017.

A structural integration of sustainable principles within our Real Estate portfolio

Of the total amount invested by Ageas, around EUR 6.5 billion is invested in real estate or around 7% of total assets. AG Real Estate, the leading private real estate investor and fully owned by AG Insurance, actively manages these investments. It also holds a stake of 51% in Interparking, one of the leading European public parking operators.

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

AG Real Estate invested EUR 430 million in real estate, new acquisitions and renovations in 2018, and divested EUR 295 million. In the context of the private-public cooperation "Schools of Tomorrow", around 180 schools have been built since the start of the project, representing more than 700,000 m² and allowing more than 130,000 students in Belgium to go to school in state-of-the-art buildings.

AG Real Estate's Sustainability Development charter

AG Real Estate's core activities enhance the investment, development and financing of real estate, either privately or in collaboration with public entities and by operating public car parks via Interparking.

AG Real Estate's Sustainability charter provides more specific guidelines on how it manages its portfolio and these principles are an integral part of its quality standards and aspired leadership. AG Real Estate is conscious of its societal and ecological footprint and aims to manage this positively in the interest of all its stakeholders and this will have positive long term impact on its profitability and reputation.

The priorities of its environmental policy are the following:

- Optimisation of energy flows and lowering greenhouse gas emissions via :
  - Measurement and controlling energy and utilities consumption (electricity, gas, water, waste and CO2)
- Production of renewable energy
  - Adjusting settings and parameters of the building management systems (BMS)
  - Careful selection of products, material and equipment
  - Upkeep of buildings and their equipment
  - Waste management and recycling possibilities
- Continued Management of buildings, compliance with legislation
- Energy Performance Certificate (EPC) & BREEAM[3] (In use or not) certification
- Active dialogue with tenants and generalisation of good practices around mobility plans, waste sorting etc.

The charter also includes active measurement of the relevant targets to allow an annual assessment of achievements including permanent monitoring via its own internal processes.

3 *BREEAM is the world's leading sustainability assessment method for masterplanning projects, infrastructure and buildings.*

Less environmental impact in practice

Since 2017 various initiatives have been launched to implement the above mentioned charter.

a. Office buildings

Since 2017, real time tracking system with respect to energy consumption and waste for all office buildings has been installed, allowing us to spot unusual consumption directly and allowing immediate corrective actions. Information is actively shared with all tenants, providing direct benefit for both the tenants and AG Real Estate.

Almost 90% of the buildings managed by AG Real Estate are equipped with real tracking systems. Waste management is manually monitored and optimised. The optimisation of energy flows and lowering greenhouse gas emissions had an environmental impact of 2,886 tons CO2.

Solar panels have been installed on another 6 buildings of which Trade Mart is the largest one. The generated electricity is for the benefit of the tenants while the certificates are for the benefit of the third-party investor.

With respect to BREEAM, since 2017 a certification project for all office buildings in use has been initiated. All pre-assessments have been carried out and 2 buildings have obtained the certificate.

- Arts-Lux: Excellent 74.10%
- Central Plaza: Very Good 56.70%

Expected certification in 2019:

- City Center: Very Good
- Crystal: Very Good
- Stéphanie Plaza: Very Good
- Stéphanie Square: Very Good
- Tirou: Very Good
- Veldekens: Very Good

In the context of caring for biodiversity, AG Real Estate since 2016 has put its building at the disposal of the association “madeinabeilles”. On the roofs of various buildings, bee hives have been installed which helps to maintain or improve the biodiversity.

AG Real Estate also implemented the system Commuty, a platform that allows an easy exchange and freeing up of parking spaces. The system aims to make available to as many employees as possible available parking spaces, especially in periods of holidays, teleworking or external appointments. Furthermore, co-driving is actively promoted in order to reduce the number of cars and the related CO2 emission.

b. Residential buildings

For all residential buildings under construction (AG RE has no residential buildings in use), AG Real Estate adheres to the highest energy standards which includes the study of renewable energy systems.

The Pre Engineered Buildings (PEB) methodology allows it to integrate various techniques into high performing buildings such as isolation, closed loop electricity generation, heat loss reduction systems.

c. Public parking management

Based on the recent efforts made by AG Insurance subsidiary, Interparking, more colour has been provided this year to illustrate their approach to sustainable management. Interparking owns today more than 800 public car parks spread over 9 countries in Europe and serves about 120 million customers per year.

Interparking was the first public parking operator to conclude a credit line with environmental objectives. In October 2018, BNP Paribas Fortis and Interparking concluded a loan whereby Interparking will obtain better financing conditions if the carbon and energy footprints are reduced by respectively 30% and 20% by 2020. The achievement of the objectives is monitored by an independent certification agency.

For many years, Interparking has adhered to the principles of socially responsible investment. The most important achievement over the past years is that the company has obtained a CO2 neutral label for the entire group over the 9 countries in which it is active. This was achieved through:

- Reduction of the energy consumption via the installation of LED technology, digitally piloted ventilation, automated lighting technology and the installation of solar panels where possible;
- Internal efforts to reduce emission via among others a car fleet switched to low emission vehicles and broader use of video conferencing;
- Offsetting CO2 emission by supporting several CO2 reduction programmes in Africa which has led to an offset of 5,983 tons of CO2 in 2018. The total CO2 consumption has been reduced since 2014 with 1,547 tons or 21%.

Other initiatives that are ongoing include among others the testing and roll out of a filtering ventilation/ionisation system that specifically focuses on fine and ultrafine dust in car parks. Ultimately this should lead to a reduction of 50% to 70%. It is foreseen to install these systems in 2019 in several Belgian car parks.

Interparking also experiments with advantageous tariff systems for clients driving low emission or electrical vehicles in the Netherlands (up to 20% reduction).

Lastly Interparking foresees within its car parks dedicated zones for electrical vehicles, including more than 700 charging stations as well as for shared vehicles where it also has partnerships with the main car share companies.

3.6 Our stakeholder effectiveness supported by a comprehensive set of policies

Material topics covered in relation to all our stakeholders

- Compliance to rules and regulations
- Integrity and business ethics
- Privacy and data protection

The Ageas Corporate Governance Charter states: “We believe that a strong culture of corporate governance and ethical behaviour is fundamental to the way we do business.” And to this end, “We have to live up to our promises at all times, being a solid, trustworthy partner who offers flexible solutions to our customers. People judge us by what we do, rather than by what we claim to be. The highest degree of integrity is therefore expected from us all.”[4] These fundamentals emanate from the highest level of the group, demonstrating that the tone is set by the top, in particular the Board of Directors and the Executive Committee.

a. Integrity, the Touch Stone of Ethics.

Integrity is the leading premise underpinning respect for human rights, translated in the explicit rejection of any type of discrimination, the fight against corruption and fraud, the obligation to contract only with trusted and reliable third parties, and the unreserved commitment of zero-tolerance to unlawfulness and unacceptable practices. With this conviction, Ageas has issued an overarching Integrity Policy, which is the backbone of our philosophy of ethics, and integrates the values of Ageas. This policy sets out the Integrity principles and explains through which topics, structures and processes they manifest themselves and how to make them live, in the group and towards internal and external stakeholders - individuals, organisations and entities, customers, distributors, providers/suppliers, markets. These principles permeate the whole framework of Ageas policies, and are applicable to all Ageas subsidiaries, as well as to its affiliates in a best effort perspective. This framework of policies is based on and reflects an analysis of the risks to which the group is exposed while taking into account the regulatory environment in which it operates.

b. The Policy Framework

The framework encompasses amongst others the Compliance policies, which are essential to support respect for human rights, and primarily several mother policies including Integrity, Treating Customer Fairly[5], Compliance, Conflicts of Interest. These are complemented by specific thematic policies of high relevance to the safeguarding of human rights: Anti-Bribery and Anti-Corruption, Anti-Money Laundering and Countering Terrorism Financing, Fit and Proper, Sanctions, Fraud, Outsourcing, Complaints Handling, Information Security but also Incident Management (i.e. an Internal Alert System or whistle blower system) as safeguarding human rights and integrity is everyone’s responsibility in the company.

As a matter of fact, the dimension of human rights is present in the complete set of policies, addressing all required regulatory domains and owned by various departments, among them Compliance as well as Risk Management, Legal, Finance, Audit, Human Resources.

To ensure this global framework fully serves its purpose, it is closely monitored by the respective owners of the policies and controlled by the Compliance and Operational Risk Management functions, and ultimately coordinated for the sake of consistent reporting towards management. In each entity of Ageas, Compliance is present through a compliance function (a compliance officer and one or more employees working for Compliance). The Group Director Compliance has a coordinating role towards the local compliance officers.

A review of policies is conducted at a frequency determined by the risk perception of the topic handled and/or the regulatory evolutions, and in any case every three years at least. In 2018, one third of all policies were subject to such review. The review process includes a deviation and acceptance analysis, as well as a re-endorsement in the form of a Board approval. Monitoring of the policy framework is part of the quarterly and consolidated annual reporting to the Management and the Board of Directors.

4 Ageas Corporate Governance Charter, validated by the Board of Directors on 16 February 2016. https://www.ageas.com/about/governance

5 See Annual Report 2017, page 19.

c. Living up to the policies

As well as the Risk Management activities, extensively described in Note 5 Risk Management, the Compliance function is also responsible for performing essential controls in its role as reasonable assurance provider. It does so based on a Compliance Universe, which formally translates the Compliance risks facing the Group and serves as a pivotal reference to determine the controls needed and to record their outcomes.

The Compliance Universe underpins a comprehensive compliance control framework, combining several types of controls carried out through an annual plan approved by the Management, demonstrating at any time the level of compliance of Ageas : transversal thematic monitoring, control targeting specific compliance risks, risk analyses, ad hoc compliance checks and due diligence research.

The whole range of controls is documented, processed and reported to the Executive Committee and the Board of Directors. A series of reports is also submitted to Ageas's regulatory authorities, the NBB and FSMA, where questions around human rights and corruption are also tackled.

d. Cultivating Awareness

The Compliance function endeavours always to remain fully connected to the current and expected major trends at work and organises brainstorming and knowledge sharing sessions around dominant topics. In 2018 this included a focus on Transparency through the End-to-End Customer Journey and in 2019 on The (Compliance) Impact of Cognitive Systems on the Customer Relationship. Creating and maintaining awareness, through training and information sessions, is also one of the ways that the Compliance function supports Integrity.

Integrity is neither negotiable nor alterable. Everywhere at every time, Integrity has to be enforced and respected consistently.

04

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 which is available on the Ageas website.

4.1.1 Composition

In 2018 the number of Board members increased from thirteen to fourteen 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, Sonali Chandmal, Bart De Smet (CEO), Christophe Boizard (CFO), Filip Coremans (CRO) and Antonio Cano (COO).

Sonali Chandmal was appointed by the shareholders as independent Board member in May 2018.

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

4.1.2 Meetings

The Board of Directors met ten times in 2018. Attendance details can be found in section 4.5 Board of Directors.

In 2018, the Board Meetings dealt with, among others, the following matters:

- The strategy pursued by Ageas as a whole and by each business;
- The ongoing development of each of the Ageas businesses;
- The preparation of the General Meeting of Shareholders;
- The consolidated quarterly, semi-annual and annual financial statements;
- The 2017 Annual Report;
- Press releases;
- The 2019 budget;
- Dividend, capital and solvency matters of the company;
- Ageas's risk policy framework;
- 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 satisfactory results. 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 which is available on the Ageas website.

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

4.1.4 The Corporate Governance Committee (CGC)

On 31 December 2018, 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 2018, the Corporate Governance Committee met on five 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.

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.

Next hereto, an ad hoc Committee composed of four independent Board members who are not members of the Corporate Governance Committee discussed the succession planning of the Corporate Governance Committee. This ad hoc Committee made recommendations to the Board which were approved.

4.1.5 The Audit Committee

On 31 December 2018, the Audit Committee comprised the following members: Jan Zegering Hadders (Chairman), Sonali Chandmal 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 six occasions in 2018 including one joint meeting 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;
- monitoring the findings and the recommendations of the internal and external auditors on the quality of internal and accounting processes;
- reviewing the compliance and 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 was proposed to the shareholders at the Annual General Meeting of May 2018 and was approved.

During the joint meetings with the Risk & Capital Committee, the members discussed the crisis management, the emerging risks and the risk management organisation.

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 and Capital Committee meetings which is commented on during its meetings.

4.1.6 The Remuneration Committee

On 31 December 2018, 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 2018 included:
- the alignment of the Remuneration Policy with 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 recommend an increase of the fixed compensation of the CEO and the members of the Executive Committee in 2019;
- the benchmarking of the remuneration of the Board of Directors against current market practices. Based on this review it was proposed to align the remuneration of the Non-Executive Directors representing ageas SA/NV in Ageas Group Consolidated entities;
- 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 joint Remuneration and Corporate Governance Committees 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 2018 are listed under 4.7.3;
- the individual STI and long-term incentive (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)

On 31 December 2018, the Risk & Capital Committee comprised the following members: Guy de Selliers de Moranville (Chairman), Lucrezia Reichlin and Yvonne Lang Ketterer.

The Risk & Capital Committee met on six occasions including one joint meeting 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 Risk & Capital Committee in 2018 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 Risk & Capital Committee 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 meeting with the Risk & Capital Committee, the members discussed the crisis management, the emerging risks and the risk management organisation.

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 2018, 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 Business 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 2018, 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

With regard 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 2018.

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/en/about-us/corporate-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/en/about-us/corporate-governance.

Ageas has actively participated to the draft of a new Corporate Governance Code expected to enter into force in the course of 2019. Ageas is committed to anticipate, on a best effort basis, compliance with the new provisions of this Corporate Governance Code.

4.4.2 Diversity

The Board formally approved a Diversity Policy in 2018.

The Diversity Policy applies to all senior managers and members of the Board of Directors across the group:

- Ageas is committed to attracting and retaining a Board of Directors whose composition reflects a diversity of backgrounds, knowledge, experience and abilities;
- Appointments to the Board will be based on merit, however it will also consider issues of diversity and the mix of skills required to best achieve Ageas' 2021 strategy;
- Apply the legally required minimum of 33% of the opposite gender in the Ageas Board.

As per 31 December 2018:

- The Ageas Board was composed of five male Non – Executive directors and five 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, one director of British nationality and one director of Indian 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 was 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 / Chairman CGC


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


Sonali Chandmal
Member

Chairman

Jozef De Mey

- (1943 – Belgian – Independent - Male)
- On 31 December 2018, 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 2018, 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 2018, 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 2018, 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 2018, 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 – Belgian / Canadian – Independent - Female)
- On 31 December 2018, 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 2018, Member of the Board of Directors, 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 2018, 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 2018, 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.

Sonali Chandmal

- (1968 – Belgian / Indian – Independent - Female)
- On 31 December 2018, Member of the Board of Directors.
- First appointed in 2018. Term runs until Annual General Meeting of Shareholders in 2022.

Members of the Executive Committee

Executive Board Members

Bart De Smet
CEO

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
CFO

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
CRO

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
COO

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 meeting		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	10	10 (100%)			5	5				
Guy de Selliers de Moranville	10	10 (100%)			5	5			6	6
Lionel Perl	10	10 (100%)			5	5	4	4		
Jan Zegering Hadders	10	10 (100%)	6	6	5	5				
Bart De Smet	10	10 (100%)	6	6	6	5				
Jane Murphy***	10	10 (100%)	6	4			4	4		
Lucrezia Reichlin	10	7 (70%)							6	4
Richard Jackson	10	10 (100%)	6	6						
Yvonne Lang Ketterer	10	10 (100%)							6	6
Katleen Vandeweyer****	10	10 (100%)					4	2		
Christophe Boizard	10	10 (100%)								
Filip Coremans	10	10 (100%)								
Antonio Cano	10	10 (100%)								
New Board member as per May 2018 (held meetings are since the General Meeting)										
Sonali Chandmal	6	6 (100%)	2	2						

* *Including the joint meeting RCC / AC.*
** *Including the joint meetings RC / CGC.*
*** *Mrs Murphy left the Audit Committee in October.*
**** *Mrs Vandeweyer joint the Remuneration Committee in May.*

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 2018 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 2018;

- 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 2018;

- 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 2018;

- 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 2018. The Board of Directors decides on the issuance of share plans 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 2018;

- 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 16 May 2020;

- 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 15 May 2019. The Chairman of the Remuneration Committee will give a commentary on this report. On 16 May 2018, the 2017 report was approved by 98.24% 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. 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.

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 2018 including two joint meetings with the Corporate Governance Committee.

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

- the implementation of the EU-Shareholders' Right directive (Say on pay)
- the benchmarking of the remuneration of the members of the Board of Directors at the level of Ageas Group;
- the benchmarking and the alignment of the remuneration of Ageas Non-Executive Directors representing Ageas in the Board of Ageas group consolidated entities;
- the benchmarking of the remuneration of the members of the Management Committee against current market practices;
- 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 extended description of the terms and conditions of the LTI-plan for the Executive Committee and Management Committee.

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 Management Committee for the financial year 2018:
  - annual Net Profit of the insurance activities;
  - Return on Equity (ROE) of the insurance activities;
  - Growth/Market share;
  - 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 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/en/about-us/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 2018

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.

On 29 January 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 proposal was approved at the General Meeting of Shareholders in May 2018 by 99.36% of the shareholder votes. Following table gives an overview of the fixed fees and the attendance fees.

			Board		Board Committee	
Entity		Date as of	Chairman	Member	Chairman	Member
Ageas Group	fixed fee	2018	120,000	60,000		
	attendance fee	2010	2,500	2,000	2,000	1,500

More detailed information on the remuneration of the Non-Executive Board Members in 2018 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 2018.

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, 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 2018.

On 13 November 2018, the Remuneration Committee recommended to the Board of Directors for recommendation to the General Meeting of Shareholders the alignment of the remuneration of the Non-executive Directors representing ageas SA/NV in Ageas Group consolidated entities. This will apply as of 2019, except for Ageas France and Ageas Portugal where this will be applied as of January 2018. Following table gives an overview of the fixed fees and the attendance fees.

			Board		Board Committee	
Entity		Date as of	Chairman	Member	Chairman	Member
Ageas Group consolidated entities	fixed fee	2019	60,000	45,000		
	attendance fee	2019	2,500	2,000	2,000	1,500

In accordance with the Remuneration Policy and the remuneration levels described above, the total remuneration of all non-executive directors amounted to EUR 1.37 million in 2018, compared to EUR 1.26 million in 2017. 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 2018.

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 BEL-20 companies and 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 2018, the Remuneration Committee recommended and the Board accepted to recommend following adjustments to the Executive remuneration for 2019:

- to increase the base compensation of the CEO from EUR 650.000 per year to EUR 700.000 per year, within the range for CEO base compensation validated at EUR 550.000 to EUR 750.000 per year.
- to increase the base compensation of the other Executive Committee members being the CRO, the CFO and the COO from EUR 450.000 per year to EUR 485.000 per year.

This adjustment takes into account:

- the objective, stated in the remuneration policy, to position the base compensation of the Executive Committee in a range of 80 to 120% of the chosen median market reference.
- the time lapse since the last review being 2016 for the CEO and 2015 for the other Executive Committee members.

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 2018, the total cash remuneration including pension contributions and fringe benefits of the Executive Committee amounted to EUR 4,317,232 compared to EUR 4,400,710 in 2017. Based on the result over the working year 2018 there was a conditional granting of 21,356 shares for a total amount of EUR 900,000 (compared to 2017 when there was a granting of 43,178 shares).

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 2018:

- 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 4 (on a range from 1 to 7) for the working year 2018, the Remuneration Committee, jointly with the Corporate Governance Committee, thus recommended a granting of 100 % 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;
  - Growth/Market share
  - Operating Margin for the guaranteed and unit-linked products;
  - Combined Ratio of the Non-life insurance activity;

- 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: 109.8% of target;
  - CFO Christophe Boizard: 100.8% of target;
  - CRO Filip Coremans: 104.1 % of target;
  - COO Antonio Cano: 102.0% 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 2018.

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 2019

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. The Remuneration Policy will be adapted in line with the remuneration report as presented to the General Meeting of Shareholders.

Brussels, 26 March 2019

Board of Directors

2

Consolidated Financial Statements 2018

Consolidated statement of financial position

(before appropriation of profit)

	Note	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents	*10*	2,924.8	2,552.3
Financial investments	*11*	61,442.6	63,372.8
Investment property	*12*	2,727.3	2,649.1
Loans	*13*	9,788.5	9,416.0
Investments related to unit-linked contracts		15,509.3	15,827.3
Investments in associates	*14*	3,071.0	2,941.6
Reinsurance and other receivables	*15*	1,843.1	2,185.9
Current tax assets		64.2	40.0
Deferred tax assets	*23*	139.6	149.7
Accrued interest and other assets	*16*	1,837.1	1,857.8
Property, plant and equipment	*17*	1,234.6	1,183.9
Goodwill and other intangible assets	*18*	1,097.1	1,122.6
Assets held for sale		7.1	41.8
Total assets		101,686.3	103,340.8
Liabilities			
Liabilities arising from Life insurance contracts	*20.1*	26,987.5	27,480.8
Liabilities arising from Life investment contracts	*20.2*	30,860.1	31,350.6
Liabilities related to unit-linked contracts	*20.3*	15,511.1	15,816.2
Liabilities arising from Non-life insurance contracts	*20.4*	7,424.6	7,575.0
Subordinated liabilities	*21*	2,285.0	2,261.3
Borrowings	*22*	2,184.2	1,969.3
Current tax liabilities		35.7	72.6
Deferred tax liabilities	*23*	1,039.6	1,054.9
RPN(I)	*24*	358.9	448.0
Accrued interest and other liabilities	*25*	2,477.1	2,412.1
Provisions	*26*	887.1	1,178.1
Liabilities related to written put options on NCI	*27*	108.9	1,559.7
Liabilities related to assets held for sale		6.9	
Total liabilities		90,166.7	93,178.6
Shareholders' equity	*19*	9,411.4	9,610.9
Non-controlling interests	*28*	2,108.2	551.3
Total equity		11,519.6	10,162.2
Total liabilities and equity		101,686.3	103,340.8

Consolidated income statement

	Note		2018		2017
Income					
- *Gross premium income*		*8,860.0*		*8,445.0*	
- *Change in unearned premiums*		*52.9*		*47.0*	
- *Ceded earned premiums*		*(266.6)*		*(237.5)*	
Net earned premiums	*32*		8,646.3		8,254.5
Interest, dividend and other investment income	*33*		2,670.5		2,754.0
Unrealised gain (loss) on RPN(I)	*24*		89.1		(173.0)
Result on sales and revaluations	*34*		314.9		278.5
Investment income related to unit-linked contracts	*35*		(652.9)		785.9
Share in result of associates	*36*		251.5		409.8
Fee and commission income	*37*		296.5		279.8
Other income	*38*		210.8		159.7
Total income			11,826.7		12,749.2
Expenses					
- *Insurance claims and benefits, gross*		*(7,904.6)*		*(7,762.0)*	
- *Insurance claims and benefits, ceded*		*21.5*		*299.7*	
Insurance claims and benefits, net	*39*		(7,883.1)		(7,462.3)
Charges related to unit-linked contracts			588.2		(887.3)
Financing costs	*40*		(122.5)		(116.8)
Change in impairments	*41*		(134.6)		(21.8)
Change in provisions	*26*		(10.3)		(99.3)
Fee and commission expenses	*42*		(1,047.5)		(1,110.7)
Staff expenses	*43*		(809.3)		(825.4)
Other expenses	*44*		(1,157.9)		(1,117.4)
Total expenses			(10,577.0)		(11,641.0)
Result before taxation			1,249.7		1,108.2
Tax income (expenses)	*45*		(252.8)		(258.2)
Net result for the period			996.9		850.0
Attributable to non-controlling interests	*28*		187.8		226.8
Net result attributable to shareholders			809.1		623.2
Per share data (EUR)					
Basic earnings per share	*4*		4.11		3.09
Diluted earnings per share	*4*		4.11		3.09

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

	Note	2018	2017
Gross premium income		8,860.0	8,445.0
Inflow deposit accounting (directly recognised as liability)	*32*	1,201.3	1,614.6
Gross inflow		10,061.3	10,059.6

Consolidated statement of comprehensive income

	Note	2018	2018	2017	2017
COMPREHENSIVE INCOME					
Items that will not be reclassified to the income statement:					
Remeasurement of defined benefit liability		*45.0*		*(1.3)*	
Related tax		*(7.8)*		*(16.2)*	
Remeasurement of defined benefit liability	7	37.2		(17.5)	
Total of items that will not be reclassified to the income statement:			37.2		(17.5)
Items that are or may be reclassified to the income statement:					
Change in amortisation of investments held to maturity		*9.2*		*15.0*	
Related tax		*(2.3)*		*(5.1)*	
Change in investments held to maturity	11	6.9		9.9	
Change in revaluation of investments available for sale [1)]		*(414.8)*		*262.1*	
Related tax		*31.5*		*295.1*	
Change in revaluation of investments available for sale	11	(383.3)		557.2	
Share of other comprehensive income of associates	14	113.0		(99.0)	
Change in foreign exchange differences		8.9		(173.1)	
Total items that are or may be reclassified to the income statement:			(254.5)		295.0
Other comprehensive income for the period			(217.3)		277.5
Net result for the period			996.9		850.0
Total comprehensive income for the period			779.6		1,127.5
Net result attributable to non-controlling interests		187.8		226.8	
Other comprehensive income attributable to non-controlling interests		(82.2)		140.9	
Total comprehensive income attributable to non-controlling interests			105.6		367.7
Total comprehensive income attributable to shareholders			674.0		759.8

1) *Change in revaluation of investments available for sale, 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 2017	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)
Change in 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 option 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 1 January 2018	1,549.6	2,251.5	2,481.2	(84.2)	623.2	2,789.6	9,610.9	551.3	10,162.2
Net result for the period					809.1		809.1	187.8	996.9
Revaluation of investments						(176.3)	(176.3)	(87.1)	(263.4)
Remeasurement IAS 19			33.2				33.2	4.0	37.2
Foreign exchange differences				8.0			8.0	0.9	8.9
Total non-owner changes in equity			33.2	8.0	809.1	(176.3)	674.0	105.6	779.6
Transfer			623.2		(623.2)				
Dividend			(403.2)				(403.2)	(201.0)	(604.2)
Change in capital								(84.0)	(84.0)
Treasury shares			(207.3)				(207.3)		(207.3)
Cancellation of shares	(47.2)	(195.7)	242.9						
Share-based compensation		3.5					3.5		3.5
Impact written put options on NCI [1]			(252.9)				(252.9)	1,694.2	1,441.3
Other changes in equity [2]			(14.2)	1.3		(0.7)	(13.6)	42.1	28.5
Balance as at 31 December 2018	1,502.4	2,059.3	2,502.9	(74.9)	809.1	2,612.6	9,411.4	2,108.2	11,519.6

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		2018		2017
Cash and cash equivalents as at 1 January	10		2,552.3		2,180.9
Result before taxation			1,249.7		1,108.2
Adjustments to non-cash items included in result before taxation:					
Remeasurement RPN(I)	24	(89.1)		173.0	
Result on sales and revaluations	34	(314.9)		(278.5)	
Share in result of associates	36	(251.5)		(409.8)	
Depreciation, amortisation and accretion	44	675.3		742.9	
Impairments	41	134.6		21.8	
Provisions	26	16.2		106.3	
Share-based compensation expense	43	8.7		5.4	
Total adjustments to non-cash items included in result before taxation			*179.3*		*361.1*
Changes in operating assets and liabilities:					
Derivatives held for trading (assets and liabilities)	11	31.7		(90.5)	
Loans	13	(827.5)		(619.4)	
Reinsurance and other receivables	15	278.0		29.8	
Investments related to unit-linked contracts		318.1		(1,471.6)	
Borrowings	22	124.5		(481.3)	
Liabilities arising from insurance and investment contracts	20.1 & 20.2 & 20.4	(696.4)		118.3	
Liabilities related to unit-linked contracts	20.3	(403.8)		1,163.7	
Net changes in all other operational assets and liabilities		742.6		(764.6)	
Dividend received from associates	14	168.7		162.8	
Income tax paid		(303.4)		(242.0)	
Total changes in operating assets and liabilities			*(567.5)*		*(2,194.8)*
Cash flow from operating activities			861.5		(725.5)
Purchases of financial investments	11	(8,034.0)		(6,970.8)	
Proceeds from sales and redemptions of financial investments	11	8,400.6		8,902.3	
Purchases of investment property	12	(110.6)		(189.3)	
Proceeds from sales of investment property	12	34.9		50.5	
Purchases of property, plant and equipment	17	(90.6)		(63.4)	
Proceeds from sales of property, plant and equipment	17	0.9		10.2	
Acquisitions of subsidiaries and associates (including capital increases in associates)	3	(178.3)		(183.7)	
Divestments of subsidiaries and associates (including capital repayments of associates)	3	429.0		438.7	
Purchases of intangible assets	18	(31.8)		(37.4)	
Proceeds from sales of intangible assets	18	0.1		11.0	
Cash flow from investing activities			420.2		1,968.1
Proceeds from the issuance of other borrowings	22			22.1	
Payment of other borrowings	22			(13.9)	
Purchases of treasury shares	19	(207.3)		(247.8)	
Dividends paid to shareholders of parent companies		(403.2)		(419.4)	
Dividends paid to non-controlling interests		(201.0)		(206.2)	
Repayment of capital (including minority interests)		(98.0)			
Cash flow from financing activities			(909.2)		(865.2)
Effect of exchange rate differences on cash and cash equivalents					(6.0)
Cash and cash equivalents as at 31 December	10		2,924.8		2,552.3
Supplementary disclosure of operating cash flow information					
Interest received	33	2,023.9		2,147.7	
Dividend received from financial investments	33	137.3		144.4	
Interest paid	40	(119.2)		(115.5)	

3

General Notes

01

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.

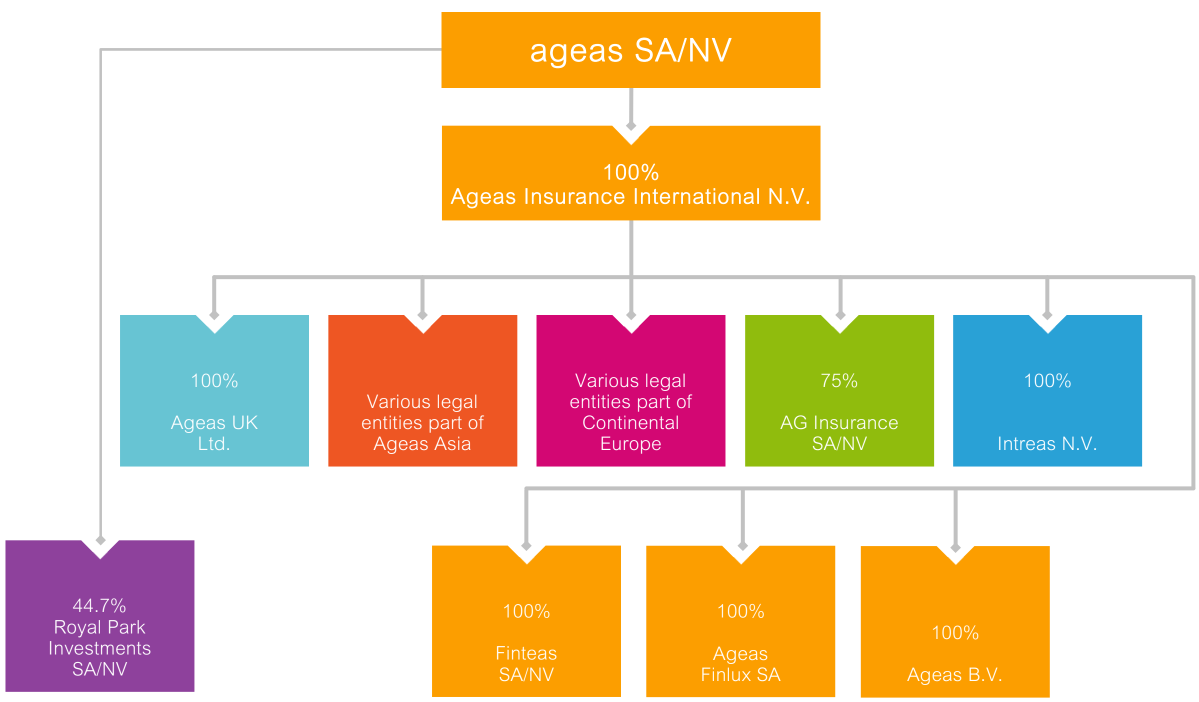
Ageas shares are listed on the regulated market of Euronext Brussels. Ageas has a sponsored ADR programme in the United States.

Known shareholders of ageas SA/NV, based on the official notifications, as at 31 December 2018 are:

- Ping An 5.17%;
- BlackRock, Inc* 5%;
- Schroders Plc 2.94%;
- Fosun 3.01%.
- ageas SA/NV and its subsidiaries hold 4.27%* 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 2019 by both BlackRock, Inc 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).*

The legal structure of Ageas is per 31 December 2018 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%). The full list of undertakings in the scope of the Group is published in the 'Ageas SFCR - Quantitative Reporting' which can be found on the website: *https://www.ageas.com/investors/quarterly-results.*

02
Summary of accounting policies

The Ageas Consolidated Financial Statements 2018, including all the notes, comply with the International Financial Reporting Standards (IFRS) as at 1 January 2018, 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 applied in the Ageas Consolidated Financial Statements 2018 are consistent with those applied for the year ended at 31 December 2017. Amendments to the accounting policies for new and endorsed IFRS standards that are effective on 1 January 2018 are listed in paragraph 2.2. The accounting policies included below are a summary of the complete Ageas accounting policies, which can be found on the following website:
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 usually have a duration of 12 months or more, except for cash and cash equivalents, reinsurance and other receivables, accrued interest and other assets, non-life insurance liabilities, accrued interest and other liabilities and current tax assets and liabilities.

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

- IAS 1 for presentation of financial statements;
- IAS 16 for property, plant and equipment;
- IAS 19 for employee benefits;
- IAS 23 for borrowing costs (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 - recognition and measurement;
- IAS 40 for investment property;
- IFRS 3 for business combinations;
- IFRS 4 for insurance contracts;
- IFRS 7 for 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 measurement; and
- IFRS 15 for revenue from contracts with customers.

2.2 Changes in accounting policies

In 2018, the following new or revised IFRS standards, interpretations and amendments to IFRS standards and interpretations became effective, as adopted by the EU.

IFRS 9 Financial Instruments

The IASB issued the completed version of IFRS 9 'Financial Instruments' in July 2014. IFRS 9 has been endorsed by the EU in November 2016 and applies for annual periods beginning on or after 1 January 2018. As Ageas is eligible to apply the temporary exemption from applying IFRS 9, it has decided to not apply IFRS 9 in 2018. More information about this exemption is included in the section below under ‘Amendment to IFRS 4 for applying IFRS 9 with IFRS 4’.

IFRS 9 replaces most of the current IFRS standard IAS 39 ‘Financial Instruments: Recognition and Measurement’. The classification and measurement of financial assets under IFRS 9 will depend on both the instrument’s contractual cash flow characteristics and the entity’s business model. The classification of financial liabilities remains unchanged. Under IFRS 9, impairment losses will be recognised earlier compared to the actual practice. This is because the recognition and measurement of impairments under IFRS 9 is based on an expected credit loss model, compared to the actual current incurred loss model under IAS 39. The hedge accounting requirements under IFRS 9 aim at simplifying the general hedge accounting.

Amendments to IFRS 4 for Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In order to address the implementation challenges of IFRS 9 'Financial Instruments' before the effective date of IFRS 17 'Insurance Contracts' (1 January 2022), the IASB issued in September 2016 the 'Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'. These amendments were endorsed by the EU in November 2017. In November 2018, the IASB voted, together with a one-year deferral of the effective date of IFRS 17, to extend to 2022 the temporary exemption for insurers to apply IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time.

These amendments to IFRS 4 offer two options to minimise the effect of the different effective dates. These options are the overlay approach and the temporary exemption from applying IFRS 9.

The temporary exemption from applying IFRS 9 is an optional temporary exemption from applying IFRS 9 no later than reporting periods beginning on or after 1 January 2022 for entities whose activities are predominantly connected with issuing contracts within the scope of IFRS 4. This means that:

- The carrying amount of the liabilities arising from contracts within the scope of IFRS 4 is significant compared to the total carrying amount of all liabilities of the reporting entity; and
- The percentage of the total carrying amount of the liabilities connected with insurance relative to the total carrying amount of all the liabilities of the reporting entity is greater than 90 per cent or less than or equal to 90 per cent but greater than 80 per cent, provided that the reporting entity does not engage in a significant activity unconnected with insurance.

Ageas performed such a predominance analysis at the reference date of 31 December 2015 and concluded being eligible to apply the temporary exemption from applying IFRS 9; the percentage of the total carrying amount of the liabilities connected with insurance relative to the total carrying amount of all the liabilities of Ageas as per 31 December 2015 is greater than 90 percent. No reassessment of this analysis has been performed at a subsequent date because there were no substantial changes in the business of Ageas that would require such a reassessment.

Since Ageas is eligible to apply the temporary exemption from applying IFRS 9, Ageas decided to do so. A combined implementation project on the implementation of IFRS 9 and IFRS 17 is ongoing.

As Ageas decided to apply the temporary exemption from applying IFRS 9, the following information on fair value disclosure and credit risk exposure is disclosed in order to facilitate the comparison between the Ageas Consolidated Financial Statements 2018 and other companies applying IFRS 9.

Fair value of financial assets that meet the SPPI test	Debt securities Incl. structured notes	Loans	Other receivables	Cash and cash equivalents
Fair value at 31 December 2017	60,099.4	9,459.1	985.8	2,371.1
Amount of change in fair value in 2018	(1,657.1)	(32.6)	(268.6)	480.4
Fair value at 31 December 2018	58,442.3	9,426.5	717.2	2,851.5

	Financial investments						
Fair value of financial assets that do not meet the SPPI test	Debt securities incl. structured notes	Equity securities and other investments	Derivatives held for trading	Loans	Investments related to unit linked	Derivatives for hedging purposes	Cash and cash equivalents
Fair value at 31 December 2017	380.4	4,857.5	44.9	764.6	15,827.3	56.9	181.2
Amount of change in fair value in 2018	(234.8)	(394.9)	(20.0)	131.8	(318.0)	6.0	(108.0)
Fair value at 31 December 2018	145.6	4,462.6	24.9	896.4	15,509.3	62.9	73.2

Gross carrying amount applying IAS 39 for financial assets that meet the SPPI test	Loss allowance is measured: At an amount equal to 12-month ECL	At an amount equal to lifetime ECL: credit risk has increased significantly since initial recognition but not credit-impaired	credit-impaired but not purchased or originated credit-impaired	loss allowances are measured in accordance with IFRS 9 §5.5.15	Purchased or originated credit-impaired
AAA	6,076.8				
AA	33,666.3				
A	12,451.3				
BBB	13,117.1	1.9			
Total investment grade	**65,311.5**	**1.9**			
Below investment grade	519.2	45.5	20.0		6.4
Unrated	3,565.1	6.0	29.6	325.1	55.8
Total	**69,395.8**	**53.4**	**49.6**	**325.1**	**62.2**

Gross carrying amount applying IAS 39 and fair value for financial assets that meet the SPPI test and that do not have a low credit risk	
Gross carrying amount applying IAS 39 at 31 December 2018	1,009.4
Fair value at 31 December 2018	975.1
Difference	**34.3**

IAS 28 Investments in Associates and Joint Ventures requires an entity to apply uniform accounting policies when using the equity method. Ageas has temporarily derogated from this rule for its associate Maybank Ageas Holdings Berhad. This associate has applied IFRS 9 in 2018, while Ageas applied the temporary exemption from applying IFRS 9 over the same reporting period. This derogation from applying uniform accounting policies is permitted by paragraph 39I of the amendments to IFRS 4 on applying IFRS 9 with IFRS 4. The publicly available financial statements of Maybank Ageas Holdings Berhad can be found on following website:
(http://www.etiqa.com.my/en/financial-report), after publication of their financial statements.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. IFRS 15 has been endorsed by the EU in September 2016 and applies for annual periods beginning on or after 1 January 2018. The application of IFRS 15 includes the amendments to IFRS 15 on the effective date of IFRS 15 (issued by the IASB in September 2015) and the clarifications to IFRS 15 (issued by the IASB in April 2016). Both have been endorsed by the EU and shall be applied for annual periods beginning on or after 1 January 2018.

IFRS 15 replaces the existing revenue requirements in IAS 11 Construction Contracts, IAS 18 Revenue and several IFRIC (IFRIC 13, IFRIC 15 and IFRIC 18) and SIC (SIC 31) interpretations.

IFRS 15 applies to all revenue and cash flows arising from contracts with a customer, except if the contract is in the scope of IFRS 16 or IFRS 17 or for financial instruments and other contractual rights or obligations that are within the scope of IFRS 9, IFRS 10, IFRS 11, IAS 27 and IAS 28.

The impact of IFRS 15 on the 2018 Consolidated Financial Statements is limited since the main sources of income for Ageas are related to income from insurance contracts and income from financial instruments, which are out of scope of IFRS 15. More specific, a limited impact was noted within the Belgian operating segment for the sale of apartments and within the United Kingdom operating segment for the instalment contracts. Under IFRS 15, the revenue under those contracts is recognised over time as performance obligations are satisfied compared to fully up-front or at the completion of the contract in the past.

Other changes

Other changes in IFRS standards, interpretations and amendments to IFRS standards and interpretations in 2018 were not relevant to Ageas or did not impact the statement of financial position or income statement in a significant way:

- Annual improvements to IFRS standards (2014-2016 cycle), including IFRS 1 for first-time adoption of International Financial Reporting Standards and IAS 28 for investments in associates and joint ventures;
- Amendments to IFRS 2 for the classification and measurement of share-based payment transactions;
- Amendments to IAS 40 for transfers of investment property; and
- IFRIC 22 for foreign currency transactions and advance consideration.

Upcoming changes in IFRS EU

Following new or revised IFRS standards, interpretations and amendments to IFRS standards and interpretations, with important impact for Ageas, have been published by the IASB and become effective for annual reporting periods beginning on 1 January 2019 or later.

IFRS 16 Leases

The IASB issued IFRS 16 'Leases' in January 2016. IFRS 16 has been endorsed by the EU in October 2017 and applies for annual periods beginning on or after 1 January 2019. As such, IFRS 16 has not yet been applied for the 2018 Consolidated Financial Statements but will be fully implemented as from 1 January 2019.

IFRS 16 replaces the current standards IAS 17 'Leases', SIC-15 'operating leases – incentives', SIC-27 'evaluating the substance of transactions involving the legal form of a lease' and IFRIC 4 'determining whether an arrangement contains a lease'.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The principles in IFRS 16 provide guidance to both the lessees as the lessors. The main change brought by IFRS 16 compared to IAS 17 relates to the measurement and presentation of leases as a lessee. In order to ensure a faithful representation of its leases in its financial statements, a lessee shall recognise a right-of-use asset and a lease liability. The lease liability shall be discounted using the lessee's incremental borrowing rate and the interest expense on the lease liability is presented separately from the depreciation expense of the right-of-use asset.

As an exception to the measurement model for lessees described above, IFRS 16 provides lessees the possibility to recognise the lease payments of short-term leases (≤ 12 months) and of leases for which the underlying asset is of low value to the entity as an expense on a straight-line basis over the lease term. Both exceptions to the lessee measurement model are applied to the leases fulfilling the respective criteria. The lease payments related to those leases will be disclosed separately in the 2019 Consolidated Financial Statements.

Ageas will apply IFRS 16 retrospectively, with recognition of the cumulative effect of initially applying IFRS 16 to all leases as an adjustment to the opening balance as per 1 January 2019, without restatement of comparative information of prior reporting periods.

As a practical transition expedient, IFRS 16 does not require an entity to reassess whether, at initial recognition date of IFRS 16, a contract is or contains a lease as defined under IFRS 16. As such, IFRS 16 has been applied to all contracts entered into force before 1 January 2019 and that were identified as leases applying IAS 17 and IFRIC 4.

For leases that were classified as an operating lease applying IAS 17, a right-of-use asset will be recognised at the date of initial application date of IFRS 16 (i.e. 1 January 2019) at an amount equal to the lease liability at the same date. For leases that were classified as a finance lease applying IAS 17, the carrying amount of the right-of-use asset and the lease liability as per 1 January 2019 equals the carrying amount of the lease asset and lease liability as per 31 December 2018, applying IAS 17.

Based on Ageas' actual portfolio of non-cancellable operating leases, the implementation of IFRS 16 leads to an increase of the total assets and total liabilities in the statement of financial position of Ageas with approximately EUR 511 million as per 1 January 2019. This amount mainly relates to leases of real-estate and leases of employee company cars.

In determining the lease liability as per 1 January 2019 of leases previously classified as operating leases applying IAS 17, following practical expedients provided by IFRS 16 will be used:

- Grandfathering of the definition of a lease;
- Application of a single discount rate to portfolios of leases with reasonably similar characteristics;
- Non-lease components have not been separated;
- For leases of which the lease term ends within the calendar year 2019, no right-of-use asset nor lease liability has been recognised. Instead, the lease payments of those contracts will be recognised as expense and disclosed separately in the Ageas Consolidated Financial Statements 2019, in line with the exemption provided for short-term leases; and
- Application of the exemptions to the measurement model for short-term leases and leases for which the underlying asset is of low value to the entity. For those leases, no right-of-use asset nor lease liability has been recognised. Instead, the lease payments of those contracts will be recognised as expense and disclosed separately in the Ageas Consolidated Financial Statements 2019.

Apart from the impact of the recognition of the right-of-use asset and the lease liability for the leases of real-estate and employee company cars, that are actually classified as an operating lease under IAS 17, the implementing of IFRS 16 will not lead to a significant impact on Shareholder's Equity, OCI and net result.

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 insurance contracts in May 2017. 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, which was issued in 2005.

In November 2018, the IASB voted a one-year deferral of the effective date of IFRS 17, requiring the application of IFRS 17 for annual periods beginning on or after 1 January 2022. Together with the one-year deferral of IFRS 17, the IASB also decided to extend to 2022 the temporary exemption for insurers to apply IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time.

In view of the decision of the IASB to align the effective dates of IFRS 9 and IFRS 17, a combined implementation project on IFRS 9 and IFRS 17 is ongoing. The effect of implementing IFRS 9 and IFRS 17 will result in a significant change to the accounting and presentation in the IFRS financial statements and also the impact on Shareholder's Equity, Net Result and/or Other Comprehensive Income is expected to be important.

The IASB is currently undertaking a number of activities to support the implementation of IFRS 17, including a Transition Resource Group (TRG) and assessing a re-opening of IFRS 17 for modifications to the standard as decided by the IASB Board in the second half of 2018 and the beginning of 2019. In view of the current developments at the level of the IASB and the fact that IFRS 17 may still be modified in 2019, it is actually not possible to provide an impact analysis of IFRS 17.

IFRS 17 has not yet been endorsed by the EU. In the context of this endorsement, the EU has asked the EFRAG to prepare an endorsement advice on IFRS 17. The timing of this endorsement advice will depend on the decisions the IASB will take to re-open and modify IFRS 17.

IFRS 17 introduces a current value accounting model for insurance contracts. The IASB expects that IFRS 17 will result in a more consistent accounting of insurance contracts compared to IFRS 4, which is largely based on grandfathering previous local accounting policies.

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 insurance 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, depending on the entity's accounting policy choice;
- A simplified Premium Allocation Approach (PAA) may be applied for contracts that meet specific conditions;
- For insurance contracts with direct participation features, the general measurement model is modified in a Variable Fee Approach (VFA), by adjusting the CSM with changes in financial variables that adjust the variable fee;
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is 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 are presented separately from the insurance finance income or expense; and
- Extensive disclosures will provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Other changes

Other forthcoming changes in IFRS standards, interpretations and amendments to IFRS standards and interpretations, that become applicable in 2019 or later, and of which not all changes have yet been endorsed by the EU, are not expected to impact the statement of financial position or income statement of Ageas in a significant way. Those changes relate to:

- Amendment to IFRS 9: prepayment features with negative compensation;
- IFRIC 23: uncertainty over income tax treatments;
- Amendments to IAS 28: long-term interests in associates and joint ventures;
- Annual improvements to IFRS (2015-2017 cycle): IFRS 3 business combinations, IFRS 11 joint arrangements, IAS 12 income taxes and IAS 23 borrowing costs;
- Amendments to IAS 19: plan amendments, curtailment or settlement;
- Amendments to references in the conceptual framework in IFRS standards;
- Amendment to IFRS 3: business combinations; and
- Amendments to IAS 1 and IAS 8: definition of material.

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. 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 2018	
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 tax regulations - Amount and timing of future taxable income
Liabilities	
Liabilities for insurance contracts	
- Life	- Actuarial assumptions - Yield curve used in the liability adequacy test (LAT-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 tax regulations - Amount and timing of future taxable expenses

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 favourable and unfavourable 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.

Further information about events after the reporting period is included in 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; and
- General Account.

Activities not related to insurance and group elimination differences are reported separately from the core insurance activities. Those non-insurance activities are reported in the operating segment General Account, which includes activities such as group financing and other holding activities. In addition, the General Account also includes the investment in Royal Park Investments and the liabilities related to CASHES/RPN(I).

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 the financial statements 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. At 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 if 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.

For monetary items, outstanding balances in foreign currencies at year-end are translated at the year-end exchange rates.

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 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 the 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). The statement of financial position of the entities whose functional currency is not the euro is 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 end of period			Average rates
1 euro =	31 December 2018	31 December 2017	2018	2017
Pound sterling	0.89	0.89	0.88	0.88
US dollar	1.15	1.20	1.18	1.13
Hong Kong dollar	8.97	9.37	9.26	8.80
Turkey lira	6.06	4.55	5.71	4.12
China yuan renminbi	7.88	7.80	7.81	7.63
Indian Rupee	79.73	76.60	80.74	73.53
Malaysia ringgit	4.73	4.85	4.76	4.85
Philippines Peso	60.11	59.79	62.21	56.97
Thailand baht	37.05	39.12	38.17	38.30
Vietnamese Dong	26,316	27,027	27,027	25,641

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:

- Held-to-maturity: include investment securities with a fixed maturity where management has both the intent and the ability to hold the securities to maturity;
- Loans and receivables: include 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;
- Available-for-sale: include 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; and
- Held-for-trading: include investment securities that are acquired for the purpose of generating short-term profits.

Held-to-maturity assets 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 asset 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 has 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 is amortised over the expected life of the instrument and is 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 are measured at fair value. Changes in the fair value are recognised directly in equity (Other Comprehensive Income (OCI)) until the asset is sold, unless the asset is hedged by a derivative. Investments hedged by a derivative 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, implying why those changes will therefore not part of equity.

Transaction costs on financial instruments 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. Those transaction costs are included in the initial measurement of the financial assets and liabilities, except if those are measured at fair value through profit or loss, in which case transaction costs are directly expensed.

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, Ageas applies the cost model for both 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 nor in shareholders' equity, unless the property is impaired.

2.8.3 Investment in Associates

For associates where Ageas has a 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. At 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, all of which vary with and are primarily related to the production of new business, are deferred and amortised. The costs of new and renewed insurance business principally includes commissions, underwriting, agency and policy issue expenses. 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 are 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

The liabilities arising from (re)insurance and investment contracts relate to (re)insurance contracts, investment contracts with Discretionary Participation Features (DPF) and investment contracts without DPF.

The DPF-component reflects 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 the liabilities arising from Life insurance contracts.

Investment contracts without DPF are initially recognised at fair value and are 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 are 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 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 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 test is generally performed on legal fungible level for the Life activities and on the level of line of business for the Non-life activities. 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 test includes 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 allowing a company specific volatility adjustment based on EIOPA methodology and (b) a risk-free 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 deemed to be impaired if there is an objective evidence of one or more loss events or triggers, e.g. significant financial difficulty of the issuer, that occurred after the initial recognition of the asset, and if 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 (365 consecutive days) at the date of the statement of financial position.

If an available-for-sale asset is determined to be impaired, the impairment is recognised in the income statement. For impaired available-for-sale assets, 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 recognised 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.

03
Acquisitions and disposals

The following significant acquisitions and disposals were made in 2018 and 2017. 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 2018

Ageas Portugal

In January 2018, as part of diversification of investments in real estate, and with the support of AG Real Estate, Ocidental Vida concluded, in a partnership with Sonae Sierra, an international real estate developer and investor specialised in shopping centers, the acquisition of the company '3Shoppings' for an amount of EUR 43 million. The company holds two shopping centers in two cities in the north of Portugal, Guimarães and Maia. As part of the shareholders agreement, Sonae Sierra remained the Asset and Property Manager. Ocidental Vida holds a participation of 80% and Sonae the remaining 20%.

AG Insurance

In April 2018, AG Insurance acquired 65% of Salus, which consisted of five senior home companies located in Germany. The acquisition price amounted to EUR 57 million, followed by a subsequent capital increase of EUR 24 million whose purpose was to reimburse external loans.

AG Real Estate acquired in 2018 some small subsidiaries for a total amount of around EUR 15 million. Furthermore, AG Insurance made some other acquisitions and capital increases in equity associates for a total amount of around EUR 11 million.

3.2 Disposals in 2018

Cardif Luxembourg Vie

Ageas confirmed on 21 December 2018, the completion of the sale of its 33% stake in the share capital of Cardif Luxembourg Vie (CLV), to BNP Paribas Cardif. The total cash consideration of the transaction amounted to EUR 152 million.

The sale of CLV generated a net capital gain of EUR 35 million for the Group. EUR 15 million at Insurance level in the segment Continental Europe and EUR 20 million in the General Account.

Total net result contributed by Cardif Luxembourg Vie for the period until the disposal amounted to almost EUR 9 million (see note 9 Information on operating segments).

AG Insurance

The sale of the equity associates North Light and Pole Star by AG Real Estate, was closed in January 2018. The Net asset value of these associates of EUR 41.8 million was already reclassified to assets held for sale per year-end 2017. The 40% ownership in these subsidiaries was sold for an amount EUR 82 million, realising a capital gain of EUR 37.9 million.

In the last quarter of 2018, AG Real Estate sold Agridec (part of Woluwe Shopping Center) for an amount of EUR 103 million, realising a capital gain of EUR 40 million.

3.3 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.

3.4 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 and 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.

3.5 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.

		2018		2017
	Acquisitions	Disposals	Acquisitions	Disposals
Assets and liabilities of acquisitions and disposals				
Cash and cash equivalents	5.2	(10.9)	6.7	(43.7)
Financial investments				(515.6)
Investment property	231.2	(126.4)	147.6	(305.4)
Investments in associates, including capital (re)payments	81.8	(244.8)	152.8	32.6
Reinsurance and other receivables	6.9	(1.5)	26.6	(121.6)
Current and deferred tax assets			4.8	(19.4)
Accrued interest and other assets	0.8	46.1	4.9	(66.1)
Property, plant and equipment	39.3		23.9	(0.4)
Goodwill and other intangible assets	18.1	(6.3)	43.9	(97.5)
Assets held for sale				(145.3)
Liabilities arising from insurance and investment contracts				(551.2)
Borrowings	91.0	(13.9)	105.5	(162.6)
Current and deferred tax liabilities	31.6	(12.4)	5.8	(20.2)
Accrued interest and other liabilities	21.6	(5.2)	95.8	(96.2)
Provisions	0.4			(0.5)
Non-controlling interests	55.2	(17.4)	13.7	(167.1)
Changes in equity related to acquisitions and divestments				(9.8)
Net assets acquired / Net assets disposed of	183.5	(294.9)	190.4	(274.8)
Result of disposal, gross		145.0		207.6
Result on discontinued operations, net of taxes		145.0		207.6
Cash used for acquisitions / received from disposals:				
Total purchase consideration / Proceeds from sale	(183.5)	439.9	(190.4)	482.4
Less: Cash and cash equivalents acquired / divested	5.2	(10.9)	6.7	(43.7)
Cash used for acquisitions / received from disposals	(178.3)	429.0	(183.7)	438.7

The total purchase consideration for acquisitions of subsidiaries and associates amounted to EUR 183.5 million in 2018 (2017: EUR 190.4 million). There was no capital increase provided by non-controlling interests in 2018 and 2017.

04
Earnings per share

The following table details the calculation of earnings per share.

	2018	2017
Net result attributable to shareholders	809.1	623.2
Weighted average number of ordinary shares		
for basic earnings per share (in thousands)	196,776	201,765
Adjustments for:		
- restricted shares (in thousands) expected to be awarded	155	226
Weighted average number of ordinary shares		
for diluted earnings per share (in thousands)	196,931	201,991
Basic earnings per share (in euro per share)	4.11	3.09
Diluted earnings per share (in euro per share)	4.11	3.09

In 2018, all option plans lapsed and no new option plan was launched. In 2017, weighted average options on 479,690 shares with a weighted average exercise price of EUR 154.32 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 2018 and 2017, 3.97 million Ageas shares related to the FRESH were excluded from the calculation of basic 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 2017: 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).

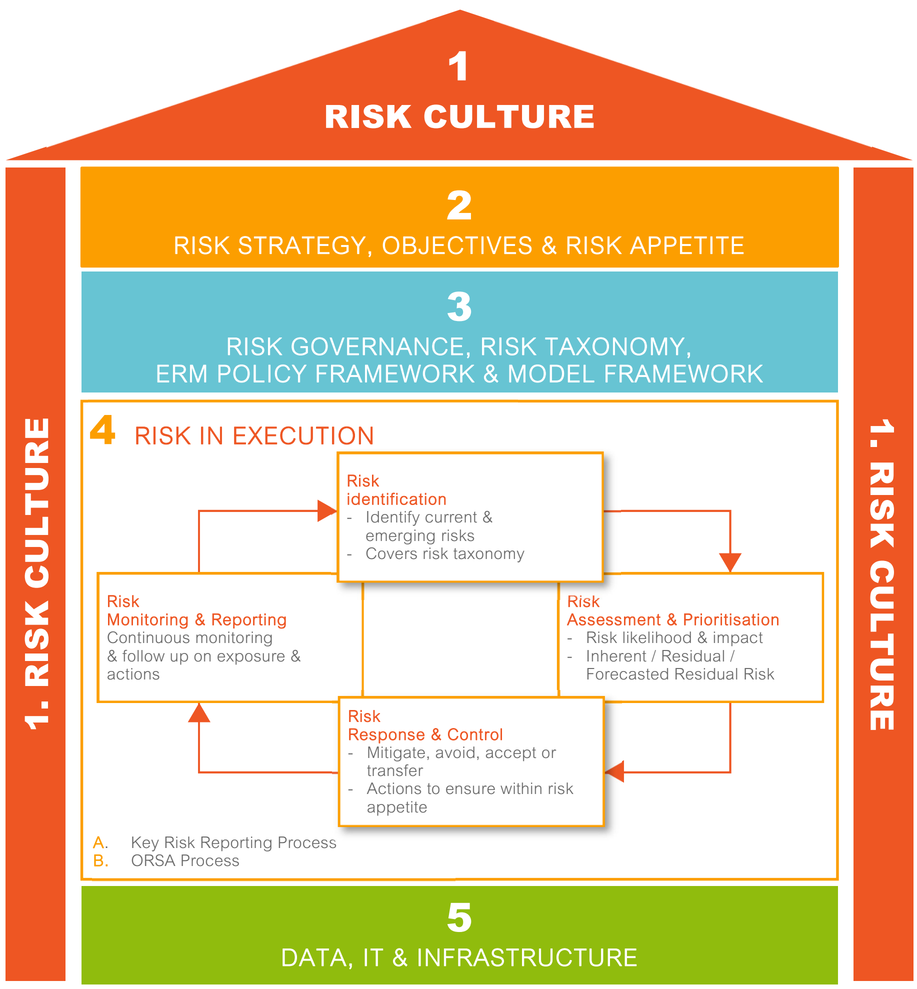
05 Risk Management

5.1 Risk Management Objectives

As a multinational insurance provider, Ageas creates value by properly managing the acceptance, warehousing, and transformation of risks 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 objectives.

Ageas only seeks to take on risks:
- for which it has a good understanding;
- that can be adequately assessed and managed either at the individual or at the overall portfolio level;
- that are affordable (i.e. within the Ageas risk appetite);
- that have an acceptable risk-reward trade-off.

The main objectives of Ageas risk management are:
- Risk-taking is consistent with the strategy and within risk appetite;
- Appropriate incentives are in place to promote a common understanding of our risk culture;
- Appropriate, timely and correct information is available to allow appropriate strategic decision-making;
- An appropriate risk governance is in place, is adequate and effective, and can be evidenced;
- An appropriate Enterprise Risk Management (ERM) policy framework (including limits & minimum standards) is in place, understood and embedded in day-to-day business activities;
- Risk processes are high-caliber and efficient, facilitating accurate and informative risk reporting that reinforces the decision-making process.



5.2 Risk Management Framework

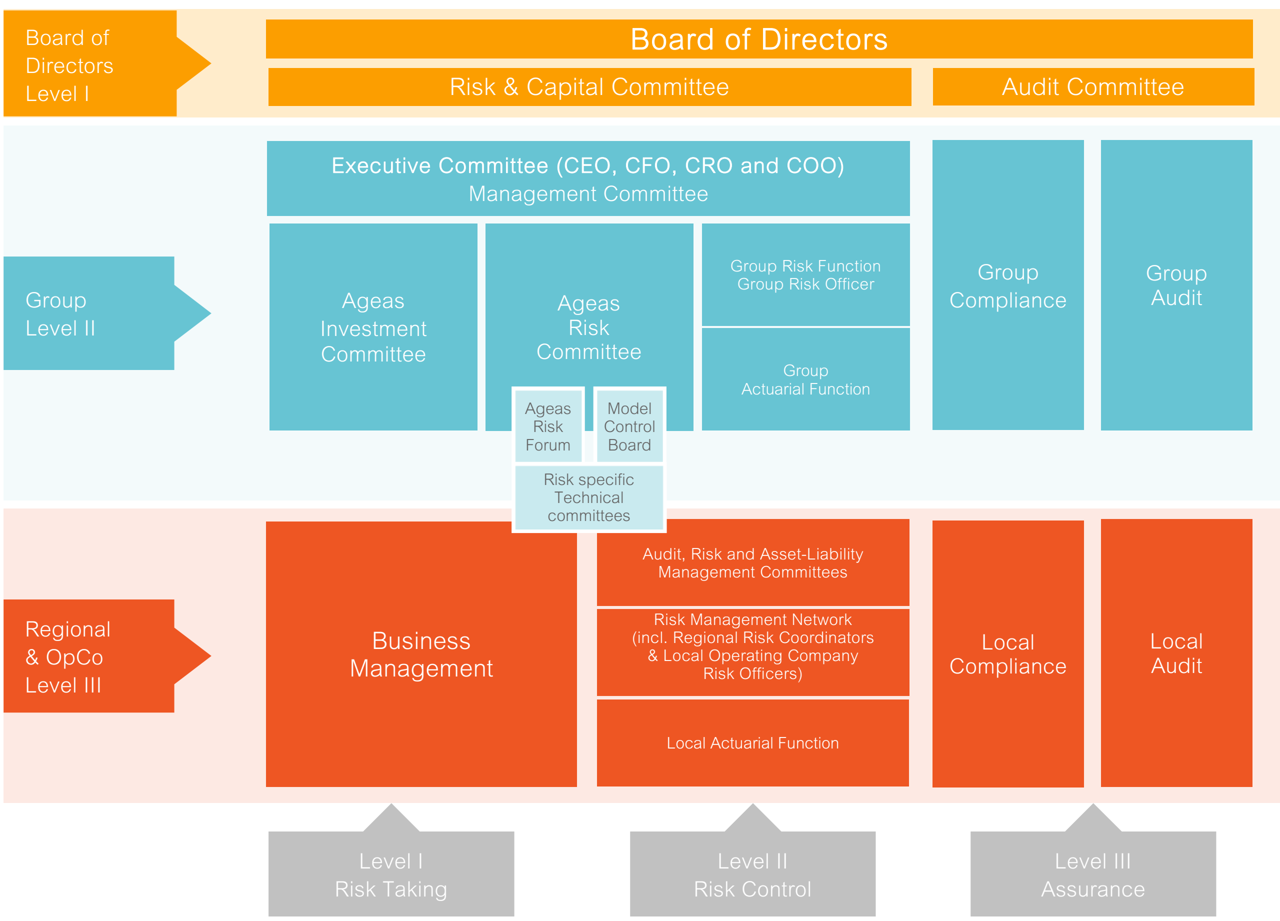
Ageas defines risk as the deviation from anticipated outcomes that may have an impact on the solvency, earnings or liquidity of Ageas, its business objectives or future opportunities.

Ageas has established and implemented an Enterprise Risk Management ("ERM") framework, which encompasses key components that act as a supporting foundation of the risk management system. Our ERM can be defined as the process of systematically and comprehensively identifying critical risks, assessing their impact and implementing integrated strategies to provide reasonable assurance regarding the achievement of the company's objectives. Ageas' ERM framework (depicted in the diagram below) sets the following high level objectives:

- Defines a **risk appetite** to ensure that the risk of insolvency is constantly managed within acceptable levels, and that the risk profile is kept within set limits;
- Influences a **strong culture of risk awareness** whereby managers carry out their duty to understand and be aware of the risks to their business, to manage them adequately, and report them transparently;
- Ensures **identification & validation, assessment & prioritisation, recording, monitoring, and management** of risks which affect, or can affect, the achievement of strategic and business objectives;
- Supports the decision making process by ensuring that **consistent, reliable and timely risk information** is available to decision makers;
- Embeds **strategic risk management** into the overall decision making process.

5.3 Risk Management organisation and governance

A strong and effective risk governance framework, underpinned by a sound risk culture, is critical to the overall effectiveness of Ageas' risk management arrangements. 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.



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, risk reporting and compliance.

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, the Audit 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 and OpCo Risk Officers are members of the ARF, ensuring knowledge and best practice sharing to further develop and continuously improve the Group's ERM 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 ERM policies. It ensures the appropriateness of the overall model governance taking into account remarks made by Ageas' independent Model Validation team. It also coordinates major risk related projects.

Group Actuarial Function

An independent function directly reporting to the CRO in order to facilitate the collaboration with the Risk Management System. The main role of the Actuarial function is to issue Actuarial Opinions on three key subjects (Technical Provisions, Underwriting and Reinsurance), and additionally, coordinates the calculation of technical provisions and assures a level of consistency throughout the Group. At Group level, two Actuarial Functions co-exist; the Ageas Group Actuarial Function that consolidates the opinions of the local entities and the Ageas Local Actuarial Function (ALAF). The ALAF focuses on the reinsurance business underwritten by ageas SA/NV.

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.

Local Operating Companies (OpCos)

Each OpCo is responsible for ensuring that it has a comprehensive risk management framework in place, and for managing its risks within the limits, policies and guidelines set by Regulators, Ageas Group and its local Board of Directors.

Furthermore, each OpCo is 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.

5.3.1 Three Lines of Defence

Ageas has implemented a 3 lines of defence model - the three lines share the ultimate aim of helping the organisation to achieve its objectives while effectively managing risk.

First line of defence (Business Owner):

- Responsible for implementing the ERM framework and embedding an appropriate risk culture at all levels. The 1st Line of Defence has the primary responsibility to identify, own, measure, manage, and report the full taxonomy of risks in their areas, ensuring that Ageas does not suffer from unexpected events. 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 are responsible for ensuring that adequate and effective processes and controls are implemented.

Second line of defence
(Risk Management, Actuarial Function, and Compliance):

- 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 and the Board of Directors on the setting of high level strategies and risk appetite aggregation. Risk Management establishes and maintains the ERM framework (including the suite of ERM policies deployed across the Group), and facilitates, assesses and monitors the effective operation of the risk management system. Moreover, the function provides risk education and training, and maintains oversight and challenge of key risks, including how they are measured and managed.
- 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 provides reasonable assurance 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 a reasonable level of independent assurance to Senior Management and Board of Directors on the adequacy and effectiveness of governance, risk management and controls.

5.4 Capital Management Objectives

Capital is a scarce and strategic resource, which requires a clearly defined, rigorous and disciplined management approach in order to ensure efficient and effective deployment. The Capital Management approach that Ageas follows aims to balance the needs and requirements of all stakeholders including shareholders, debt investors, regulators, rating agencies and customers.

The main objectives of capital management at Ageas are:

- to optimise the capital structure, composition and allocation of capital within Ageas;
- to ensure value creation by funding profitable growth, as well as protecting the viability and profitability of the business;
- to ensure optimal dividend levels, both for the Group as well as its subsidiaries.

5.4.1 Capital Management Framework

Ageas' objectives with respect to capital management are to be achieved by adhering to clearly defined processes. These are governed by clearly defined policies and procedures to ensure that capital management practices throughout the Group and the OpCos are understood, documented and monitored (with corrective actions taken if necessary).

The Capital Management Framework at Ageas defines rules and principles in respect of the following:

- Capital planning, i.e. defining the capital level the Group wants to hold, which is a function of:
  - Legal requirements and anticipated changes
  - Regulatory requirements and anticipated changes
  - Growth ambitions and future capital commitments
  - the Risk Appetite Policy
- Capital allocation, i.e. determining the capital use that Ageas foresees, which is a function of:
  - Optimisation of risk reward
  - the Dividend Policy (and future capital raising)
- Capital structuring, i.e. maintaining an efficient balance between equity and debt;
- Capital Management governance, i.e. setting clear roles and responsibilities on people and decisional bodies involved in Capital Management Processes.

5.5 Assessing Solvency & Capital

5.5.1 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.

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.

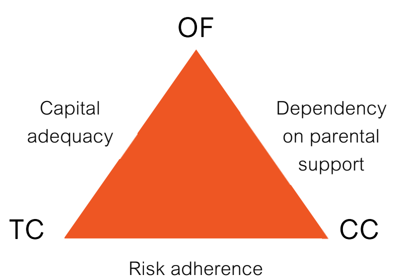
Overall capital adequacy is verified on a Group-wide basis, quarterly and annually:

- 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.

5.5.2 Risk Appetite Framework

The Risk Appetite Framework consists of criteria which are used to formulate the willingness of management to take on risk in a specific area. 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 & Capital Management framework foresees possible management actions along three axes.



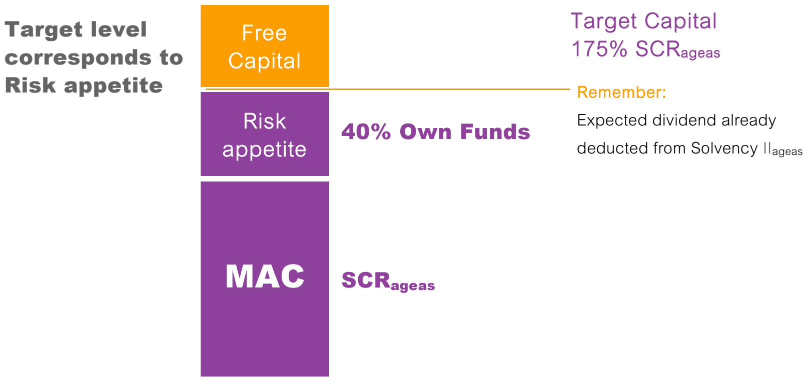
OF = Own Funds
TC = Target Capital
CC = Capital Consumption

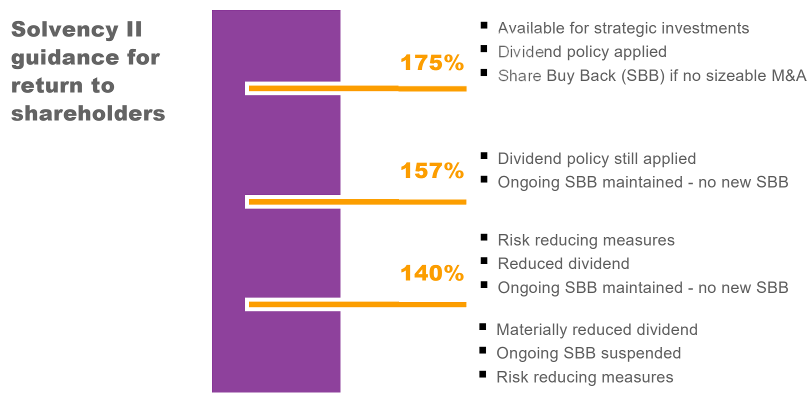
The main objectives of the risk appetite framework are to ensure that:

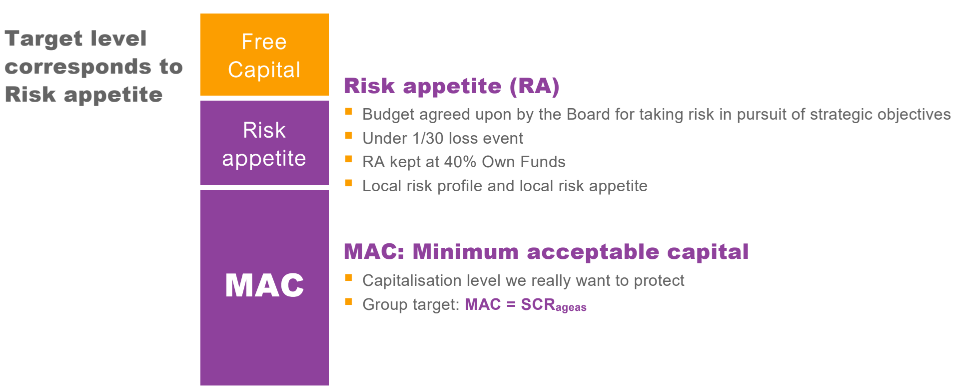
- the exposure to a number of key risks of each subsidiary and the Group as a whole remain within known, acceptable and controlled levels;
- Risk Appetite criteria are clearly defined, so that actual exposures and activities can be compared to the criteria agreed at Board level, allowing monitoring and 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.

Due to their importance for the continued operation of Ageas, and its ability to adhere to its commitments to its stakeholders, the following criteria are required:

- Solvency
  - Risk Consumption (RC) remains below the Risk Appetite (RA) budget, set at 40% of Own Funds, net of expected dividends.
  - Capital Consumption (CC) remains below the Target Capital (TC), set at 175% of SCR_{ageas}.
- Earnings
  - The deviation from year-end budgeted IFRS earnings due to a combined 1/10 financial loss event is limited to 100%.
  - With the following early warning mechanism: The deviation from year end forecasted IFRS earnings (or budgeted IFRS earnings should the forecast be lower than the budget) due to a combined 1/10 financial loss event is limited to 100%.
- Liquidity
  - The base liquidity ratio is at least 100%.
  - The stressed liquidity ratio is at least 100%.


Target level corresponds to Risk appetite
Free Capital
Risk appetite
MAC
40% Own Funds
SCR$_{ageas}$
Target Capital
175% SCR$_{ageas}$
Remember:
Expected dividend already deducted from Solvency II$_{ageas}$


Solvency II guidance for return to shareholders
175%
Available for strategic investments
Dividend policy applied
Share Buy Back (SBB) if no sizeable M&A
157%
Dividend policy still applied
Ongoing SBB maintained - no new SBB
140%
Risk reducing measures
Reduced dividend
Ongoing SBB maintained - no new SBB
Materially reduced dividend
Ongoing SBB suspended
Risk reducing measures


Target level corresponds to Risk appetite
Free Capital
Risk appetite
MAC
Risk appetite (RA)
Budget agreed upon by the Board for taking risk in pursuit of strategic objectives
Under 1/30 loss event
RA kept at 40% Own Funds
Local risk profile and local risk appetite
MAC: Minimum acceptable capital
Capitalisation level we really want to protect
Group target: MAC = SCR$_{ageas}$

5.6 Risk taxonomy

In order to ensure a consistent and comprehensive approach to risk identification, Ageas has defined a risk taxonomy encompassing the key risks that can impact the Group. The risk taxonomy (below) is aligned with Solvency II risk categories, which facilitates the alignment of internal and external reporting.

TOTAL RISKS

RISK TAXONOMY

FINANCIAL RISKS	INSURANCE RISKS	OPERATIONAL RISKS	STRATEGIC & BUSINESS RISKS
Market risk	Life risk	Clients, products & business practices	Strategic risk
Default risk	Non-life risk	Execution, delivery & proces management	Change risk
Liquidity risk (assets & liabilities)	Health risk	Business disruption and system failures	Enviroment & industry risk
Intangible assets risk		Employment practices & workplace safety	System risk
		Internal fraud external fraud (incl. Cyber)	
		Damage to physical assets	

Ageas has implemented a Group-wide key risk reporting process, which considers internal and external factors, to identify key risks (both existing and emerging) that could impact the realisation of its objectives. Identified risks are assessed and managed using Ageas' risk rating methodology (likelihood and impact criteria are used to determine a level of concern, which guides us on actions to be taken). Each region and/or subsidiary follows up on their key risks at least on a quarterly basis, and the most significant risks are also monitored at Group level.

5.7 Details of various risk exposures

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

5.7.1 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;
- Intangible assets 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 exposures against 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.

5.7.1.1 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 concentration.

The sensitivities presented in this note exclude the impact in non-controlled participations.

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. The risk arises as a result of a mismatch between the sensitivity of assets and liabilities to changes in interest rates and associated volatility, which can adversely impact the earnings and solvency position.

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 in the interest rate of 50 basis points at maximum (depending on the yield-curve) or an increase in the interest rate by 75 basis points (never below zero, on the bond portfolio - including the risk free bonds and the floating rate bonds until the interest reset date).

		2018		2017
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Interest - rate down (max 50 bp)	(1.1)	114.9	(0.8)	104.9
Interest - rate up + 75 bp	0.9	(1,533.8)	0.8	(932.7)

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, which can impact earnings and the solvency position.

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.

	2018	2017
Type of asset		
Direct equity investments	2,254.1	2,904.9
Equity funds	279.3	258.2
Private equity	82.6	73.4
Asset allocation funds	91.0	69.9
Total Economic equity exposure	2,707.0	3,306.4
Debt funds	806.9	744.1
Money market funds	199.5	70.4
Real estate funds (SICAFI/REITS)	884.7	841.7
Total IFRS equity exposure	4,598.1	4,962.6
of which:		
Available for Sale (see note 11)	4,462.6	4,857.5
Held at Fair Value (see note 11)	135.5	105.1

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.

		2018		2017
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Equity - market risk	(198.3)	(419.9)	(130.8)	(580.4)

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, however, Ageas can choose to sell if it considers this to be the best course of action. For internal risk management purposes, Ageas considers the sensitivity to long-term fundamental spread risk, similar to the Solvency II “Volatility Adjustment” concept, but taking into account its specific portfolio characteristics. This is considered to be more in line with Ageas' business model, where realising capital losses is generally avoided, compared to a pure mark-to-market approach.

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 (shorter than) 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

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of a spread sensitivity shock.

		2018		2017
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Spread - risk	(6.1)	(945.2)	(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 as at 31 December are stated in the following table. The exposures shown are net (assets minus liabilities), after any hedging denominated in euros.

At 31 December 2018	HKD	GBP	USD	CNY	INR	MYR	PHP	THB	VND	RON	TRY	Other
Total assets	3.8	3,614.3	1,265.7	1,150.9	38.1	426.8	84.4	685.1	17.2	24.4	83.8	41.8
Total liabilities	6.6	2,737.2	729.3	6.3	4.6			1.4		1.4		33.8
Total assets minus liabilities	(2.8)	877.1	536.4	1,144.6	33.5	426.8	84.4	683.7	17.2	23.0	83.8	8.0
Off balance		(28.8)	(461.9)									10.5
Net position	(2.8)	848.3	74.5	1,144.6	33.5	426.8	84.4	683.7	17.2	23.0	83.8	18.5
Of which invested in subsidiaries and equity associates	(0.6)	895.8	82.0	1,150.9	26.6	426.8	53.7	685.1	11.4	24.4	83.8	

At 31 December 2017	HKD	GBP	USD	CNY	INR	MYR	PHP	THB	VND	RON	TRY	Other
Total assets	5.3	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	(1.3)	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	(1.3)	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	0.9	851.5	83.3	845.1	26.1	387.0	56.8	710.5	10.0	24.4	105.8	

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 table below identifies what Ageas considers economic exposure to real estate and how this is reconciled to the figures reported under IFRS.

For internal risk management purposes, Ageas applies an internal model for real estate in its main subsidiaries, in which real estate risk is treated according to the underlying economic exposure, rather than IFRS classification of the assets.

	2018	2017
Type of asset		
Carrying amount		
Investment properties (see note 12)	2,727.3	2,649.1
PP&E: land and buildings for own use (see note 17)	1,105.4	1,055.7
Property intended for sale (see note 16)	125.5	144.1
Total (at amortised cost)	3,958.2	3,848.9
Real estate funds (at fair value)	884.7	841.7
Total IFRS real estate exposure	4,842.9	4,690.6
Unrealised capital gain (Economic exposure)		
Investment properties (see note 12)	1,307.7	1,149.5
PP&E: land and buildings for own use (see note 17)	499.3	450.0
Total Economic real estate exposure	6,649.9	6,290.1

Sensitivities

The table below shows the gross impact on the IFRS income statement and IFRS equity as the result of a property down by 10% shock.

	2018		2017	
	Impact on income statement	Impact on IFRS Equity	Impact on income statement	Impact on IFRS Equity
Real estate risk	(216.9)	(346.5)	(189.5)	(317.2)

F. MARKET CONCENTRATION RISK

Market risk concentration 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 as at 31 December by type and by location of the Ageas entity.

31 December 2018	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	34,785.1	7,842.2	12,572.4	1,501.4	83.5	56,784.6
UK	751.2	804.7	1,404.2		39.5	2,999.6
Continental Europe	6,048.1	2,136.4	1,537.4	23.6	61.5	9,807.0
- France	*1,817.4*	*525.1*	*315.1*	*23.3*	*19.6*	*2,700.5*
- Portugal	*4,230.7*	*1,611.3*	*1,222.3*	*0.3*	*41.9*	*7,106.5*
Asia		3.0			0.5	3.5
Reinsurance		30.2	98.2		13.4	141.8
General Account		1,677.0	4.2		80.5	1,761.7
Total	41,584.4	12,493.5	15,616.4	1,525.0	278.9	71,498.2

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*
- 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

The table below provides information on the concentration of credit risk as at 31 December by type and location of counterparty.

31 December 2018	Government and official institutions	Credit institutions	Corporate customers	Retail customers	Other	Total
Belgium	21,105.8	1,245.4	2,054.2	1,501.4	128.2	26,035.0
UK	450.0	647.1	1,961.9		43.6	3,102.6
Continental Europe	19,968.8	9,224.7	9,644.3	23.4	106.4	38,967.6
- France	*6,513.9*	*2,566.1*	*3,323.0*	*23.3*	*30.0*	*12,456.3*
- Portugal	*2,593.9*	*444.9*	*329.9*		*6.3*	*3,375.0*
- Other	*10,861.0*	*6,213.7*	*5,991.4*	*0.1*	*70.1*	*23,136.3*
Asia		40.0	115.0		0.6	155.6
Other countries	59.8	1,336.3	1,841.0	0.2	0.1	3,237.4
Total	41,584.4	12,493.5	15,616.4	1,525.0	278.9	71,498.2

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

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-	19,784.7	15,411.9
French Republic	AA	7,265.8	5,671.0
Republic of Austria	AA+	2,863.1	2,204.5
Portuguese Republic	BBB-	2,655.0	2,326.2
Federal Republic of Germany	AAA	1,828.3	1,364.5
Kingdom of Spain	BBB+	1,827.3	1,419.6
BNP Paribas SA	A	1,379.0	1,657.0
European Investment Bank	AAA	1,375.8	1,147.3
Republic of Italy	BBB	1,261.2	1,520.9
Region Wallonne	A	985.3	957.9
Total		41,225.5	33,680.8

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 'redomesticate' at the cost of increasing the risk towards the home country.

5.7.1.2 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 2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General	Group Eliminations	Total Ageas
Cash and cash equivalents (see note 10)	790.4	200.0	563.8	3.1	5.4		1,562.7	1,362.1		2,924.8
Derivatives held for trading (assets) (see note 11)	5.0		0.7			0.1	5.8	4.2		9.9
Loans	9,326.1	53.5	86.0				9,465.6	1,011.1	(660.2)	9,816.5
Impairments	(27.8)		(0.2)				(28.0)			(28.0)
Total Loans, net (see note 13)	9,298.4	53.4	85.8				9,437.6	1,011.1	(660.2)	9,788.5
Interest bearing investments	45,883.9	1,959.0	8,893.0		119.1	(0.1)	56,854.9			56,854.9
Impairments	(0.1)		(20.3)				(20.4)			(20.3)
Total Interest bearing investments, net (see note 11)	45,883.8	1,959.0	8,872.7		119.1	(0.1)	56,834.5			56,834.6
Reinsurance and other receivables	779.2	787.1	263.5	0.4	17.3	(29.4)	1,818.1	78.9	(4.9)	1,892.1
Impairments	(6.6)	(3.9)	(38.5)				(49.0)			(49.0)
Total Reinsurance and other receivables, net (see note 15)	772.6	783.2	225.0	0.3	17.3	(29.4)	1,769.0	79.0	(4.9)	1,843.1
Total credit risk exposure, gross	56,784.6	2,999.6	9,807.0	3.5	141.8	(29.4)	69,707.1	2,456.3	(665.1)	71,498.2
Impairments	(34.5)	(3.9)	(59.0)				(97.4)			(97.3)
Total credit risk exposure, net on balance	56,750.1	2,995.7	9,748.0	3.5	141.8	(29.4)	69,609.7	2,456.3	(665.1)	71,400.9
Off Balance commitments (see note 30)	4,703.2						4,703.2			4,703.2
Total credit risk exposure, off balance	4,703.2						4,703.2			4,703.2
Total credit risk exposure, net	61,453.3	2,995.7	9,748.0	3.5	141.8	(29.4)	74,312.9	2,456.3	(665.1)	76,104.1

31 December 2017	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General	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

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

	2018			2017		
	Impaired outstanding	Impairments for specific credit risk	Coverage ratio	Impaired outstanding	Impairments for specific credit risk	Coverage ratio
Interest bearing investments (see note 11)	6.3	(20.3)	322.2%	6.4	(20.4)	318.8%
Loans (see note 13)	59.2	(27.2)	45.9%	57.4	(9.9)	17.2%
Other receivables (see note 15)	27.8	(49.0)	176.3%	20.4	(47.8)	234.3%
Total impaired credit exposure	93.3	(96.5)	103.4%	84.2	(78.1)	92.8%

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.

Stress testing is also performed in order to assess the impact of single large counterparties defaulting.

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, as well as AM Best for reinsurance counterparties. 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.

	2018 Carrying value	2018 Percentage	2017 Carrying value	2017 Percentage
Investment grade				
AAA	1,228.9	12.5%	1,141.1	12.1%
AA	2,297.2	23.4%	2,514.0	26.7%
A	1,634.3	16.6%	2,121.9	22.5%
BBB	187.1	1.9%	1,062.9	11.3%
Investment grade	5,347.5	54.4%	6,839.9	72.6%
Below investment grade	11.5	0.1%	68.6	0.7%
Unrated	3,279.5	33.4%	1,296.6	13.7%
Residential mortgages	1,178.0	12.0%	1,221.7	13.0%
Total investments in loans, gross	9,816.5	100.0%	9,426.8	100.0%
Impairments	(28.0)		(10.8)	
Total investments in loans, net (see note 13)	9,788.5		9,416.0	

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.

	2018 Carrying value	2018 Percentage	2017 Carrying value	2017 Percentage
Investment grade				
AAA	4,895.4	8.6%	4,984.2	8.5%
AA	30,955.5	54.6%	31,317.8	53.7%
A	7,979.4	14.0%	7,204.5	12.3%
BBB	11,163.6	19.6%	13,264.9	22.7%
Investment grade	54,993.9	96.8%	56,771.4	97.2%
Below investment grade	368.4	0.6%	327.6	0.6%
Unrated	1,472.3	2.6%	1,275.4	2.2%
Total investments in interest bearing securities, net	56,834.6	100.0%	58,374.4	100.0%
Impairments	20.3		20.4	
Total investments in interest bearing securities, gross (see note 11)	56,854.9		58,394.8	

The bond portfolio is highly geared towards government and other investment grade bonds. Investment grade bonds make up 96.8% (2017: 97.2%) of the portfolio with 77.2% (2017: 74.5%) rated A or higher and more than 50% invested in AA. 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 2018	Percentage	31 December 2017	Percentage
By IFRS classification				
Available for sale	32,408.0	87.8%	32,941.7	87.8%
Held at fair value through profit or loss	0.8	0.0%	1.1	0.0%
Held to maturity	4,505.5	12.2%	4,559.5	12.2%
Total government bonds (see note 11)	**36,914.3**	**100.0%**	**37,502.3**	**100.0%**
By rating				
AAA	2,310.5	6.3%	2,291.2	6.1%
AA	27,720.1	75.1%	28,258.6	75.3%
A	2,972.9	8.1%	1,610.4	4.3%
BBB	3,792.6	10.3%	5,278.8	14.1%
Total investment grade	36,796.1	99.7%	37,439.0	99.8%
Below investment grade	70.1	0.2%	25.2	0.1%
Unrated	48.1	0.1%	38.1	0.1%
Total non-investment grade and unrated	118.2	0.3%	63.3	0.2%
Total government bonds	36,914.3	100.0%	37,502.3	100.0%

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.

CORPORATE BONDS

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

	31 December 2018	Percentage	31 December 2017	Percentage
By IFRS classification				
Available for sale	11,539.8	100.0%	12,378.3	100.0%
Total corporate bonds (see note 11)	**11,539.8**	**100.0%**	**12,378.3**	**100.0%**
By rating				
AAA	40.0	0.3%	20.8	0.2%
AA	1,029.8	8.9%	1,125.7	9.1%
A	3,194.5	27.7%	3,542.5	28.6%
BBB	6,196.0	53.7%	6,612.8	53.4%
Total investment grade	10,460.3	90.6%	11,301.8	91.3%
Below investment grade	272.2	2.4%	268.4	2.2%
Unrated	807.3	7.0%	808.1	6.5%
Total non-investment grade and unrated	1,079.5	9.4%	1,076.5	8.7%
Total corporate bonds	11,539.8	100.0%	12,378.3	100.0%

The corporate bond portfolio remains dominated by investment grade bonds. These bonds comprise 90.6% (2017: 91.3%) of the portfolio with 36.9% (2017: 37.9%) 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 2018	Percentage	31 December 2017	Percentage
By IFRS classification				
Available for sale	8,136.4	97.7%	8,307.6	98.7%
Held at fair value through profit or loss	189.7	2.3%	107.8	1.3%
Total banking and other financials (see note 11)	8,326.1	100.0%	8,415.4	100.0%
By rating				
AAA	2,536.3	30.4%	2,663.3	31.6%
AA	2,181.1	26.2%	1,920.5	22.8%
A	1,795.0	21.6%	2,015.7	24.0%
BBB	1,174.5	14.1%	1,369.7	16.3%
Total investment grade	7,686.9	92.3%	7,969.2	94.7%
Below investment grade	24.9	0.3%	32.5	0.4%
Unrated	614.3	7.4%	413.7	4.9%
Total non-investment grade and unrated	639.2	7.7%	446.2	5.3%
Total banks and other financials	8,326.1	100.0%	8,415.4	100.0%

The exposure to banks and other financial institutions is in particular geared to investment grade 92.3% (2017: 92.3%) with 78.2% (2017: 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 risk 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.

5.7.1.3 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 can occur when 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 ('Wet Collectieve Afwikkeling Massaschade') settlement proposal. 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.

5.7.1.4 Intangible assets risk

Intangible assets risk is the risk of loss or adverse change in the value of intangible assets due to a change in expected future benefits to be gained from the intangible assets. Intangible assets can consist among others of value of business acquired, parking concessions and intellectual property.

5.7.2 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 risks include 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 mitigate the loss to the insurance company and reinsurance treaties leading to limited exposure to large losses.

5.7.2.1 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 then 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 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.

5.7.2.2 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. In the event that experience is either deemed insufficient or lacking altogether due to the specific nature of the claim event[6], Ageas draws from reliable (external or other) sources and assessments while respecting its Risk position.

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 benefits 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.

6 *E.g. ENID (Events not in data) events*

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.

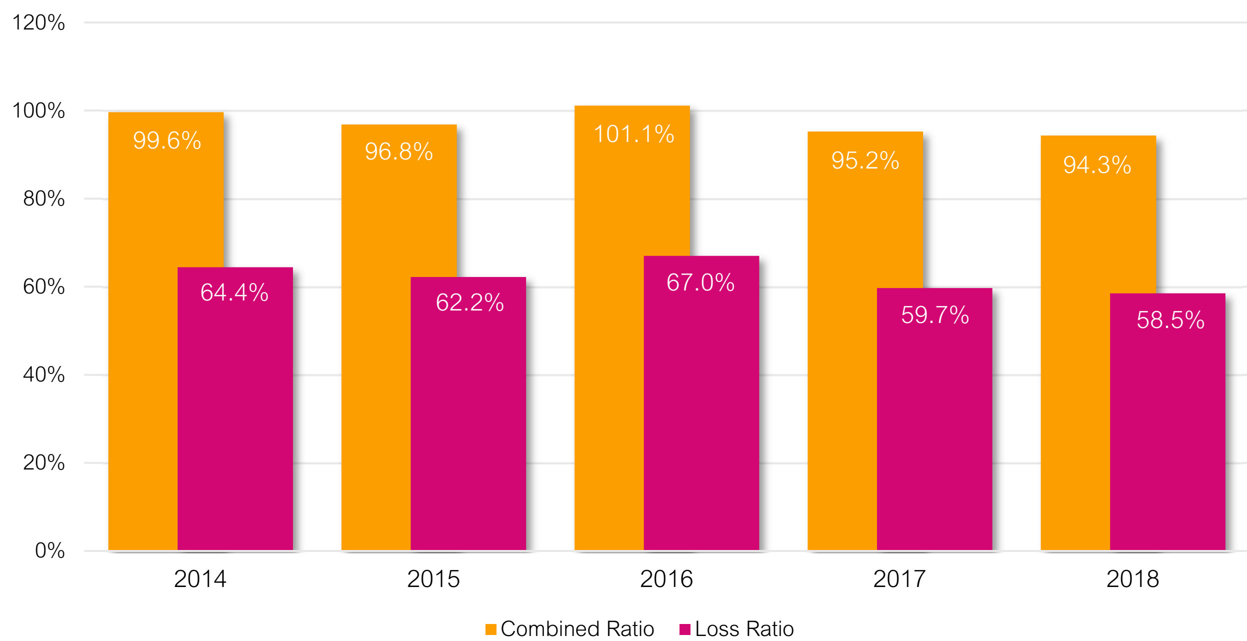
In addition, an internal model has been built in order to better manage the non-life underwriting risks of the entities and of the group, The model is used to find the optimal reinsurance programs to mitigate the non-life risks of the entities but also to avoid risk concentration across the Group. Weather-related claims is a typical example of concentration of risks for the group. Climate change has a particular focus in this context. For the modelling of natural events, external models are used. Ageas ensures a permanent follow-up of the implication of climate change on those models and a permanent discussion takes place with the providers of the models.

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 2018	Impact on pre-taxation result at 31 December 2017
Expenses (10%)	139.4	147.3
Claims costs 5%	(113.8)	(123.8)

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 2018.

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

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Payments at:										
N	1,004.7	1,080.3	1,013.6	1,010.8	965.0	1,074.6	1,051.7	1,290.2	1,203.3	1,211.6
N + 1	467.4	586.1	498.2	475.3	485.2	494.6	504.6	506.2	505.1	
N + 2	121.9	117.9	129.3	115.0	110.4	125.8	129.3	117.6		
N + 3	75.9	84.2	68.6	85.9	72.4	78.9	97.9			
N + 4	55.9	53.8	48.5	64.0	57.1	59.2				
N + 5	30.4	44.6	27.0	48.5	29.7					
N + 6	19.4	25.4	17.7	21.1						
N + 7	17.9	14.2	9.8							
N + 8	7.1	8.7								
N + 9	11.5									
Cost of claims: (Cumulative Payments + Outstanding claims reserves)										
N	1,896.1	2,095.8	2,027.2	2,027.4	2,010.5	2,114.7	2,109.5	2,564.1	2,325.3	2,306.5
N + 1	1,860.6	2,084.8	1,954.7	1,993.3	1,956.3	2,096.4	2,092.3	2,555.8	2,290.3	
N + 2	1,880.5	2,089.9	1,944.5	1,998.5	1,901.0	2,099.9	2,145.2	2,449.5		
N + 3	1,897.8	2,088.9	1,919.2	1,975.2	1,886.3	2,113.0	2,079.9			
N + 4	1,878.5	2,087.7	1,894.5	1,998.1	1,917.6	2,076.0				
N + 5	1,886.4	2,087.9	1,918.1	2,001.8	1,904.4					
N + 6	1,873.3	2,109.9	1,922.8	1,984.1						
N + 7	1,895.8	2,107.7	1,914.2							
N + 8	1,904.0	2,109.5								
N + 9	1,926.7									
Ultimate loss, estimated at initial date	1,896.0	2,095.7	2,027.1	2,027.5	2,010.4	2,114.7	2,109.5	2,564.1	2,325.2	2,306.5
Ultimate loss, estimated at prior year	1,903.9	2,107.5	1,922.8	2,002.0	1,917.6	2,113.1	2,145.2	2,555.8	2,325.2	
Ultimate loss, estimated at current year	1,926.7	2,109.4	1,914.2	1,984.2	1,904.5	2,075.8	2,079.9	2,449.5	2,290.2	2,306.5
Surplus (deficiency) current year vs initial accident year	(30.6)	(13.6)	113.0	43.3	105.9	38.9	29.5	114.6	35.0	
Surplus (deficiency) current year vs prior year	(22.7)	(1.9)	8.6	17.8	13.0	37.2	65.2	106.3	35.0	

Outstanding claims reserves prior to 2009	389.0
Outstanding claims reserves from 2009 to 2018	3,410.1
Other claims liabilities (not included in table)	978.3
Claims with regard to workers' compensation and health care	1,467.7
Total claims reserves in the statement of financial position	6,245.1

Strengthening of provisions continued during 2018 by means of a continuous adjustment of expected claim pay-outs.

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 2018.

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.

5.7.2.3 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.

5.7.2.4 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). The latter events are mostly weather related (e.g. hurricanes, earthquakes and floods) or man-made, multiple claims triggered by a single event. 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.

Ageas incorporated an internal reinsurer Intreas N.V. and obtained in June 2015 a licence in the Netherlands. In 2018, Ageas obtained a life and non-life licence for ageas SA/NV in Belgium. Business of Intreas N.V. will be fully transferred to ageas SA/NV in the course of 2019.

The rationale of obtaining a licence for ageas SA/NV to operate as an internal reinsurance company is to optimise the Ageas Group reinsurance programme by harmonising risk profiles among controlled limits/entities and to improve capital fungibility. ageas SA/NV will only accept risks from Ageas Group companies.

The companies within the scope of internal reinsurance are:

- AG Insurance, Belgium
- Ageas Insurance Limited, UK
- Ageas Ocidental, Portugal
- Ageas Seguros Non-Life, Portugal
- Specific NCPs (non-controlled participations)

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. Ageas SA/NV will subscribe proportional treaties, covering a share of the non-life business of the entities.

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.

2018	Highest retention per risk	Highest retention per event
Product		
Motor, Third Party liability	4,195,000	
Motor Hull		45,200,000
Property	3,750,000	66,825,000
General Third Party Liability	4,000,000	
Workmen's Compensation	2,700,000	20,200,000
Personal Accident	2,625,000	2,652,500

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).

2018	Gross written premiums	Ceded premiums	Net written premiums
Product			
Life	4,794.0	(36.6)	4,757.4
Accident & Health	904.5	(29.2)	875.3
Property & Casualty	3,162.9	(198.4)	2,964.5

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

The table confirms the considerable increase in premium inflow for Life business and slight decrease in Accident & Health. Reinsurance cession remain stable for Life and Accident & Health but increases considerably for P&C business, in particular the Motor business.

5.7.3 Operational risks

Operational risk is defined as the risk of losses arising from inadequate or failed internal processes, personnel, systems, or external events.

Ageas Group has in place an operational risk management framework consisting of Group-wide policies and processes, which collectively aim at identifying, assessing, managing, monitoring and reporting on operational risks. These processes are an integral part of the ERM framework and include:

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

Ageas views operational risk as an 'umbrella' risk, encompassing seven sub-risks: Clients, products and business practices, Execution, delivery and process management, Business disruption and system failures, Employee practices and workplace safety, Internal fraud, External fraud and Damage to physical assets.

Ageas' operational risk mitigating strategy is to minimise operational failures or disruption, whether caused by internal or external factors which may damage our reputation and/or incur financial losses via a strong and robust Internal Control System (ICS).

5.7.4 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.

Strategic risk

Risks to the organisation arising from unclear understanding and translation of the strategy, inadequately determined levels of uncertainty (risk) associated to the strategy, and/or challenges faced during implementation stages. It includes:

- Business Model Risk:
  risk to the organisation arising from our business model (and that has an influence on the business decisions that we make).

- Partnership Risk:
  risk to the organisation arising from partnerships, dependence on partner-related distribution channels, limited operational control inherent for joint ventures, the offering of insurance services as part of a broader 'partnership eco-system' (e.g. coupling insurance products with service providers such as Amazon, utility players in the connected home space…).

Ageas Group has a strong strategic risk management framework to anticipate, report on, and mitigate these risks. The ORSA report provides an assessment on the overall adequacy of solvency for the 3 year budgeted period (Multi-Year Budget or MYB), which comprises strategic risks.

Change risk

Risks to the organisation arising from managing change (e.g. programmes and projects) or an inability to adapt sufficiently quickly to industry and market changes (e.g. regulations and products).

Environment and Industry risk

Risks arising from internal and/or external environmental factors, such as:

- Macro-economic 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.
- Technology, IT infrastructure & Software due to our need and dependency on information technology, data…;
- Human Capital & Resource arising from inadequate / lack of people strategy, insufficient skills and competency profiles, and/or high attrition rates;
- Geopolitical that may impact our ability to maintain / develop business in different countries where we operate / intend to operate;
- Propensity / Changing client behaviours;
- Climate changes such as extreme weather, natural disasters, global warming which can impact populations. Climate change, as a trigger to insurance losses, is at the forefront of 2018 discussions at insurance industry level. It is generally expected climate change to lead to increased claims in virtually all P&C businesses. In order to prepare for such very probable scenarios Ageas entities have set-up working parties for investigating potential impact of climate change on its business, both on a risk level as on an economical one;
- Innovation from internal (own insurance services & products launched…) and external (e.g. blockchain, self-driving cars…) factors;
- Competition risks arising from changes within the competitor landscape or market position.

Brexit

At the time this annual report was drafted, there were still a lot of uncertainties over the outcome of the Brexit negotiations. Regardless of what the final outcome will be, it can be stated that:

- Ageas UK has a low exposure to the direct consequences of a 'no deal Brexit'. The exposure is expected to relate to a limited reliance of passporting rights into Ireland. Indirect consequences are believed to be for instance unexpected hikes in claims inflation due to repair costs, exchange rate volatility or increased medical costs as well as a potential increase in customer service demand;
- A two notch downgrade on the UK sovereign could potentially mean that UK government would be considered non-EEA government under Solvency II. All UK government bonds would therefore incur a Solvency II capital charge as they would be rated A+ (non EEA government bonds rated AA-and above do not incur capital charges);
- The impact of 'no deal Brexit' and UK downgrade was assessed at Group level as having a limited impact on SCR spread.

Systemic risk

The risk of disruption to financial services organisations that has the potential to have serious consequences for the financial system and/or the real economy. Systemic risk events can originate in, propagate through, or remain outside of Ageas.

06

Regulatory supervision and solvency

The National Bank of Belgium (NBB) had designated ageas SA/NV as an Insurance Holding. 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. In June 2018, the NBB has granted ageas SA/NV a license to underwrite reinsurance 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.

Up to Q1 2018, Ageas recognised an amount of non-transferable own funds equal to the SCR diversification benefits realised between operating entities. During the second quarter of 2018, Ageas received the approval of the National Bank of Belgium (NBB) to organise and operate reinsurance activities. Operating reinsurance activities increase the fungibility of capital within the Group, giving Ageas higher flexibility and agility to execute its strategy. As a consequence of the approval, Ageas decided to no longer eliminate the geographical diversification benefits from its Own Funds as a non-transferable.

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 Equity to the Eligible Own Funds under Solvency II and the resulting solvency ratio according to the Partial Internal Model approach is as follows.

	31 December 2018	31 December 2017
IFRS Equity	11,519.6	10,162.2
Shareholders' equity	9,411.4	9,610.9
Non-controlling interest	2,108.2	551.3
Qualifying Subordinated Liabilities	2,285.0	2,261.3
Scope changes at IFRS value	(3,170.6)	(2,781.2)
Exclusion of expected dividend	(414.4)	(407.4)
Proportional consolidation	(315.3)	(232.4)
Derecognition of Equity Associates	(2,440.9)	(2,141.4)
Valuation differences - (unaudited)	(1,290.6)	(1,239.5)
Revaluation of Property Investments	1,807.0	1,629.0
Derecognition of parking concessions	(422.6)	(429.9)
Derecognition of goodwill	(602.1)	(604.0)
Revaluation of Insurance related balance sheet items - (unaudited) (Technical Provisions, Reinsurance Recoverables, VOBA and DAC)	(4,960.1)	(5,048.2)
Revaluation of assets which, under IFRS are not accounted for at fair value (Held to Maturity Bonds, Loans, Mortgages)	2,613.8	2,947.1
Tax impact on valuation differences	252.1	256.7
Other	21.3	9.8
Total Solvency II Own Funds - (unaudited)	9,343.4	8,402.8
Non Transferable Own Funds	(1,284.4)	(658.7)
Total Eligible Solvency II Own Funds - (unaudited)	8,059.0	7,744.1
Group Required Capital under Partial Internal Model (SCR) - (unaudited)	3,728.1	4,062.4
Capital Ratio	216.2%	190.6%

	31 December 2018	31 December 2017
Total Eligible Solvency II Own Funds, of which - (unaudited):	8,059.0	7,744.1
Tier 1	5,618.8	5,315.0
Tier 1 restricted	1,404.7	1,328.8
Tier 2	952.0	999.9
Tier 3	83.5	100.4

At 31 December 2018, the calculation of the Solvency II Own Funds changed.

Non-transferable related to diversification benefits

Up to and including Q1 2018 Ageas reduced its Own Funds with a non-transferable amount equal to the geographical diversification benefit arising from consolidation when calculating the group SCR. This decision was made to reflect the limited capacity of the Group to upstream the benefits of group diversification from its consolidated subsidiaries to the holding in the case this would result to a decrease of local solvency ratios below 100%.

As from Q2 2018, Ageas derecognised these non-transferable Own Funds following the fact that in June 2018, ageas SA/NV has received a reinsurance license from the National Bank of Belgium. This license will allow the holding to enter into internal reinsurance transactions with the subsidiaries of Ageas which increases risk and capital fungibility for the Group.

Other non-transferable Own Funds, mainly relate to third party interests.

The written put option on AG Insurance shares held by BNP Paribas Fortis SA/NV matured on 30 June 2018, without being exercised (see note 15 Liabilities related to written put options NCI). The liability has been released under Solvency II at group level against available Own Funds.

As long as the put-option was recognised, Ageas reported as-if the Group owned 100% of AG Insurance. When the liability related to the put option was released, Ageas started to recognise non-transferable Own Funds related to the third party interest held by BNP Paribas Fortis. This resulted to an increase of the non-transferable amount.

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

	31 December 2018	31 December 2017
Market Risk	4,420.6	4,835.0
Counterparty Default Risk	351.3	333.8
Life Underwriting Risk	633.5	669.7
Health Underwriting Risk	347.8	382.3
Non-Life Underwriting Risk	718.4	697.3
Diversification between above mentioned risks	(1,395.0)	(1,428.1)
Non Diversifiable Risks	507.4	658.8
Loss-Absorption through Technical Provisions	(1,001.5)	(1,188.7)
Loss-Absorption through Deferred Taxes	(854.4)	(897.7)
Group Required Capital under Partial Internal Model (SCR) - (unaudited)	3,728.1	4,062.4
Impact of Non-Life Internal Model on Non-Life Underwriting Risk	364.2	359.3
Impact of Non-Life Internal Model on Diversification between risks	(198.4)	(209.3)
Impact of Non-Life Internal Model on Loss-Absorption through Deferred Taxes	7.1	8.3
Group Required Capital under the SII Standard Formula	3,901.0	4,220.7

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), the removal of transitional measures (with the exception of the grandfathering of issued hybrid debt and the extension of reporting deadlines) and an adjustment for the fair valuation of IAS19 reserves.

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 2018	31 December 2017
Group Partial Internal Model SCR	3,728.1	4,062.4
Exclude impact General Account	(78.4)	(74.3)
Insurance Partial Internal Model SCR	3,649.7	3,988.1
Impact of Real Estate Internal Model	(247.4)	(303.4)
Additional Spread Risk	143.2	273.9
Less Diversification	107.6	23.9
Less adjustment Technical Provision	(56.3)	(104.6)
Less Deferred Tax Loss Mitigation	54.9	56.2
SCR ageas	3,651.7	3,934.1

	31 December 2018	31 December 2017
Group Eligible Solvency II Own Funds under Partial Internal Model	8,059.0	7,744.1
Exclusion of General Account	(556.4)	(90.6)
Revaluation of Technical Provision	(314.4)	(161.1)
Recognition of Parking Concessions	208.0	212.4
Recalculation of Non Transferable	(4.2)	8.4
Insurance Eligible Solvency II ageas Own Funds	7,392.0	7,713.2

The differences in Own Funds and SCR between Partial Internal Model and SCR_{ageas} that are shown in the tables above, result in an increase of the Non Transferable Own Funds amounting to EUR 4 million (31 December 2017: decrease of EUR 8 million).

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

	31 December 2018			31 December 2017		
	Own Funds	SCR	Solvency Ratio	Own Funds	SCR	Solvency Ratio
Belgium	6,446.4	2,747.3	234.6%	6,858.7	2,890.3	237.3%
UK	820.1	490.3	167.3%	761.7	517.5	147.2%
Continental Europe	1,036.3	581.3	178.3%	1,393.2	673.7	206.8%
Reinsurance	111.0	56.7	195.7%	116.6	48.0	242.9%
Non Transferable Own Funds/Diversification	(1,021.8)	(223.9)		(1,417.0)	(195.4)	
Total Insurance	7,392.0	3,651.7	202.2%	7,713.2	3,934.1	196.1%
Impact of the inclusion of the General Account	606.2	76.1		160.7	76.1	
Total Ageas	7,998.2	3,727.8	214.6%	7,873.9	4,010.2	196.3%

The Target capital ratio is set at 175% based on SCR_{ageas} at Insurance level.

07 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.

	2018	2017
Post-employment benefits - defined benefit plans - pensions	644.1	678.6
Post-employment benefits - defined benefit plans - other	132.2	130.0
Other long-term employee benefits	16.1	16.2
Termination benefits	5.1	7.8
Total net defined benefits liabilities (assets)	797.5	832.6

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	
	2018	2017	2018	2017
Present value of funded obligations	289.1	351.0		
Present value of unfunded obligations	642.6	645.8	132.2	130.0
Defined benefit obligation	931.7	996.8	132.2	130.0
Fair value of plan assets	(306.1)	(334.9)		
	625.6	661.9	132.2	130.0
Asset ceiling / minimum funding requirement	16.8	16.7		
Other amounts recognised in the statement of financial position	1.7			
Net defined benefit liabilities (assets)	644.1	678.6	132.2	130.0
Amounts in the statement of financial position:				
Defined benefit liabilities	666.6	678.6	132.2	130.0
Defined benefit assets	(22.6)			
Net defined benefit liabilities (assets)	644.1	678.6	132.2	130.0

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 (2018: EUR 485.3 million; 2017: EUR 468.7 million), resulting in a net liability of EUR 158.8 million in 2018 (2017: EUR 209.9 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	
	2018	2017	2018	2017
Net defined benefit liabilities (assets) as at 1 January	678.6	654.2	130.0	122.1
Total defined benefit expense	49.4	48.3	4.7	6.8
Employer's contributions	(5.0)	(3.8)		
Participants' contributions paid to the employer	1.9	1.8		
Benefits directly paid by the employer	(34.7)	(33.0)	(2.7)	(2.6)
Acquisitions and disposals of subsidiaries	0.7	(0.1)		(2.9)
Transfer	(2.5)	12.7		
Foreign exchange differences	(0.1)			
Other	0.3	3.0		(0.7)
Remeasurement	(44.5)	(4.5)	0.2	7.3
Net defined benefit liabilities (assets) as at 31 December	644.1	678.6	132.2	130.0

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

	Defined benefit pension plans		Other post-employment benefits	
	2018	2017	2018	2017
Defined benefit obligation as at 1 January	996.8	958.4	130.0	122.1
Current service cost	50.6	41.1	3.3	3.8
Interest cost	13.3	16.2	2.1	2.2
Past service cost - vested and non-vested benefits	0.9	1.0	(0.5)	0.8
Curtailments	(9.2)	(0.6)	(0.2)	
Remeasurement	(52.7)	13.0	0.2	7.3
Participants' contributions	0.4	0.3		
Participants' contributions paid to the employer	1.9	1.8		
Benefits paid	(19.3)	(10.9)		
Benefits directly paid by the employer	(34.7)	(33.0)	(2.7)	(2.6)
Acquisitions and disposals of subsidiaries	3.0	(0.1)		(2.9)
Transfer	(15.2)	14.5		
Foreign exchange differences	(1.8)	(7.3)		
Other	(2.3)	2.4		(0.7)
Defined benefit obligation as at 31 December	931.7	996.8	132.2	130.0

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

Defined benefit pension plans	2018	2017
Fair value of plan assets as at 1 January	334.9	318.3
Interest income	6.7	7.9
Remeasurement (return on plan assets, excluding effect of interest rate)	(10.4)	20.1
Employer's contributions	5.0	3.8
Participants' contributions	0.4	0.3
Benefits paid	(19.3)	(10.9)
Acquisitions and disposals of subsidiaries	4.4	
Transfer	(12.7)	1.8
Foreign exchange differences	(1.7)	(7.3)
Other	(1.2)	0.9
Fair value of plan assets as at 31 December	306.1	334.9

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

	2018	2017
Asset ceiling / minimum funding requirement as at 1 January	16.7	14.1
Interest cost	0.2	
Remeasurement	(2.2)	2.6
Settlements		
Acquisitions and disposals of subsidiaries	2.1	
Asset ceiling / minimum funding requirement as at 31 December	16.8	16.7

The asset ceiling relates to Ageas entities in Portugal.

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	
	2018	2017	2018	2017
Current service cost	50.6	41.1	3.3	3.8
Net interest cost	6.8	8.3	2.1	2.2
Past service cost - vested and non-vested benefits	0.9	1.0	(0.5)	0.8
Curtailments	(9.2)	(0.6)	(0.2)	
Other	0.3	(1.5)		
Total defined benefit expense	49.4	48.3	4.7	6.8

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	
	2018	2017	2018	2017
Return on plan assets, excluding effect of interest rate	10.4	(20.1)		
Remeasurement on asset ceiling / minimum funding requirement	(2.2)	2.6		
Actuarial (gains) losses with regard to:				
change in demographic assumptions	(19.0)	1.9		
change in financial assumptions	(38.0)	35.4	(2.9)	5.2
experience adjustments	4.3	(24.3)	3.1	2.1
Remeasurement on net defined liability (asset)	(44.5)	(4.5)	0.2	7.3

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.

2018	Defined benefit pension plans	Other post-employment benefits
Weighted average duration of defined benefit obligation	13.9	19.0

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

	Defined benefit pension plans				Other post-employment benefits			
	2018		2017		2018		2017	
	Low	High	Low	High	Low	High	Low	High
Discount rate	0.7%	1.7%	0.5%	1.4%	1.8%	1.8%	0.8%	1.7%
Future salary increases (price inflation included)	0.5%	4.8%	0.5%	4.8%				
Future pension increases (price inflation included)	1.5%	1.8%	0.0%	1.7%				
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 0.65% to 1.85%. The future salary increases varied in 2018 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	2018	2017
Discount rate	2.9%	2.5%
Future salary increases (price inflation included)	3.6%	3.6%
Future pension increases (price inflation included)	0.0%	0.0%

The eurozone represents 80% 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	
	2018	2017	2018	2017
Defined benefit obligation	931.7	996.8	132.2	130.0
Effect of changes in assumed discount rate:				
One-percent increase	(11.9%)	(13.8%)	(17.3%)	(17.7%)
One-percent decrease	14.8%	17.7%	23.5%	24.1%
Effect of changes in assumed future salary increase:				
One-percent increase	12.0%	12.3%		
One-percent decrease	(9.8%)	(7.1%)		
Effect of changes in assumed pension increase:				
One-percent increase	8.0%	9.3%		
One-percent decrease	(7.1%)	(8.0%)		

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 2018	2017
Defined benefit obligation	132.1	129.2
Effect of changes in assumed medical costs and trend rates:		
One-percent increase	23.9%	24.5%
One-percent decrease	(18.0%)	(18.5%)

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

	31 December 2018	%	31 December 2017	%
Equity securities	53.2	17.4%	64.4	19.2%
Debt securities	133.3	43.5%	113.7	33.9%
Insurance contracts	31.1	10.2%	43.2	12.9%
Real estate	43.9	14.3%	41.8	12.5%
Cash	5.8	1.9%	5.3	1.6%
Other	38.8	12.7%	66.5	19.9%
Total	306.1	100.0%	334.9	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 mix of the unqualified assets for pension obligations is as follows.

	31 December 2018	%	31 December 2017	%
Equity securities	23.8	4.9%	24.2	5.2%
Debt securities	388.0	79.9%	380.8	81.2%
Real estate	57.2	11.8%	61.1	13.0%
Convertible bonds	3.4	0.7%	2.8	0.6%
Cash	3.8	0.8%	(0.2)	0.0%
Total	485.4	100.0%	468.7	100.0%

The employer's contributions expected to be paid into post-employment benefit plans for the year ending 31 December 2018 are as follows.

	Defined benefit pension plans
Expected contribution next year to plan assets	4.4
Expected contribution next year to unqualified plan assets	30.1

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 11.7 million in 2018 (2017: EUR 13.1 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 (equal to 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).

	2018	2017
Defined benefit obligation	16.1	16.2
Net defined benefit liabilities (assets)	16.1	16.2

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

	2018	2017
Net liability as at 1 January	16.2	15.1
Total expense	0.6	1.7
Benefits directly paid by the employer	(0.7)	(0.6)
Net liability as at 31 December	16.1	16.2

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

		2018		2017
	Low	High	Low	High
Discount rate	0.89%	1.20%	0.80%	0.95%
Future salary increases	2.31%	4.10%	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).

	2018	2017
Current service cost	1.1	1.0
Interest cost	0.1	0.2
Net actuarial losses (gains) recognised immediately	(0.6)	0.5
Total expense	0.6	1.7

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).

	2018	2017
Defined benefit obligation	5.1	7.8
Net defined benefit liabilities (assets)	5.1	7.8

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

	2018	2017
Net liability as at 1 January	7.8	8.7
Total expense	1.9	3.8
Benefits directly paid by the employer	(4.6)	(4.7)
Net liability as at 31 December	5.1	7.8

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).

	2018	2017
Current service cost	2.4	3.9
Net actuarial losses (gains) recognised immediately	(0.5)	(0.1)
Total expense	1.9	3.8

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;
- Restricted shares;
- Share-linked incentives.

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.

In 2018, all option plans lapsed and no new option plans have been launched. The following option plan was outstanding as at 31 December 2017 (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		

In 2017 the average duration of the options outstanding at year end was 0.2 years. The changes in outstanding options are as follows.

	Number of options	2018 Weighted average exercise price	Number of options	2017 Weighted average exercise price
Balance as at 1 January	479,690	154.32	969,877	217.94
Lapsed	(479,690)		(490,187)	
Balance as at 31 December			479,690	154.32
On new Ageas shares			479,690	

As per 31 December 2018 there are no outstanding options.

In 2018 and 2017, 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 2018 and 2017 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, Ageas created a restricted share programme for its senior management. Dependent on the relative performance of the Ageas share in relation to a peer group over the period of the following three years and some additional conditions, the senior managers will be awarded, in total:

- between zero and 154,440 existing Ageas shares for free on 1 April 2018 (plan 2015).

In 2018, Ageas recorded EUR 8.7 million with respect to these commitments as staff expenses (2017: EUR 5.4 million).

The grant of the restricted shares for 2015 was confirmed early 2018 and amounts to 200% of the shares conditionally granted, totalling 143,880 Ageas shares. These shares vested in April 2018.

In addition to these plans, 71,870 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)	2018	2017
Number of restricted shares committed to be granted as at 1 January	144	274
Restricted shares vested	(144)	(126)
Restricted shares cancelled		(4)
Number of restricted shares committed to be granted as at 31 December		144

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

(number of shares in '000)	2018	2017
Number of restricted shares committed to be granted as at 1 January	82	136
Restricted shares committed to grant and granted	73	
Restricted shares vested		(54)
Number of restricted shares committed to be granted as at 31 December	155	82

7.2.3 Share-linked incentives

In 2016, 2017 and 2018 Ageas launched a share-linked incentive plan for its senior management. Dependent on the relative performance of the Ageas share in relation to a peer group over a period of the three years following the launch of each of the plans and some additional conditions, the senior managers will be awarded a cash payment equal to a value:

- between 0 and the value of 129,150 Ageas shares on 1 April 2019 (plan 2016).
- between 0 and the value of 141,840 Ageas shares on 1 April 2020 (plan 2017).
- between 0 and the value of 129,580 Ageas shares on 1 April 2021 (plan 2018).

The liability of these cash- settled transactions is determined at fair value at each reporting date.

7.3 Remuneration of the Board of Directors and Executive Committee members

This section of the report sets out how Ageas has implemented its Remuneration Policy in 2018 and how it will be applied in 2019. It contains detailed information on the remuneration of individual Board Members and Executive Committee members who held office during 2018.

The Remuneration Policy 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 2018

The Board of Directors currently consists of fourteen 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 and Sonali Chandmal as Non-Executive Directors and, Bart De Smet (CEO), Christophe Boizard (CFO), Filip Coremans (CRO) and Antonio Cano (COO) as Executive Directors

Sonali Chandmal was appointed as new independent Board member in May 2018.

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 Vice-Chairman of the Board of Muang Thai Group Holding Company Ltd. (Thailand) and of Muang Thai Life Assurance Public Company Ltd. (Thailand).

Jane Murphy is 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 tables below.

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 May 2018. These remuneration levels consist of a fixed annual remuneration and an attendance fee. The fixed annual remuneration amounts to EUR 120,000 for the Chairman and EUR 60,000 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.

In accordance with the current 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

Total remuneration of Non-Executive Board Members amounted to EUR 1.37 million in the 2018 financial year (2017: EUR 1.26 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

The remuneration received by Board of Directors Members in 2018 is mentioned in the table below. The number of Ageas shares held by Board Members at 31 December 2018 is reported in the same table.

	Function	From	Till	Remuneration in 2018 (in EUR) as Board Member of Ageas [1) 3)]		Ageas shares directly held at 31 December 2018 by current Board Members	
Jozef De Mey	Chairman	1 Jan 2018	31 Dec 2018	159,000		20,000	
Guy de Selliers de Moranville	Vice-chairman	1 Jan 2018	31 Dec 2018	101,500		264,333	5)
Lionel Perl	Non-executive Board member	1 Jan 2018	31 Dec 2018	94,500			
Jan Zegering Hadders	Non-executive Board member	1 Jan 2018	31 Dec 2018	99,500			
Jane Murphy	Non-executive Board member	1 Jan 2018	31 Dec 2018	94,000			
Richard Jackson	Non-executive Board member	1 Jan 2018	31 Dec 2018	91,000			
Lucrezia Reichlin	Non-executive Board member	1 Jan 2018	31 Dec 2018	80,000			
Katleen Vandeweyer	Non-executive Board member	1 Jan 2018	31 Dec 2018	85,000			
Yvonne Lang Ketterer	Non-executive Board member	1 Jan 2018	31 Dec 2018	91,000			
Sonali Chandmai	Non-executive Board member	16 May 2018	31 Dec 2018	52,000			
Bart De Smet	Chief Executive Officer (CEO)	1 Jan 2018	31 Dec 2018	See infra	2)	20,457	4)
Christophe Boizard	Chief Financial Officer (CFO)	1 Jan 2018	31 Dec 2018	See infra	2)	16,366	4)
Filip Coremans	Chief Risk Officer (CRO)	1 Jan 2018	31 Dec 2018	See infra	2)	3,610	4)
Antonio Cano	Chief Operating Officer (COO)	1 Jan 2018	31 Dec 2018	See infra	2)	7,476	4)
Total				947,500		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 2018 for their mandates at subsidiaries of Ageas is mentioned in the table below.

	From	Till	Total Remuneration in 2018 (in EUR) as member of the Board of Directors of Ageas subsidiaries [2)]	
Jozef De Mey	1 Jan 2018	31 Dec 2018	156,292	
Guy de Selliers de Moranville	1 Jan 2018	31 Dec 2018	65,000	
Lionel Perl	1 Jan 2018	31 Dec 2018	51,755	
Jan Zegering Hadders	1 Jan 2018	31 Dec 2018	57,500	
Jane Murphy	1 Jan 2018	31 Dec 2018	51,849	3)
Richard Jackson	1 Jan 2018	31 Dec 2018	45,000	3)
Lucrezia Reichlin	1 Jan 2018	31 Dec 2018		
Katleen Vandeweyer	1 Jan 2018	31 Dec 2018		
Yvonne Lang Ketterer	1 Jan 2018	31 Dec 2018		
Sonali Chandmai	16 May 2018	31 Dec 2018		
Bart De Smet	1 Jan 2018	31 Dec 2018	See infra	1)
Christophe Boizard	1 Jan 2018	31 Dec 2018	See infra	1)
Filip Coremans	1 Jan 2018	31 Dec 2018	See infra	1)
Antonio Cano	1 Jan 2018	31 Dec 2018	See infra	1)
Total			427,396	

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.
3) Partly paid in 2019.

7.3.2 Remuneration of Ageas Executive Committee Members

At 31 December 2018, 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 2018, the total cash remuneration including pension contributions and fringe benefits of the Executive Committee amounted to EUR 4,317,232 compared to EUR 4,400,710 in 2017. This comprised:

- a base remuneration of EUR 2,000,000 (compared to EUR 2,000,000 in 2017);
- a short-term incentive (STI) of EUR 1,159,653 in 2018 (compared to EUR 1,394,776 in 2017). In line with the Remuneration Policy, only 50% of the short-term incentive for 2016 was paid in 2017, 25% was adjusted and paid in 2018, the remainder is to be adjusted and paid in 2019. Additionally, only 50% of the short-term incentive for 2017 was paid in 2018, the remainder is to be adjusted and paid in 2019 and 2020. The STI for the 2018 financial year will be paid partly in 2019, 2020 and 2021;
- pension costs of EUR 848,694 (excluding taxes) (compared to EUR 701,487 in 2017);
- an amount of EUR 308,886 (compared to EUR 304,447 in 2017) representing other usual benefits, such as health, death, disability cover and company car;
- no termination compensation was paid in 2018.

Taking into account the Ageas business score over 2018, the long-term incentive (LTI) is granted at 100% of the target, this resulted in a conditional granting of 21,356 shares (based on a VWAP of EUR 42.1438 over the month of February 2019) for a total amount of EUR 900,000 (compared to 2017 when 43,718 shares were conditionally granted) . These shares are blocked until 2024 and the number of shares can be adjusted taking into account the relative TSR (Total Shareholder Return) 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 Executive Committee Members in 2018

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, upon the recommendation of the Remuneration Committee and in accordance with the Remuneration Policy.

Bart De Smet's remuneration in 2018 was comprised of:

- a base remuneration of EUR 650,000, unchanged in comparison to 2017;
- a short-term incentive of EUR 356,850 In line with the Remuneration Policy, he will be paid EUR 395,919 in 2019 of which:
  - EUR 178,425 corresponding to 50% of the STI of EUR 356,850 is related to the 2018 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 116,231 corresponding to 25% of the STI for the 2017 financial year, after downward revision of the initial amount of EUR 141,538 taking into account the 2018 result. The rest will be paid next year, subject to – upward or downward – revision, and;
  - EUR 101,263 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 and 2018 results;
- an amount of EUR 283,484 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 85,862 representing other usual benefits such as health, death, disability cover and company car;
- The LTI-plan was granted at 100% of the target which resulted in a grant of 6,941 shares for an amount of EUR 292,500. This in comparison to 2017 when 14,033 shares were conditionally granted.

Other members of the Executive Committee

In 2018, the remuneration of Christophe Boizard, CFO comprised:

- a base remuneration of EUR 450,000, unchanged in comparison to 2017;
- a short-term incentive of EUR 226,800. In line with the Remuneration Policy, he will be paid EUR 249,962 during 2019 of which:
  - EUR 113,400 corresponding to 50% of the STI of EUR 226,800 is related to the 2018 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 72,532, corresponding to 25% of the STI for the 2017 financial year, after downward revision of the initial amount of EUR 90,057 taking into account the 2018 result. The rest will be paid next year subject to – upward or downward – revision;
  - EUR 64,030 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 and 2018 results;
- an amount of EUR 191,522 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 90,981 representing other usual benefits such as health, death, disability cover and company car;
- The LTI-plan was granted at 100% of the target which resulted in a grant of 4,805 shares for an amount of EUR 202,500. This in comparison to 2017 when 9,715 shares were conditionally granted.

In 2018, the remuneration of Filip Coremans, CRO comprised:

- a base remuneration of EUR 450,000, unchanged in comparison to 2017;
- a short-term incentive of EUR 234,225. In line with the Remuneration Policy, he will be paid EUR 260,935 during 2019 of which:
  - EUR 117,113 corresponding to 50% of the STI of EUR 234,225 related to the 2018 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 76,585 corresponding to 25% of the STI for the 2017 financial year, after downward revision of the initial amount of EUR 94,107 taking into account the 2018 result. The rest will be paid next year subject to – upward or downward – revision;
  - EUR 67,237 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 and 2018 result;
- an amount of EUR 194,251 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 63,337 representing other usual benefits such as health, death, disability cover and company car.
- The LTI-plan was granted at 100% of the target which resulted in a grant of 4,805 shares for an amount of EUR 202,500. This in comparison to 2017 when 9,715 shares were conditionally granted.

In 2018, the remuneration of Antonio Cano, COO comprised:

- a base remuneration of EUR 450,000, unchanged in comparison to 2017;
- a short-term incentive of EUR 229,500. In line with the Remuneration Policy, he will be paid EUR 252,837 during 2019 of which:
  - EUR 114,750 corresponding to 50% of the STI of EUR 229,500 is related to the 2018 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 73,885 corresponding to 25% of the STI for the 2017 financial year, after downward revision of the initial amount of EUR 91,407 taking into account the 2018 result. The rest will be paid next year, subject to – upward or downward – revision;
  - EUR 64,202, 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 and 2018 result;
- an amount of EUR 179,437 (excluding taxes) representing the costs of the defined contribution pension plan;
- an amount of EUR 68,706 representing other usual benefits such as health, death, disability cover and company car;
- The LTI-plan was granted at 100% of the target which resulted in a grant of 4,805 shares for an amount of EUR 202,500. This in comparison to 2017 when 9,715 shares were conditionally granted.

Long-term incentive

As mentioned above, the LTI-plan was granted at 100% of the target which resulted in a grant of 21,356 shares for an amount of EUR 900,000. This in comparison to 2017 when 43,718 shares were conditionally granted.. 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 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	Number of shares committed to be granted for 2018
Bart De Smet		15,084		14,033	6,941
Christophe Boizard		11,805		9,715	4,805
Filip Coremans		11,149		9,715	4,805
Antonio Cano		8,230		9,715	4,805
Total		46,268		43,178	21,356

08

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 2018, 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 (indexated).

Management considers the transaction with Mr Guy de Selliers de Moranville to be concluded at arm's length.

There were no other changes in the related party transactions compared to year-end 2017.

The tables below show the items in the income statement and statement of financial position in which amounts for related parties are included. For both 2018 and 2017, Ageas had only related party transactions with associates.

		2018		2017
	Associates	Total	Associates	Total
Income statement - related parties				
Interest income	9.3	9.3	14.6	14.6
Fee and commission income	7.6	7.6	12.7	12.7
Other income	2.8	2.8	1.9	1.9
Fee and commission expenses	(29.5)	(29.5)	(28.5)	(28.5)

		2018		2017
	Associates	Total	Associates	Total
Statement of financial position - related parties				
Financial Investments	84.6	84.6	86.0	86.0
Loans	347.5	347.5	249.0	249.0
Other assets	6.1	6.1	9.2	9.2
Debt certificates, subordinated liabilities and other borrowings	2.9	2.9	2.9	2.9
Other liabilities	2.9	2.9	3.9	3.9

The changes in Loans to related parties during the year ended 31 December are as follows.

	2018	2017
Related party loans as at 1 January	249.0	352.3
Additions or advances	113.2	105.7
Repayments	(14.7)	(209.0)
Related party loans as at 31 December	347.5	249.0

09 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; and
- 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 6.1 billion in 2018. Some 67% 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.

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 three markets: Portugal, France and Turkey. The product range includes Life (in Portugal and France) and Non-life (in Portugal and Turkey). Access to markets is facilitated by a number of key partnerships with companies having a sizeable position in their respective markets.

In 2018, about 73% of total inflows were Life related and the remainder was Non-life related.

In the fourth quarter of 2018, Ageas sold its equity associate in life insurance business in Luxembourg.

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.

9.6 Reinsurance

Intreas is the internal Non-life reinsurer of Ageas, established in 2015 with the aim to optimise Ageas' 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.

In June 2018, ageas SA/NV received a license from the National Bank of Belgium to start reinsurance activities. For Group reporting purposes, the reinsurance activities of ageas SA/NV are reported in the Reinsurance Segment (together with Intreas) while the existing activities remain in the General Account segment. The Reinsurance activities of ageas SA/NV are included in the consolidation scope of Ageas Group as from August 2018.

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 and the liability related to RPN(I).

9.8 Statement of financial position by operating segment

31 December 2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Assets										
Cash and cash equivalents	790.4	200.0	563.8	3.1	5.4		1,562.7	1,362.1		2,924.8
Financial investments	49,443.9	2,094.5	9,782.9		119.1		61,440.4	4.4	(2.2)	61,442.6
Investment property	2,564.0	23.5	139.8				2,727.3			2,727.3
Loans	9,298.4	53.4	85.8				9,437.6	1,011.1	(660.2)	9,788.5
Investments related to unit-linked contracts	8,160.7		7,348.6				15,509.3			15,509.3
Investments in associates	528.5	92.7	84.0	2,357.0			3,062.2	10.3	(1.5)	3,071.0
Reinsurance and other receivables	772.6	783.2	225.0	0.3	17.3	(29.4)	1,769.0	79.0	(4.9)	1,843.1
Current tax assets	28.8	0.5	34.9				64.2			64.2
Deferred tax assets	18.1	47.4	74.1				139.6			139.6
Accrued interest and other assets	1,374.1	262.3	191.0	0.3	12.8	(8.0)	1,832.5	97.9	(93.3)	1,837.1
Property, plant and equipment	1,163.3	49.8	20.4				1,233.5	1.1		1,234.6
Goodwill and other intangible assets	411.0	239.2	446.9				1,097.1			1,097.1
Assets held for sale	7.1						7.1			7.1
Total assets	74,560.9	3,846.5	18,997.2	2,360.7	154.6	(37.4)	99,882.5	2,565.9	(762.1)	101,686.3
Liabilities										
Liabilities arising from Life insurance contracts	23,519.6		3,477.1				26,996.7		(9.2)	26,987.5
Liabilities arising from Life investment contracts	25,576.8		5,283.3				30,860.1			30,860.1
Liabilities related to unit-linked contracts	8,160.7		7,350.4				15,511.1			15,511.1
Liabilities arising from Non-life insurance contracts	3,997.8	2,559.5	862.4		29.4	(24.5)	7,424.6			7,424.6
Subordinated liabilities	1,326.2	194.0	175.0				1,695.2	1,250.0	(660.2)	2,285.0
Borrowings	2,131.3	0.2	63.4			(10.7)	2,184.2			2,184.2
Current tax liabilities	28.9	3.2	1.0				33.1	2.6		35.7
Deferred tax liabilities	960.0	0.5	70.1				1,030.6	9.0		1,039.6
RPN(I)								358.9		358.9
Accrued interest and other liabilities	1,942.6	171.5	309.2	6.8	9.5	(2.2)	2,437.4	120.6	(80.9)	2,477.1
Provisions	27.8	21.8	7.9				57.5	829.6		887.1
Liabilities related to written put options on NCI	108.9						108.9			108.9
Liabilities related to assets held for sale	6.9						6.9			6.9
Total liabilities	67,787.5	2,950.7	17,599.8	6.8	38.9	(37.4)	88,346.3	2,570.7	(750.3)	90,166.7
Shareholders' equity	4,843.0	895.8	1,219.7	2,353.9	115.7	0.4	9,428.5	(4.8)	(12.3)	9,411.4
Non-controlling interests	1,930.4		177.7			(0.4)	2,107.7		0.5	2,108.2
Total equity	6,773.4	895.8	1,397.4	2,353.9	115.7		11,536.2	(4.8)	(11.8)	11,519.6
Total liabilities and equity	74,560.9	3,846.5	18,997.2	2,360.7	154.6	(37.4)	99,882.5	2,565.9	(762.1)	101,686.3
Number of employees	6,368	2,914	1,503	69	4		10,858	151		11,009

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

9.9 Income statement by operating segment

2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*5,348.0*	*1,388.4*	*2,122.6*		*61.1*	*(58.8)*	*8,861.3*		*(1.3)*	*8,860.0*
- *Change in unearned premiums*	*3.9*	*60.1*	*(11.1)*				*52.9*			*52.9*
- *Ceded earned premiums*	*(65.9)*	*(128.1)*	*(101.9)*		*(27.6)*	*56.9*	*(266.6)*			*(266.6)*
Net earned premiums	5,286.0	1,320.4	2,009.6		33.5	(1.9)	8,647.6		(1.3)	8,646.3
Interest, dividend and other investment income	2,405.5	52.0	209.8		1.8		2,669.1	33.4	(32.0)	2,670.5
Unrealised gain (loss) on RPN(I)								*89.1*		89.1
Result on sales and revaluations	240.1	3.6	48.6	(0.1)			292.2	22.7		314.9
Income related to investments for unit-linked contracts	(478.3)		(174.6)				(652.9)			(652.9)
Share in result of associates	19.9	11.2	22.0	196.7			249.8	1.7		251.5
Fee and commission income	168.7	16.7	114.5			(3.4)	296.5			296.5
Other income	162.7	39.6	17.0	3.2		(0.9)	221.6	5.6	(16.4)	210.8
Total income	7,804.6	1,443.5	2,246.9	199.8	35.3	(6.2)	11,723.9	152.5	(49.7)	11,826.7
Expenses										
- *Insurance claims and benefits, gross*	*(5,311.4)*	*(768.2)*	*(1,820.3)*		*(21.4)*	*14.9*	*(7,906.4)*		*1.8*	*(7,904.6)*
- *Insurance claims and benefits, ceded*	*17.7*	*(26.5)*	*43.6*		*1.6*	*(14.9)*	*21.5*			*21.5*
Insurance claims and benefits, net	*(5,293.7)*	*(794.7)*	*(1,776.7)*		*(19.8)*		*(7,884.9)*		*1.8*	(7,883.1)
Charges related to unit-linked contracts	440.6		147.6				588.2			588.2
Financing costs	(97.4)	(10.8)	(16.1)				(124.3)	(29.6)	31.4	(122.5)
Change in impairments	(129.9)		(4.7)				(134.6)			(134.6)
Change in provisions	(6.1)		(0.7)				(6.8)	(3.5)		(10.3)
Fee and commission expenses	(632.5)	(247.1)	(165.8)		(5.4)	3.3	(1,047.5)			(1,047.5)
Staff expenses	(537.4)	(149.3)	(71.3)	(20.6)			(778.6)	(30.7)		(809.3)
Other expenses	(800.2)	(134.5)	(168.4)	(9.6)	(2.5)	2.9	(1,112.3)	(62.0)	16.4	(1,157.9)
Total expenses	(7,056.6)	(1,336.4)	(2,056.1)	(30.2)	(27.7)	6.2	(10,500.8)	(125.8)	49.6	(10,577.0)
Result before taxation	748.0	107.1	190.8	169.6	7.6		1,223.1	26.7	(0.1)	1,249.7
Tax income (expenses)	(175.2)	(20.4)	(42.8)				(238.4)	(14.4)		(252.8)
Net result for the period	572.8	86.7	148.0	169.6	7.6		984.7	12.3	(0.1)	996.9
Attributable to non-controlling interests	157.5		30.3				187.8			187.8
Net result attributable to shareholders	415.3	86.7	117.7	169.6	7.6		796.9	12.3	(0.1)	809.1
Total income from external customers	7,816.4	1,461.2	2,259.1	199.7			11,736.4	90.3		11,826.7
Total income internal	(11.8)	(17.7)	(12.2)	0.1	35.3	(6.2)	(12.5)	62.2	(49.7)	
Total income	7,804.6	1,443.5	2,246.9	199.8	35.3	(6.2)	11,723.9	152.5	(49.7)	11,826.7
Non-cash expenses (excl. depreciation & amortisation)								(3.5)		(3.5)

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

2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	5,348.0	1,388.4	2,122.6		61.1	(58.8)	8,861.3		(1.3)	8,860.0
Inflow deposit accounting	798.1		403.2				1,201.3			1,201.3
Gross inflow	6,146.1	1,388.4	2,525.8		61.1	(58.8)	10,062.6		(1.3)	10,061.3

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)*
	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

9.10 Statement of financial position split into Life and Non-life

31 December 2018	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Assets							
Cash and cash equivalents	1,073.3	489.4		1,562.7	1,362.1		2,924.8
Financial investments	54,251.5	7,188.9		61,440.4	4.4	(2.2)	61,442.6
Investment property	2,451.2	276.1		2,727.3			2,727.3
Loans	8,420.7	1,054.4	(37.5)	9,437.6	1,011.1	(660.2)	9,788.5
Investments related to unit-linked contracts	15,509.3			15,509.3			15,509.3
Investments in associates	2,635.5	426.7		3,062.2	10.3	(1.5)	3,071.0
Reinsurance and other receivables	419.5	1,737.7	(388.2)	1,769.0	79.0	(4.9)	1,843.1
Current tax assets	31.8	32.3	0.1	64.2			64.2
Deferred tax assets	48.3	91.3		139.6			139.6
Accrued interest and other assets	1,533.9	306.4	(7.8)	1,832.5	97.9	(93.3)	1,837.1
Property, plant and equipment	993.7	239.9	(0.1)	1,233.5	1.1		1,234.6
Goodwill and other intangible assets	809.4	287.6	0.1	1,097.1			1,097.1
Assets held for sale	5.6	1.6	(0.1)	7.1			7.1
Total assets	88,183.7	12,132.3	(433.5)	99,882.5	2,565.9	(762.1)	101,686.3
Liabilities							
Liabilities arising from Life insurance contracts	26,996.7			26,996.7		(9.2)	26,987.5
Liabilities arising from Life investment contracts	30,860.1			30,860.1			30,860.1
Liabilities related to unit-linked contracts	15,511.1			15,511.1			15,511.1
Liabilities arising from Non-life insurance contracts		7,449.1	(24.5)	7,424.6			7,424.6
Subordinated liabilities	1,210.0	522.6	(37.4)	1,695.2	1,250.0	(660.2)	2,285.0
Borrowings	1,963.9	231.1	(10.8)	2,184.2			2,184.2
Current tax liabilities	18.9	14.2		33.1	2.6		35.7
Deferred tax liabilities	856.0	174.7	(0.1)	1,030.6	9.0		1,039.6
RPN(I)					358.9		358.9
Accrued interest and other liabilities	1,967.2	830.3	(360.1)	2,437.4	120.6	(80.9)	2,477.1
Provisions	23.5	34.0		57.5	829.6		887.1
Liabilities related to written put options on NCI	85.0	23.9		108.9			108.9
Liabilities related to assets held for sale	6.2	0.7		6.9			6.9
Total liabilities	79,498.6	9,280.6	(432.9)	88,346.3	2,570.7	(750.3)	90,166.7
Shareholders' equity	6,746.7	2,682.4	(0.6)	9,428.5	(4.8)	(12.3)	9,411.4
Non-controlling interests	1,938.4	169.3		2,107.7		0.5	2,108.2
Total equity	8,685.1	2,851.7	(0.6)	11,536.2	(4.8)	(11.8)	11,519.6
Total liabilities and equity	88,183.7	12,132.3	(433.5)	99,882.5	2,565.9	(762.1)	101,686.3
Number of employees	4,109	6,749		10,858	151		11,009

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

9.11 Income statement split into Life and Non-life

2018	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income							
- *Gross premium income*	*4,794.0*	*4,067.4*	*(0.1)*	*8,861.3*		*(1.3)*	*8,860.0*
- *Change in unearned premiums*		*52.9*		*52.9*			*52.9*
- *Ceded earned premiums*	*(36.6)*	*(230.0)*		*(266.6)*			*(266.6)*
Net earned premiums	4,757.4	3,890.3	(0.1)	8,647.6		(1.3)	8,646.3
Interest, dividend and other investment income	2,375.2	310.3	(16.4)	2,669.1	33.4	(32.0)	2,670.5
Unrealised gain (loss) on RPN(I)					89.1		89.1
Result on sales and revaluations	260.2	32.0		292.2	22.7		314.9
Income related to investments for unit-linked contracts	(652.9)			(652.9)			(652.9)
Share in result of associates	206.6	43.2		249.8	1.7		251.5
Fee and commission income	263.4	33.1		296.5			296.5
Other income	131.8	90.3	(0.5)	221.6	5.6	(16.4)	210.8
Total income	7,341.7	4,399.2	(17.0)	11,723.9	152.5	(49.7)	11,826.7
Expenses							
- *Insurance claims and benefits, gross*	*(5,590.0)*	*(2,316.4)*		*(7,906.4)*		*1.8*	*(7,904.6)*
- *Insurance claims and benefits, ceded*	*19.5*	*2.0*		*21.5*			*21.5*
Insurance claims and benefits, net	(5,570.5)	(2,314.4)		(7,884.9)		1.8	(7,883.1)
Charges related to unit-linked contracts	588.2			588.2			588.2
Financing costs	(89.6)	(35.7)	1.0	(124.3)	(29.6)	31.4	(122.5)
Change in impairments	(122.4)	(12.2)		(134.6)			(134.6)
Change in provisions	(4.5)	(2.3)		(6.8)	(3.5)		(10.3)
Fee and commission expenses	(334.8)	(712.7)		(1,047.5)			(1,047.5)
Staff expenses	(384.8)	(393.8)		(778.6)	(30.7)		(809.3)
Other expenses	(636.8)	(491.3)	15.8	(1,112.3)	(62.0)	16.4	(1,157.9)
Total expenses	(6,555.2)	(3,962.4)	16.8	(10,500.8)	(125.8)	49.6	(10,577.0)
Result before taxation	786.5	436.8	(0.2)	1,223.1	26.7	(0.1)	1,249.7
Tax income (expenses)	(138.2)	(100.3)	0.1	(238.4)	(14.4)		(252.8)
Net result for the period	648.3	336.5	(0.1)	984.7	12.3	(0.1)	996.9
Attributable to non-controlling interests	140.3	47.5		187.8			187.8
Net result attributable to shareholders	508.0	289.0	(0.1)	796.9	12.3	(0.1)	809.1
Total income from external customers	7,316.7	4,396.1	23.6	11,736.4	90.3		11,826.7
Total income internal	25.0	3.1	(40.6)	(12.5)	62.2	(49.7)	
Total income	7,341.7	4,399.2	(17.0)	11,723.9	152.5	(49.7)	11,826.7
Non-cash expenses (excl. depreciation & amortisation)					(3.5)		(3.5)

Gross inflow (sum of gross written premiums and premium inflow of investment contracts without Discretionary Participation Features) can be presented as follows.

2018	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	4,794.0	4,067.4	(0.1)	8,861.3		(1.3)	8,860.0
Inflow deposit accounting	1,201.3			1,201.3			1,201.3
Gross inflow	5,995.3	4,067.4	(0.1)	10,062.6		(1.3)	10,061.3

2017	Life	Non-life	Insurance Eliminations	Total Insurance	General Account	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	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

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.

2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	4,146.0		1,849.2			0.1	5,995.3			5,995.3
Gross inflow Non-life	2,000.1	1,388.4	676.6		61.1	(58.8)	4,067.4		(1.3)	4,066.1
Operating costs	(571.6)	(224.0)	(176.3)		(2.5)	0.1	(974.3)			(974.3)
- *Guaranteed products*	*406.2*		*87.9*				*494.1*			*494.1*
- *Unit linked products*	*32.0*		*6.9*				*38.9*			*38.9*
Life operating result	438.2		94.8				533.0			533.0
- *Accident & Health*	*46.8*	*(2.4)*	*43.9*		*0.9*		*89.2*			*89.2*
- *Motor*	*81.4*	*92.2*	*(1.8)*		*0.4*		*172.2*			*172.2*
- *Fire and other damage to property*	*39.3*	*(0.6)*	*14.1*		*3.4*		*56.2*			*56.2*
- *Other*	*55.2*	*3.4*	*(1.3)*		*1.1*	*0.1*	*58.5*			*58.5*
Non-life operating result	222.7	92.6	54.9		5.8	0.1	376.1			376.1
Operating result	660.9	92.6	149.7		5.8	0.1	909.1			909.1
Share in result of associates non allocated		11.2	22.3	196.7			230.2	1.7	0.1	232.0
Other result, including brokerage	87.1	3.3	18.8	(27.1)	1.8	(0.1)	83.8	25.0	(0.2)	108.6
Result before taxation	748.0	107.1	190.8	169.6	7.6		1,223.1	26.7	(0.1)	1,249.7
Key performance indicators Life										
Net underwriting margin	0.01%		0.19%				0.05%			0.05%
Investment margin	0.78%		0.41%				0.69%			0.69%
Operating margin	0.79%		0.60%				0.74%			0.74%
- *Operating margin Guaranteed products*	*0.85%*		*1.08%*				*0.88%*			*0.88%*
- *Operating margin Unit linked products*	*0.40%*		*0.09%*				*0.25%*			*0.25%*
Life cost ratio in % of Life technical liabilities (annualised)	0.40%		0.39%				0.40%			0.40%
Key performance indicators Non-life										
Expense ratio	37.4%	36.6%	29.7%		23.5%		35.8%			35.8%
Claims ratio	56.0%	60.2%	62.7%		59.1%		58.5%			58.5%
Combined ratio	93.4%	96.8%	92.4%		82.6%		94.3%			94.3%
Operating margin	11.5%	7.0%	9.2%		17.4%		9.7%			9.7%
Technical Insurance liabilities	61,254.9	2,559.5	16,973.2		29.4	(24.5)	80,792.5		(9.2)	80,783.3

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

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.

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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 as at 31 December is as follows.

	31 December 2018	31 December 2017
Cash on hand	2.8	4.3
Due from banks	2,696.6	2,069.9
Other	225.4	478.1
Total cash and cash equivalents	2,924.8	2,552.3

11 Financial investments

The composition of financial investments is as follows.

	31 December 2018	31 December 2017
Financial investments		
- Held to maturity	4,505.5	4,559.5
- Available for sale	56,861.8	58,761.6
- Held at fair value through profit or loss	332.0	220.2
- Derivatives held for trading	9.9	35.8
Total, gross	61,709.2	63,577.1
Impairments:		
- of investments available for sale	(266.6)	(204.3)
Total impairments	(266.6)	(204.3)
Total	61,442.6	63,372.8

11.1 Investments held to maturity

	Government bonds	Corporate debt securities	Total
Investments held to maturity at 1 January 2017	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
Maturities	(49.7)		(49.7)
Sales	(5.9)		(5.9)
Amortisation	1.6		1.6
Investments held to maturity at 31 December 2018	4,505.5		4,505.5
Fair value at 31 December 2017	6,780.0		6,780.0
Fair value at 31 December 2018	6,455.3		6,455.3

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 which are based on counterparty quotes or models (level 3).

In the following table the government bonds classified as held to maturity as at 31 December are detailed by country of origin.

31 December 2018	Historical/ amortised cost	Fair value
Belgian national government	4,328.3	6,223.1
Portuguese national government	177.2	232.2
Total	4,505.5	6,455.3
31 December 2017		
Belgian national government	4,335.5	6,486.9
Portuguese national government	224.0	293.1
Total	4,559.5	6,780.0

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 2018	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,794.4	4,694.7	(81.1)	32,408.0		32,408.0
Corporate debt securities	18,749.8	1,050.3	(103.6)	19,696.5	(20.3)	19,676.2
Structured credit instruments	44.3	4.1		48.4		48.4
Available for sale investments in debt securities	46,588.5	5,749.1	(184.7)	52,152.9	(20.3)	52,132.6
Private equities and venture capital	66.6	16.0		82.6		82.6
Equity securities	4,282.2	440.5	(100.3)	4,622.4	(246.3)	4,376.1
Other investments	3.9			3.9		3.9
Available for sale investments in equity securities and other investments	4,352.7	456.5	(100.3)	4,708.9	(246.3)	4,462.6
Total investments available for sale	50,941.2	6,205.6	(285.0)	56,861.8	(266.6)	56,595.2

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

An amount of EUR 1,229.6 million of the investments available for sale has been pledged as collateral (2017: EUR 1,044.8 million) (see also note 22 Borrowings).

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.

31 December 2018	Level 1	Level 2	Level 3	Total
Government bonds	32,376.3	31.7		32,408.0
Corporate debt securities	18,460.8	733.7	481.7	19,676.2
Structured credit instruments	33.1	5.9	9.4	48.4
Equity securities, private equities and other investments	2,248.3	1,483.9	730.4	4,462.6
Total Investments available for sale	53,118.5	2,255.2	1,221.5	56,595.2

31 December 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

The changes in level 3 valuation are as follows.

	2018	2017
Balance as at 1 January	734.8	178.2
Maturity/redemption or repayment	(7.6)	(14.0)
Acquired	501.5	136.0
Proceeds from sales	(8.5)	(6.3)
Realised gains (losses)	5.3	0.4
Impairments		(1.2)
Unrealised gains (losses)	(4.0)	3.3
Transfers between valuation categories		438.4
Balance as at 31 December	1,221.5	734.8

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. We rely also on these quotes to a certain extent when valuing these instruments. 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 as at 31 December detailed by country of origin are as follows.

31 December 2018	Historical/ amortised cost	Gross unrealised gains (losses)	Fair value
Belgian national government	11,727.6	1,925.3	13,652.9
French national government	5,191.8	1,120.9	6,312.7
Austrian national government	2,181.0	442.1	2,623.1
Portuguese national government	2,132.9	282.5	2,415.4
Spanish national government	1,654.4	110.7	1,765.1
Italian national government	1,088.0	156.1	1,244.1
German national government	875.6	290.6	1,166.2
Dutch national government	471.0	76.2	547.2
Irish national government	507.2	36.4	543.6
British national government	446.2	3.8	450.0
Polish national government	299.1	52.2	351.3
Slovakian national government	208.2	37.4	245.6
Czech Republic national government	150.6	9.5	160.1
Finnish national government	117.8	23.7	141.5
US national government	20.2	(0.1)	20.1
Other national governments	722.8	46.3	769.1
Total	27,794.4	4,613.6	32,408.0

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
Dutch national government	532.1	73.1	605.2
Irish national government	609.0	54.1	663.1
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

There were no impairments on government bonds in 2018 and 2017.

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 2018	31 December 2017
Available for sale investments in debt securities:		
Carrying amount	52,132.6	53,699.8
Gross unrealised gains and losses	5,564.4	6,836.7
- Related tax	(1,433.3)	(1,760.9)
Shadow accounting	(1,697.9)	(2,797.4)
- Related tax	447.8	730.8
Net unrealised gains and losses	2,881.0	3,009.2

	31 December 2018	31 December 2017
Available for sale investments in equity securities and other investments:		
Carrying amount	4,462.6	4,857.5
Gross unrealised gains and losses	356.2	798.7
- Related tax	(34.0)	(63.7)
Shadow accounting	(132.5)	(304.8)
- Related tax	35.3	78.1
Net unrealised gains and losses	225.0	508.3

Impairments of investments available for sale

The following table shows the breakdown of impairments of investments available for sale.

	31 December 2018	31 December 2017
Impairments of investments available for sale:		
- debt securities	(20.3)	(20.4)
- equity securities and other investments	(246.3)	(183.9)
Total impairments of investments available for sale	(266.6)	(204.3)

The changes in impairments of investments available for sale are as follows.

	31 December 2018	31 December 2017
Balance as at 1 January	(204.3)	(219.9)
Acquisitions/divestments of subsidiaries		0.1
Increase in impairments	(90.6)	(14.3)
Reversal on sale/disposal	28.9	27.5
Foreign exchange differences and other adjustments	(0.6)	2.3
Balance as at 31 December	(266.6)	(204.3)

11.3 Investments held at fair value through profit or loss

The following table provides information as at 31 December about investments held at fair value, for which unrealised gains or losses are recorded through profit or loss.

	31 December 2018	31 December 2017
Government bonds	0.8	1.1
Corporate debt securities	189.7	107.8
Structured credit instruments	6.0	6.2
Debt securities	196.5	115.1
Other investments	135.5	105.1
Equity securities and other investments	135.5	105.1
Total investments held at fair value through profit or loss	332.0	220.2

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 an 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 2018 is EUR 197.3 million (31 December 2017: EUR 115.1 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.

31 December 2018	Level 1	Level 2	Level 3	Total
Government Bonds	0.8			0.8
Corporate debt securities	137.9	51.8		189.7
Structured credit instruments		6.0		6.0
Other investments		135.5		135.5
Total Investments held at fair value through profit or loss	138.7	193.3		332.0

31 December 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

11.4 Derivatives held for trading (assets)

The following table provides a breakdown of derivatives held for trading (assets).

	31 December 2018	31 December 2017
Over the counter (OTC)	9.9	35.8
Total derivatives held for trading (assets)	9.9	35.8

Derivatives held for trading mainly relate to interest rate and equity options and interest rate swaps. Derivatives held for trading in 2018 and 2017 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.

The following table shows the changes in investment property in the year ended 31 December.

	31 December 2018	31 December 2017
Investment property	2,752.3	2,691.3
Impairments of investment property	(25.0)	(42.2)
Total investment property	2,727.3	2,649.1

	2018	2017
Acquisition cost as at 1 January	3,447.3	3,581.3
Acquisitions/divestments of subsidiaries	72.0	(225.6)
Additions/purchases	64.6	151.2
Capital improvements	46.0	38.1
Disposals	(56.8)	(88.0)
Transfer from (to) property, plant and equipment		(12.7)
Foreign exchange differences	(0.2)	(0.9)
Other	(89.2)	3.9
Acquisition cost as at 31 December	3,483.7	3,447.3
Accumulated depreciation as at 1 January	(756.0)	(760.0)
Acquisitions/divestments of subsidiaries	32.0	66.4
Depreciation expense	(98.5)	(91.3)
Reversal of depreciation due to disposals	43.6	32.2
Transfer from (to) property, plant and equipment		0.3
Foreign exchange differences		
Other	47.5	(3.6)
Accumulated depreciation as at 31 December	(731.4)	(756.0)
Impairments as at 1 January	(42.2)	(48.8)
Acquisitions/disposals of subsidiaries	0.8	1.5
Increase in impairments charged to income statement	(4.1)	(3.5)
Reversal of impairments credited to income statement	0.2	1.1
Reversal of impairments due to disposals		7.5
Other	20.3	
Impairments as at 31 December	(25.0)	(42.2)
Net investment property as at 31 December	2,727.3	2,649.1
Cost of investment property under construction		158.4

As at 31 December 2018 and 31 December 2017, no property was pledged as collateral (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 a 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 2018	31 December 2017
Fair value supported by market evidence	132.6	228.0
Fair value subject to an independent valuation	3,902.4	3,570.6
Total fair value of investment property	4,035.0	3,798.6
Total carrying amount	2,727.3	2,649.1
Gross unrealised gains (losses)	1,307.7	1,149.5
Taxation	(321.4)	(284.8)
Net unrealised gains (losses) (not recognised in equity)	986.3	864.7

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:

	2018	2017
Less than 3 months	56.3	48.0
3 months to 1 year	151.8	163.5
1 year to 5 years	528.7	592.2
More than 5 years	654.6	644.2
Total	1,391.4	1,447.9

An amount of EUR 65.7 million in 2018 of the total minimum payments to be received from irrevocable lease agreements relates to property, plant and equipment (2017: EUR 65.7 million). The remainder relates to investment property.

13 Loans

The composition of loans is as follows.

	31 December 2018	31 December 2017
Government and official institutions	4,648.4	4,417.1
Commercial loans	2,690.2	2,172.8
Residential mortgages	1,178.0	1,221.7
Policyholder loans	347.0	303.9
Interest bearing deposits	420.0	735.7
Loans to banks	532.9	575.6
Total	9,816.5	9,426.8
Less impairments	(28.0)	(10.8)
Total Loans	9,788.5	9,416.0

13.1 Commercial loans

The composition of commercial loans is as follows.

	31 December 2018	31 December 2017
Real Estate	143.3	130.9
Infrastructure	895.3	669.0
Other	1,651.6	1,372.9
Total commercial loans	2,690.2	2,172.8

Ageas has granted credit lines for a total amount of EUR 1,080 million (31 December 2017: EUR 923 million).

13.2 Loans to banks

Loans to banks consist of the following.

	31 December 2018	31 December 2017
Loans and advances	503.2	541.9
Other	29.7	33.7
Total loans to banks	532.9	575.6

13.3 Collateral on loans

The following table provides details of collateral and guarantees received as security for loans.

Total credit exposure loans	2018	2017
Carrying Amount	9,788.5	9,416.0
Collateral received		
Financial instruments	339.7	333.6
Property, plant and equipment	2,104.2	2,079.8
Other collateral and guarantees	174.7	115.6
Collateral amounts in excess of credit exposure [1]	1,090.1	1,095.9
Unsecured exposure	8,260.0	7,982.9

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.

	2018		2017	
	Specific credit risk	IBNR	Specific credit risk	IBNR
Balance as at 1 January	9.9	0.8	10.5	0.8
Increase in impairments	21.0		1.1	
Release of impairments	(2.1)		(0.6)	
Write-offs of uncollectible loans	(1.6)		(1.1)	
Balance as at 31 December	27.2	0.8	9.9	0.8

The following table provides details of collateral and guarantees received as security for impaired loans.

Total impaired credit exposure on loans	2018	2017
Impaired outstanding	59.2	57.4
Collateral received		
Property, plant and equipment	49.9	94.2
Collateral and guarantees in excess of impaired credit exposure [1]	13.5	39.8
Unsecured exposure	22.8	3.0

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.

Cardif Luxembourg Vie was sold on 21 December 2018, more details can be found in note 3 Acquisitions and disposals.

		% interest	2018 Carrying amount	2017 Carrying amount
Associates				
Taiping Holdings	China	20.0% - 24.9%	1,150.9	845.1
Muang Thai Group Holding	Thailand	7.8% - 30.9%	685.1	710.5
Maybank Ageas Holding Berhad	Malaysia	31.0%	426.8	387.0
BG1	Belgium	50.0%	97.0	99.4
Tesco Insurance Ltd	UK	50.1%	92.7	102.8
Aksigorta	Turkey	36.0%	83.8	105.8
DTHP	Belgium	33.0%	82.0	83.3
East West Ageas Life	Philippines	50.0%	53.7	56.8
Evergreen	Belgium	35.7%	48.3	48.5
IDBI Federal Life Insurance	India	26.0%	26.6	26.1
Predirec	Belgium	29.5%	22.5	38.6
MB Ageas Life JSC	Vietnam	32.0%	11.4	10.0
Royal Park Investments	Belgium	44.7%	6.9	17.7
Cardif Lux Vie	Luxembourg	33.3%		143.7
Other			283.3	266.3
Total			3,071.0	2,941.6

The carrying value of Muang Thai Group Holding decreased in 2018 mainly due to unrealised losses. The carrying value of Taiping Holdings increased mainly due to unrealised gains.

The details of the associates are as follows.

2018	Total assets	Total liabilities	Equity	Ageas part	Total income	Total expenses	Net Result	Ageas part	Dividend received
Taiping Holdings	61,363.8	56,624.8	4,739.0	1,160.4	16,653.1	(16,284.7)	368.4	89.7	67.4
Muang Thai Group Holding	14,083.1	11,829.4	2,253.7	650.9	3,075.9	(2,837.8)	238.1	71.9	18.3
Maybank Ageas Holding Berhad	6,837.8	5,525.7	1,312.1	406.1	1,323.3	(1,185.4)	137.9	42.7	16.0
BG1	223.4	29.5	193.9	97.0	10.9	(8.6)	2.3	1.2	
Tesco Insurance Ltd	1,157.3	972.2	185.1	92.7	374.0	(351.6)	22.4	11.2	11.8
DTHP	909.4	661.0	248.4	82.0	63.2	(79.5)	(16.3)	(5.4)	
East West Ageas Life	137.1	30.1	107.0	53.5	21.9	(34.9)	(13.0)	(6.5)	
Evergreen	253.4	123.8	129.6	46.3	18.0	(11.9)	6.1	2.2	
Aksigorta	583.7	477.0	106.7	38.4	401.3	(363.9)	37.4	13.5	9.6
IDBI Federal Life Insurance	1,048.6	946.4	102.2	26.6	280.5	(270.2)	10.3	2.7	
Predirec	76.5		76.5	22.6	2.5		2.5	0.7	
MB Ageas Life JSC	72.9	37.3	35.6	11.4	49.7	(61.1)	(11.4)	(3.6)	
Royal Park Investments	16.7	1.3	15.4	6.9	6.5	(3.0)	3.5	1.6	12.5
Cardif Lux Vie					99.1	(72.7)	26.4	8.8	9.0
Related Goodwill				103.6					
Other				272.6				20.8	24.1
Total				3,071.0				251.5	168.7

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
Maybank 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
BG1	228.3	29.5	198.8	99.4	10.7	(5.5)	5.2	2.6	
Tesco Insurance Ltd	1,194.6	989.6	205.0	102.7	446.3	(419.8)	26.5	13.3	
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	
Aksigorta	609.9	484.0	125.9	45.3	406.3	(372.9)	33.4	12.0	
IDBI Federal Life Insurance	948.8	848.5	100.3	26.1	310.2	(293.4)	16.8	4.4	
Predirec	130.9		130.9	38.6	1.9	(1.3)	0.6	0.2	
MB Ageas Life JSC	41.4	10.1	31.3	10.0	7.7	(17.1)	(9.4)	(3.0)	
Royal Park Investments	40.0	0.4	39.6	17.7	16.3	(9.5)	6.8	3.0	17.9
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
Related Goodwill				116.3					
Other				264.6				48.8	45.6
Total				2,941.6				409.8	162.8

Equity associates are subject to dividend restrictions arising from minimum capital and solvency requirements imposed by regulators in the countries in which 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 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 assets.

15

Reinsurance and other receivables

The table below shows the components of reinsurance and other receivables as at 31 December.

	31 December 2018	31 December 2017
Reinsurers' share of liabilities arising		
from insurance and investment contracts	659.8	713.9
Receivables from policyholders	420.6	425.0
Fees and commissions receivable	86.5	59.4
Receivables from intermediaries	318.1	354.5
Reinsurance receivables	45.6	61.2
Other	361.5	619.7
Total gross	1,892.1	2,233.7
Impairments	(49.0)	(47.8)
Total net	1,843.1	2,185.9

The line ‘Other’ includes VAT and other indirect taxes. At 31 December 2018, it also included the advance payment of EUR 77 million (31 December 2017: 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.

	2018	2017
Balance as at 1 January	47.8	31.8
Acquisitions/divestments of subsidiaries		(1.3)
Increase in impairments	1.3	1.7
Release of impairments	(0.3)	(1.8)
Write-offs of uncollectible amounts	(1.2)	0.6
Foreign exchange differences and other adjustments	1.4	16.8
Balance as at 31 December	49.0	47.8

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.

	2018	2017
Balance as at 1 January	713.9	639.4
Acquisitions/divestments of subsidiaries		(58.9)
Change in liabilities current year	52.6	84.9
Change in liabilities prior years	(80.3)	152.4
Claims paid current year	(2.0)	(16.5)
Claims paid prior years	(32.0)	(53.3)
Other net additions through income statement	10.3	(23.5)
Foreign exchange differences and other adjustments	(2.7)	(10.6)
Balance as at 31 December	659.8	713.9

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Accrued interest and other assets

The table below shows the components of accrued interest and other assets as at 31 December.

	31 December 2018	31 December 2017
Deferred acquisition cost	407.8	412.1
Deferred other charges	84.5	81.1
Accrued income	1,128.7	1,174.9
Derivatives held for hedging purposes	27.5	10.5
Property intended for sale	125.5	144.1
Defined benefit assets	22.6	
Other	41.7	36.3
Total gross	1,838.3	1,859.0
Impairments	(1.2)	(1.2)
Total net	1,837.1	1,857.8

Accrued income consists mainly of accrued interest income on government bonds (2018: EUR 722 million; 2017: EUR 745 million) and corporate bonds (2018: EUR 275 million; 2017: EUR 306 million).

Deferred acquisition costs

Changes in deferred acquisition costs related to insurance and investment contracts are shown below.

	2018	2017
Balance as at 1 January	412.1	450.1
Acquisitions/divestments of subsidiaries		(42.1)
Capitalised deferred acquisition costs	329.3	407.6
Depreciation expense	(331.4)	(394.3)
Other adjustments including exchange rate differences	(2.2)	(9.2)
Balance as at 31 December	407.8	412.1

The line item ‘acquisitions/ divestments of subsidiaries’, consists of the deferred acquisition costs related to Cargeas (2017) (see also note 3 Acquisitions and disposals).

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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 as at 31 December.

	31 December 2018	31 December 2017
Land and buildings held for own use	1,105.4	1,055.7
Leasehold improvements	26.1	26.4
Equipment	103.1	101.8
Total	1,234.6	1,183.9

Changes in property, plant and equipment

A roll-forward of changes in property, plant and equipment is provided below.

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
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)
Reversal of impairments credited 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

2018	Land and buildings held for own use	Leasehold improvements	Equipment	Total
Acquisition cost as at 1 January	1,685.4	65.9	329.6	2,080.9
Acquisitions/divestments of subsidiaries	38.6		5.2	43.8
Additions	50.4	5.2	34.9	90.5
Reversal of cost due to disposals			(5.9)	(5.9)
Transfer from (to) investment property			0.1	0.1
Foreign exchange differences	(0.4)		(0.6)	(1.0)
Other	0.7		(0.3)	0.4
Acquisition cost as at 31 December	1,774.7	71.1	363.0	2,208.8
Accumulated depreciation as at 1 January	(619.9)	(39.5)	(227.8)	(887.2)
Acquisitions/divestments of subsidiaries			(4.5)	(4.5)
Depreciation expense	(39.3)	(5.3)	(32.2)	(76.8)
Reversal of depreciation due to disposals			5.8	5.8
Transfer from (to) investment property			(0.1)	(0.1)
Foreign exchange differences			0.6	0.6
Other	(0.3)	(0.2)	1.0	0.4
Accumulated depreciation as at 31 December	(659.5)	(45.0)	(257.3)	(961.8)
Impairments as at 1 January	(9.8)			(9.8)
Increase in impairments charged to the income statement			(2.6)	(2.6)
Impairments as at 31 December	(9.8)		(2.6)	(12.4)
Property, plant and equipment as at 31 December	1,105.4	26.1	103.1	1,234.6

An amount of EUR 184.3 million of property, plant and equipment has been pledged as collateral (31 December 2017: EUR 190.5 million). The line item ‘Acquisitions/divestments of subsidiaries’, for 2017 consists of property, plant and equipment of Cargeas (divestment).

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 2018	31 December 2017
Total fair value of Land and buildings held for own use	1,604.7	1,505.7
Total carrying amount	1,105.4	1,055.7
Gross unrealised gains (losses)	499.3	450.0
Taxation	(139.9)	(124.6)
Net unrealised gains (losses) (not recognised in equity)	359.4	325.4

The depreciation methods for property, plant and equipment are the same as set out in note 12 Investment property.

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Goodwill and other intangible assets

Goodwill and other intangible assets as at 31 December are as follows.

	31 December 2018	31 December 2017
Goodwill	602.1	604.0
VOBA	72.5	88.7
Purchased software	20.2	16.3
Internally developed software	13.9	10.5
Other intangible assets	388.4	403.1
Total	1,097.1	1,122.6

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 2017 and 2018 are shown below.

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

2018	Goodwill	VOBA	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition cost as at 1 January	632.4	529.0	44.2	48.8	670.6	1,925.0
Acquisitions/divestments of subsidiaries			14.1		(0.6)	13.5
Additions			2.3	6.1	23.5	31.9
Reversal of cost due to disposals					(1.9)	(1.9)
Foreign exchange differences	(2.1)		(0.2)			(2.3)
Other			(2.2)	0.3	(5.4)	(7.3)
Acquisition cost as at 31 December	630.3	529.0	58.2	55.2	686.2	1,958.9
Accumulated amortisation as at 1 January		(440.3)	(27.9)	(38.3)	(253.2)	(759.7)
Acquisitions/divestments of subsidiaries			(4.8)		3.0	(1.8)
Amortisation expense		(16.2)	(6.9)	(3.2)	(23.5)	(49.8)
Reversal of amortisation due to disposals					1.8	1.8
Foreign exchange differences			0.1			0.1
Other			1.5	0.2	5.7	7.4
Accumulated amortisation as at 31 December		(456.5)	(38.0)	(41.3)	(266.2)	(802.0)
Impairments as at 1 January	(28.4)				(14.3)	(42.7)
Increase in impairments charged to the income statement					(17.3)	(17.3)
Foreign exchange differences	0.2					0.2
Impairments as at 31 December	(28.2)				(31.6)	(59.8)
Goodwill and other intangible assets as at 31 December	602.1	72.5	20.2	13.9	388.4	1,097.1

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 2018 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)	263.1	28.0	235.1	United Kingdom (UK)	Value in use
Other	31.3	0.2	31.1		Value in use
Total	630.3	28.2	602.1		

Ageas Portugal

The reported goodwill for Ageas Portugal amounts to EUR 335.9 million (2017: EUR 335.9 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 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, and amounts to 8.2 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 largely negative or the discount rate increased by more than 8 percentage points.

Ageas UK

Goodwill for Ageas UK amounts to EUR 263.1 million (2017: EUR 265.2 million). The net goodwill after impairment amounts to EUR 235.1 million (2017: EUR 237.0 million). The change in amount between 2018 and 2017 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 Ageas UK is considered as one CGU.

The value in use calculation uses expected dividends based on business plans approved by local and Ageas's 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 7.7 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 almost 5 percentage points and the discount rate increased by almost 4 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
2019	14.6
2020	13.1
2021	11.4
2022	9.6
2023	7.7
Later	16.1

19 Shareholders' equity

The following table shows the composition of shareholders' equity as at 31 December 2018.

Share capital	
Ordinary shares: 203,022,949 shares issued and paid with a fraction value of EUR 7.40	1,502.4
Share premium reserve	2,059.3
Other reserves	2,502.9
Currency translation reserve	(74.9)
Net result attributable to shareholders	809.1
Unrealised gains and losses	2,612.6
Shareholders' equity	9,411.4

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 (2018-2020) by the General Meeting of Shareholders of 16 May 2018 to increase the share capital by a maximum amount of EUR 148,000,000 for general purposes.

Applied to a fraction value of EUR 7.40, this enables the issuance of up to 20,000,000 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 (8.7 million) consists of shares held for the FRESH (4.0 million) and the remaining shares resulting from the share buy-back programme (4.8 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 2018

Ageas announced on 8 August 2018 a new share buy-back programme as of 13 August 2018 up to 2 August 2019 for an amount of EUR 200 million.

Between 13 August 2018 and 31 December 2018, Ageas bought back 1,943,077 shares corresponding to 0.95% of the total shares outstanding and totalling EUR 84.3 million.

Share buy-back programme 2017

Ageas announced on 9 August 2017 a share buy-back programme as of 21 August 2017 up to 3 August 2018 for an amount of EUR 200 million.

Ageas completed on Friday 3 August 2018 the share buy-back programme announced on 9 August 2017. Between 21 August 2017 and 3 August 2018, Ageas bought back 4,772,699 shares corresponding to 2.35% of the total shares outstanding and totalling EUR 200 million.

Share buy-back programme 2016

Ageas announced on 10 August 2016 a share buy-back programme as of 15 August 2016 up to 4 August 2017 for an amount of EUR 250 million.

Ageas completed on Friday 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.

The General Meeting of Shareholders of 17 May 2017 approved the cancellation of 2,226,350 own shares that had been bought back until 31 December 2016.

The General Meeting of Shareholders of 16 May 2018 approved the cancellation of 6,377,750 own shares. These shares represented the remaining 4,583,306 own shares of the Share buy-back programme 2016 and the 1,924,024 own shares that had been bought back until 31 December 2017 for the Share buy-back programme 2017. 129,580 own shares were used for the vesting of share programs.

Restricted share programme

In 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 2018	203,022
Shares not entitled to dividend and voting rights:	
Shares held by ageas SA/NV	4,648
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	190,447

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 is that it can 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 are 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. 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 have agreed that BNP Paribas can 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 2017	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
Cancelled shares	(6,378)	6,378	
Balance (acquired)/sold		(4,645)	(4,645)
Used for management share plans			
Number of shares as at 31 December 2018	203,022	(8,661)	194,361

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 2018	203,022
Shares that may be issued per Shareholders' Meeting of 16 May 2018	20,000
In connection with option plans (see note 7)	
Total potential number of shares as at 31 December 2018	223,022

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 in which 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 2018	Available for sale investments	Reclassified to maturity investments	Revaluation of associates	Cash flow hedges	DPF component	Total
Gross	5,928.4	(43.7)	297.6	(7.5)		6,174.8
Related tax	(1,468.8)	10.9		1.8		(1,456.1)
Shadow accounting	(1,830.5)					(1,830.5)
Related tax	483.1					483.1
Non-controlling interests	(777.1)	13.4	8.0	(3.0)		(758.7)
Discretionary participation feature (DPF)	8.2				(8.2)	
Total	2,343.3	(19.4)	305.6	(8.7)	(8.2)	2,612.6

31 December 2017	Available for sale investments	Reclassified 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

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 represents 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 the 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 2017 and 2018

	Available for sale investments	Reclassified to maturity investments	Revaluation of associates	Cash flow hedges	Total
Gross unrealised gains (losses) as at 1 January 2017	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
Changes in unrealised gains (losses) during the year	(1,430.4)		133.1	28.2	(1,269.1)
Reversal unrealised (gains) losses because of sales	(275.4)				(275.4)
Reversal unrealised losses because of impairments	(10.6)				(10.6)
Acquisition and divestments of associates			(20.1)		(20.1)
Amortisation		8.8			8.8
Other	1.0	0.4			1.4
Gross unrealised gains (losses) as at 31 December 2018	5,928.4	(43.7)	297.6	(7.5)	6,174.8

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 additional revenues when certain objectives are realised;
- exclusivity clauses or non-competition clauses related to the sales of insurance products.

Proposed dividend for 2018

Ageas's Board has decided to propose for approval by the Annual General Meeting of Shareholders a gross cash dividend of EUR 2.20 per share for 2018.

19.7 Return on equity

Ageas calculates return on equity by dividing the net result for the period by the net average equity at the beginning and the end of the period.

Return on equity for 2018 and 2017 is as follows:

	2018	2017
Return on equity Insurance (excluding unrealised gains & losses)	11.8%	14.6%

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

Non-life insurance liabilities consist of:

- 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 as at 31 December.

	31 December 2018	31 December 2017
Liability for future policyholder benefits	25,755.4	25,602.5
Reserve for policyholder profit sharing	168.5	162.3
Shadow accounting	1,072.8	1,723.6
Before eliminations	26,996.7	27,488.4
Eliminations	(9.2)	(7.6)
Gross	26,987.5	27,480.8
Reinsurance	(23.2)	(10.1)
Net	26,964.3	27,470.7

Changes in the liabilities arising from Life insurance contracts (gross of reinsurance and before eliminations) are shown below.

	2018	2017
Balance as at 1 January	27,488.4	28,226.2
Gross inflow	1,986.8	1,848.3
Time value	732.4	753.3
Payments due to surrenders, maturities and other	(1,937.7)	(2,157.7)
Transfer of liabilities	(36.1)	(54.8)
Shadow accounting adjustment	(650.9)	(603.2)
Other changes, including risk coverage	(586.2)	(523.7)
Balance as at 31 December	26,996.7	27,488.4

The shadow accounting adjustment is a reflection of the unrealised gains and losses on the investment portfolio.

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 2018 and 2017.

20.2 Liabilities arising from Life investment contracts

The following table provides an overview of the liabilities arising from Life investment contracts as at 31 December.

	31 December 2018	31 December 2017
Liability for future policyholder benefits	29,876.6	29,801.5
Reserve for policyholder profit sharing	225.8	170.4
Shadow accounting	757.7	1,378.7
Gross	30,860.1	31,350.6
Reinsurance		
Net	30,860.1	31,350.6

Changes in the liabilities arising from Life investment contracts are shown below.

	2018	2017
Balance as at 1 January	31,350.6	31,902.2
Gross inflow	2,579.1	2,036.8
Time value	483.5	517.9
Payments due to surrenders, maturities and other	(2,503.9)	(2,411.5)
Transfer of liabilities	(317.5)	(277.6)
Shadow accounting adjustment	(620.9)	(278.2)
Other changes, including risk coverage	(110.8)	(139.0)
Balance as at 31 December	30,860.1	31,350.6

The shadow accounting adjustment is a reflection of the unrealised gains and losses in the investment portfolio. 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 2018 and 2017.

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 2018	31 December 2017
Insurance contracts	2,358.5	2,538.0
Investment contracts	13,152.6	13,278.2
Total	15,511.1	15,816.2

The following table shows the changes in liabilities related to unit-linked insurance contracts.

	2018	2017
Balance as at 1 January	2,538.0	2,296.9
Gross inflow	229.6	258.5
Changes in fair value / time value	(194.8)	133.6
Payments due to surrenders, maturities and other	(132.8)	(148.1)
Transfer of liabilities	(41.9)	(1.7)
Other changes, including risk coverage	(39.6)	(1.2)
Balance as at 31 December	2,358.5	2,538.0

The following table shows the changes in liabilities related to unit-linked investment contracts.

	2018	2017
Balance as at 1 January	13,278.2	12,056.4
Gross inflow	1,199.7	1,612.4
Changes in fair value / time value	(603.1)	663.7
Payments due to surrenders, maturities and other	(1,087.0)	(1,379.0)
Transfer of liabilities	377.8	366.3
Foreign exchange differences	0.8	
Other changes, including risk coverage	(13.8)	(41.6)
Balance as at 31 December	13,152.6	13,278.2

The transfer of liabilities mainly reflects internal movements between different product contracts. 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 as at 31 December.

	31 December 2018	31 December 2017
Claims reserves	6,206.5	6,293.0
Unearned premiums	1,221.6	1,280.0
Reserve for policyholder profit sharing	21.0	22.9
Before eliminations	7,449.1	7,595.9
Eliminations	(24.5)	(20.9)
Gross	7,424.6	7,575.0
Reinsurance	(636.6)	(703.8)
Net	6,788.0	6,871.2

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.

		2018		2017
Balance as at 1 January		7,595.9		8,000.0
Divestments of subsidiaries				(551.2)
Addition to liabilities current year	2,648.9		2,815.7	
Claims paid current year	(1,294.7)		(1,394.2)	
Change in liabilities current year	1,354.2		1,421.5	
Addition to liabilities prior years	(332.5)		(13.5)	
Claims paid prior years	(1,104.2)		(1,069.6)	
Change in liabilities prior years	(1,436.7)		(1,083.1)	
		(82.5)		338.4
Change in unearned premiums		(52.9)		(47.0)
Transfer of liabilities		(64.5)		1.1
Foreign exchange differences		(18.6)		(100.6)
Other changes		71.7		(44.8)
Balance as at 31 December		7,449.1		7,595.9

Divestments of subsidiaries in 2017 relates to the sale of Cargeas in Italy. See note 3 Acquisitions and disposals. Foreign exchange differences relates mainly to the British pound exchange rate.

At year-end 2017, Ageas' best estimate reserves were set at an Ogden discount rate of -0.75%, equivalent to the rate used for IFRS reserves.

Following a consultation, the new Lord Chancellor announced on 7 September 2017 that the government would legislate to change the basis on which the discount rate is set in England and Wales. This legislation was introduced as part of the government's "Civil Liability Bill", which received Royal Assent on 20 December 2018 and became an Act of Parliament (law). The Lord Chancellor will begin the first review of the discount rate within 90 days of the date of Royal Assent (i.e. by 20 March 2019) and will determine the new rate within 140 days of the start of the review (i.e. by 7 August 2019 at the latest).

At 31 December 2018, the actuarial best estimate rate increased from -0.75% to 0%, but the impact on the IFRS reserve is maintained as a margin until the new rate is officially announced, at which point this specific margin will be released and the actuarial best estimate updated to reflect the actual rate.

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 recognised 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 2018 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 2018	Total Non-life	Unearned premium	Claims outstanding	Total Life	Unit-linked	Life Guaranteed
Belgium	3,997.8	346.6	3,651.2	57,257.1	8,160.7	49,096.4
UK	2,559.5	701.3	1,858.2			
Continental Europe	862.4	173.7	688.7	16,110.8	7,350.4	8,760.4
Reinsurance	29.4		29.4			
Eliminations	(24.5)		(24.5)	(9.2)		(9.2)
Insurance total	7,424.6	1,221.6	6,203.0	73,358.7	15,511.1	57,847.6

		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

21 Subordinated liabilities

The following table provides a specification of subordinated liabilities as at 31 December.

	31 December 2018	31 December 2017
FRESH	1,250.0	1,250.0
Fixed Rate Reset Perpetual Subordinated Notes	480.1	456.8
Fixed to Floating Rate Callable Subordinated Notes	99.7	99.7
Fixed to Floating Rate Callable Subordinated Loan BCP Investments	58.8	58.8
Dated Fixed Rate Subordinated Notes	396.4	396.0
Total subordinated liabilities	2,285.0	2,261.3

The following table shows the changes in subordinated liabilities.

	31 December 2018	31 December 2017
Balance as at 1 January	2,261.3	2,322.7
Foreign exchange differences	21.8	(63.2)
Amortisation premiums and discounts	1.9	1.8
Closing Balance	2,285.0	2,261.3

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.

21.3 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 were listed on the Luxembourg Stock Exchange and qualified as Grandfathered Tier 1 capital under European regulatory requirements for insurers (Solvency II). The Notes could 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. AG Insurance has exercised this option on the first call date

21.4 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.

21.5 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).

21.6 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).

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Borrowings

The table below shows the components of borrowings as at 31 December.

	31 December 2018	31 December 2017
Repurchase agreements	1,262.9	1,028.6
Loans	789.6	794.1
Due to banks	2,052.5	1,822.7
Funds held under reinsurance agreements	84.8	99.3
Finance lease agreements	16.7	18.0
Other borrowings	30.2	29.3
Total borrowings	2,184.2	1,969.3

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 1,229.6 million (2017: EUR 1,044.8 million) as collateral for repurchase agreements. In addition, property has been pledged as collateral for loans and other with a carrying amount of EUR 184.3 million (2017: EUR 190.5 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 2018	31 December 2017
Balance as at 1 January	1,969.3	2,495.8
Acquisition of subsidiaries	91.0	105.5
Divestment of subsidiaries	(13.9)	(162.6)
Proceeds from issuance	193.8	22.1
Payments	(69.3)	(495.1)
Foreign exchange differences		(2.4)
Realised Gains & Losses	(0.8)	(3.4)
Other changes	14.1	9.4
Closing balance	2,184.2	1,969.3

The following table shows the undiscounted cash flows of the borrowings classified by relevant maturity group as at 31 December.

	31 December 2018	31 December 2017
Less than 1 year	1,417.6	1,121.7
1 year to 3 years	156.3	146.6
3 years to 5 years	311.6	307.3
More than 5 years	166.9	170.3
Total	**2,052.4**	**1,745.9**

Finance lease obligations

Ageas's obligations under finance lease agreements are detailed in the table below.

		2018		2017
	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	0.4	0.6	0.5
3 months to 1 year	1.8	1.1	1.7	1.5
1 year to 5 years	11.1	8.9	13.3	10.4
More than 5 years	46.1	6.3	46.4	5.6
Total	**59.6**	**16.7**	**62.0**	**18.0**
Future finance charges	42.9		44.0	

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Current and 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	
	2018	2017	2018	2017
Deferred tax assets related to:				
Financial investments (available for sale)	8.9	8.9	3.7	1.4
Investment property	10.0	21.0	(11.0)	(11.6)
Loans to customers	1.9	1.9		(0.2)
Property, plant and equipment	43.5	42.3	1.3	2.2
Intangible assets (excluding goodwill)	7.8	8.1	(0.2)	4.5
Insurance policy and claim reserves	472.0	765.4	3.1	(57.1)
Debt certificates and subordinated liabilities	(1.7)	(1.9)	0.2	0.2
Provisions for pensions and post-retirement benefits	93.5	176.1	(71.5)	(9.6)
Other provisions	12.2	9.1	3.1	(3.0)
Accrued expenses and deferred income	0.1	1.0	(0.9)	(0.4)
Unused tax losses	118.5	132.1	(19.3)	(19.9)
Other	84.6	10.4	74.3	(32.8)
Gross deferred tax assets	851.3	1,174.4	(17.2)	(126.3)
Unrecognised deferred tax assets	(28.6)	(29.6)	1.0	(1.2)
Net deferred tax assets	822.7	1,144.8	(16.2)	(127.5)
Deferred tax liabilities related to:				
Derivatives held for trading (assets)	0.1	0.7	0.6	0.3
Financial investments (available for sale)	1,292.3	1,603.9	(3.5)	(9.0)
Unit-linked investments		1.4	1.3	(2.4)
Investment property	103.4	115.1	13.9	37.0
Loans to customers	0.9	2.5	0.2	0.6
Property, plant and equipment	145.9	138.1	10.4	38.9
Intangible assets (excluding goodwill)	88.4	93.1	4.8	5.1
Other provisions	3.4	2.2	(1.2)	(2.2)
Deferred policy acquisition costs	32.3	30.9	(1.4)	6.0
Deferred expense and accrued income	0.8	0.8		0.3
Tax exempt realised reserves	22.7	24.3	2.3	13.7
Other	32.5	37.0	(3.4)	30.9
Total deferred tax liabilities	1,722.7	2,050.0	24.0	119.2
Deferred tax income (expense)			7.8	(8.3)
Net deferred tax	(900.0)	(905.2)		

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.

	2018	2017
Deferred tax asset	139.6	149.7
Deferred tax liability	1,039.6	1,054.9
Net deferred tax	(900.0)	(905.2)

As at 31 December 2018, EUR 936.9 million was charged to equity related to deferred tax and EUR 36.1 million was charged to equity related to current tax (2017: EUR 965.3 million and EUR 37.8 million respectively, both charged to equity).

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 89.9 million (2017: EUR 102.5 million), whereas such have not been recognised for an amount of EUR 4,247.3 million (2017: EUR 4,999.2 million). 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 89.9 million (2017: EUR 102.5 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.

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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 2018, 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 basis. 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 decreased from EUR 448.0 million at year-end 2017 to EUR 358.9 million at 31 December 2018, predominantly due to an decrease in the CASHES price from 85.94% to 75.95% over 2018, partly compensated by an decrease of the Ageas share price from EUR 40.72 to EUR 39.30 over the same period.

Sensitivity of RPN(I) Value

At 31 December 2018 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.

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Accrued interest and other liabilities

The composition of accrued interest and other liabilities as at 31 December is as follows.

	31 December 2018	31 December 2017
Deferred revenues	151.0	123.5
Accrued finance costs	30.6	29.3
Accrued other expenses	77.1	86.9
Derivatives held for hedging purposes	35.4	46.4
Defined benefit pension liabilities	666.6	678.6
Defined benefit liabilities other than pension	132.2	130.0
Termination benefits	5.1	7.8
Other long-term employee benefit liabilities	16.1	16.2
Short-term employee benefit liabilities	89.8	89.7
Accounts payable	183.9	217.7
Due to agents, policyholders and intermediaries	424.5	448.2
VAT and other taxes payable	142.5	140.4
Dividends payable	14.6	18.6
Due to reinsurers	45.6	23.2
Derivatives held for trading	15.0	9.1
Other liabilities	447.1	346.5
Total	2,477.1	2,412.1

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). 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.

31 December 2018	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
VAT and other taxes payable	142.2	0.2		
Dividends payable	3.5		0.1	11.0
Accounts payable	169.6	1.4		
Due to agents, policyholders and intermediaries	137.1	8.1	42.5	231.5
Due to reinsurers	42.8	2.8		
Other liabilities	305.0	38.4		
Total	800.2	50.9	42.6	242.5

31 December 2017	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
VAT and other taxes payable	138.7			
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	810.7	66.6	11.4	261.5

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 VEB 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 to settle for an amount of EUR 290 million.

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 initial format. On 12 December 2017, the petitioners filed an amended and restated settlement with the Amsterdam Appeal Court. This amended settlement took into consideration the main concerns of the Court and the overall budget was raised by EUR 100 million to EUR 1.3 billion.

On 13 July 2018 the Amsterdam Appeal Court declared the settlement binding on Eligible Shareholders (i.e. persons who held Fortis shares at any time between close of business on 28 February 2007 and close of business on 14 October 2008) in accordance with the Dutch Act on Collective Settlement of Mass Claims (Wet Collectieve Afwikkeling Massaschade, "WCAM"). In declaring the settlement binding, the Court believed the compensation offered under the settlement is reasonable and that the claimant organisations Deminor, SICAF and FortisEffect are sufficiently representative of the interests of the beneficiaries of the settlement.

On 21 December 2018, Ageas announced that it had decided to provide clarity ahead of time by waiving its termination right. As a consequence of this the settlement is final.

The main components of the EUR 812.4 million provision as at 31 December 2018 are:

- EUR 1,308.5 million related to the WCAM settlement agreement;
- EUR 57.7 million related to the tail risk, including accrued expenses;
- minus EUR 290 million contributed by D&O insurers;
- minus EUR 263.8 million already paid to eligible shareholders in 2018.

Related to the WCAM settlement agreement, an amount of EUR 341 million (in which EUR 241 million in 2017) was paid by Ageas to Stichting FORsettlement (‘Stichting’) as an advance payment to settle the claims. As at 31 December 2018, EUR 77.2 million of this payment is not deducted from the provision but accounted for as a receivable from the Stichting.

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.

	31 December 2018	31 December 2017
Balance as at 1 January	1,178.1	1,067.2
Acquisition and divestment of subsidiaries	0.4	(0.5)
Increase (Decrease) in provisions	16.2	106.3
Utilised during the year	(307.5)	5.5
Foreign exchange differences	(0.1)	(0.4)
Balance as at 31 December	887.1	1,178.1

EUR 812.4 million of the total amount of provisions at 31 December 2018 relates to the settlement agreement (2017: EUR 1,109.5 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.

BNP Paribas Fortis did not exercise the put option before 30 June 2018, the end of the exercise period. BNP Paribas Fortis therefore remains shareholder for 25% + 1 share in AG Insurance and hence there is no impact on Ageas's net result. Also, the existing distribution agreement will continue without explicit end date but subject to a 3-year termination notice period.

Treatment of the option

Ageas had concluded that the exercise of the put option was unconditional. In accordance with IAS 32, Ageas was 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 was shown as a separate line item (Liability related to written put option) in the statement of financial position. In addition, the liability was allocated to the General Account, as the liability relates to Ageas Insurance International N.V. (the parent company of AG Insurance). Ageas valued the liability at the amount expected to be paid on settlement, discounted back to the reporting date.

The counterpart of this liability was 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 was 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 were recorded in other reserves.

Calculation of the liability

At 31 December 2017, Ageas used 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.

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% and a pay-out ratio of 100% for 2017, 2018 and 2019;
- a discount rate for Non-life of 7.0%.

Based on these assumptions, the net present value of the liability as at 31 December 2017 amounted to EUR 1,449 million.

Impact of the expiration of the option

The option matured at 30 June 2018 without being exercised and the liability of EUR 1,449 million was hence released directly to Shareholders' Equity. At the same time Non-Controlling Interests was reinstated for an amount of EUR 1,699 million, thereby reducing Shareholders' Equity by the same amount. The net negative impact of the expiration on Shareholders' Equity amounted to EUR 250 million.

27.2 Put option AG Insurance granted to Parkimo

AG Insurance granted to Parkimo an unconditional put option on the 10.05% ownership of Interparking the latter owns. The put option was measured at the fair value of the expected settlement amounting to EUR 108.1 million (2017: 102.7 million). AG Insurance has granted other put options for an amount of EUR 0.8 million (2017: 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 2018	Equity as at 31 December 2018	% of non-controlling interest	Result as at 31 December 2017	Equity as at 31 December 2017
Group company						
AG Insurance (Belgium)	25.0%	138.4	1,694.8	25.0%	145.8	1,698.6
Interparking SA (part of AG Insurance)	49.0%	17.7	235.6	49.0%	33.8	229.9
Millenniumbcp Ageas (part of CEU)	49.0%	30.2	177.0	49.0%	29.6	285.5
Cargeas Assicurazioni (part of CEU)				50.0%	16.5	
Other		1.5	0.8		1.1	35.9
Total		187.8	2,108.2		226.8	2,249.9
Adjustment NCI AG Insurance related to Liability on written put option (see note 27)						(1,698.6)
Total NCI		187.8	2,108.2		226.8	551.3

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 the other subsidiary of Ageas in which non-controlling interests are held are:

	Assets as at 31 December 2018	Liabilities as at 31 December 2018	Equity as at 31 December 2018	Assets as at 31 December 2017	Liabilities as at 31 December 2017	Equity as at 31 December 2017
Subsidiary						
Millenniumbcp Ageas	10,540.2	10,383.1	157.1	10,639.6	10,351.5	288.1

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 71%, of the total derivatives portfolio at 31 December 2018 (2017: 57%).

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 67% of the currency derivative instruments (based on notional amounts at 31 December 2018) at year-end 2018 compared to 99% at the end of 2017. The currency futures and forward contracts are mainly held to hedge the currency risk on foreign currency denominated assets and decreased from EUR 1,286 million in 2017 to EUR 387 million in 2018 due to the decreased position in investments denominated in USD. At year-end 2018, Ageas had an amount of EUR 191 million currency swaps outstanding (2017: EUR 18 million).

Interest rate contracts

The notional amounts of interest rate contracts decreased from EUR 1,940 million in 2017 to EUR 1,668 million in 2018 with a market value of respectively EUR 29 million (net liability) and EUR 34 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 all interest rate contracts at 31 December 2018, with a notional amount of EUR 1,668 million. At year-end 2017, the notional amount was EUR 1,881 million (97% of the interest rate contracts).

The option portfolio amounted to nil (market value nil) in 2018. In 2017, the option portfolio amounted to EUR 59 million (3% of the interest rate contracts). The decrease in value is due to the maturity of part of the option portfolio in 2018.

Trading derivatives

	31 December 2018			31 December 2017		
	Fair values			Fair values		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Foreign exchange contracts						
Forwards and futures	3.1	1.9	386.7	27.6	0.5	1,286.2
Swaps	4.1	4.2	191.5	0.2		18.4
Total	7.2	6.1	578.2	27.8	0.5	1,304.6
Interest rate contracts						
Swaps	2.0	8.7	305.5	5.9	8.1	353.2
Options				0.1		59.0
Total	2.0	8.7	305.5	6.0	8.1	412.2
Equity/Index contracts						
Options and warrants		0.2	0.2		0.5	
Total		0.2	0.2		0.5	
Other	0.7			2.0		
Total	9.9	15.0	883.9	35.8	9.1	1,716.8
Fair values supported by observable market data	4.1	6.0		9.7	0.5	
Fair values obtained using a valuation model	5.8	9.0		26.1	8.6	
Total	9.9	15.0	883.9	35.8	9.1	
Over the counter (OTC)	9.9	15.0		35.8	9.1	1,716.8
Total	9.9	15.0	883.9	35.8	9.1	1,716.8

Hedging derivatives

	31 December 2018			31 December 2017		
	Fair values			Fair values		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate contracts						
Swaps	3.1	25.6	1,362.1	2.8	21.2	1,527.8
Options						
Total	3.1	25.6	1,362.1	2.8	21.2	1,527.8
Equity/Index contracts						
Forwards and futures	24.4	9.7	96.5	7.7	25.1	170.6
Total	24.4	9.7	96.5	7.7	25.1	170.6
Total	27.5	35.3	1,458.6	10.5	46.3	1,698.4
Fair values supported by observable market data		19.5		7.7	39.8	
Fair values obtained using a valuation model	27.5	15.8		2.8	6.5	
Total	27.5	35.3		10.5	46.3	
Over the counter (OTC)	27.5	35.3	1,458.6	10.5	46.3	1,698.4
Total	27.5	35.3	1,458.6	10.5	46.3	1,698.4

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	31 December 2018	31 December 2017
Commitment Received		
Credit lines	751.0	646.7
Collateral and guarantees received	4,986.0	4,864.0
Other off-balance sheet rights	5.7	
Total received	5,742.7	5,510.7
Commitment Given		
Guarantees, Financial and Performance Letters of Credit	116.5	126.9
Credit lines	*1,712.1*	*1,610.0*
Used	*(631.9)*	*(686.5)*
Available	1,080.2	923.5
Collateral and guarantees given	1,298.3	1,059.6
Entrusted assets and receivables	890.3	726.3
Capital rights & commitments	166.2	125.9
Other off-balance sheet commitments	1,151.7	792.4
Total given	4,703.2	3,754.6

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 1,298 million) in connection with repurchase agreements, entrusted assets and receivables (EUR 890 million), and extended credit lines.

Other off-balance sheet commitments as at 31 December 2018 include EUR 316 million in outstanding credit bids (31 December 2017: EUR 99 million) and EUR 461 million in real estate commitments (31 December 2017: EUR 535 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 in the Ageas consolidated statement of financial position. The liabilities are held at amortised cost.

A description of the methods used to determine the fair value of financial instruments is given below.

		31 December 2018		31 December 2017	
	Level	Carrying value	Fair value	Carrying value	Fair value
Assets					
Cash and cash equivalents	2	2,924.8	2,924.8	2,552.3	2,552.3
Financial Investments held to maturity	1 / 3	4,505.5	6,455.3	4,559.5	6,780.0
Loans	2	9,788.5	10,323.0	9,416.0	10,223.7
Reinsurance and other receivables	2	1,843.1	1,843.1	2,185.9	2,185.9
Total financial assets		19,061.9	21,546.2	18,713.7	21,741.9
Liabilities					
Subordinated liabilities	2	2,285.0	2,292.8	2,261.3	2,364.3
Borrowings	2	2,184.2	2,182.9	1,969.3	1,968.9
Total financial liabilities		4,469.2	4,475.7	4,230.6	4,333.2

The fair value is the amount for which an asset or granted equity instrument could be exchanged and a liability could be settled between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value, following methods are used in the order listed:

- (Unadjusted) quoted price in an active market (level 1);
- Valuation techniques based on in the (market) observable inputs (level 2);
- Valuation techniques not based on observable inputs (level 3);
- Cost.

When a financial instrument is traded in an active and liquid market, its quoted market price or value provides the best evidence of its 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 the 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 valuation 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 the fair value are:

- Maximise of the use of market inputs and minimise of the use of internal estimates and assumptions;
- Change of 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 on 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 classified at 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 classified at 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 are re-priced 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) Fair values for off-balance-sheet commitments or guarantees are 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 can be obtained.

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.

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.

5

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.

	2018	2017
Gross inflow Life	5,995.3	5,755.9
Gross inflow Non-life	4,067.4	4,304.7
General account and eliminations	(1.4)	(1.0)
Total gross inflow	10,061.3	10,059.6

	2018	2017
Net earned premiums Life	4,757.4	4,107.5
Net earned premiums Non-life	3,890.3	4,148.0
General account and eliminations	(1.4)	(1.0)
Total net earned premiums	8,646.3	8,254.5

Life

The table below shows the details of gross inflow Life for the year ended 31 December.

	2018	2017
Unit-linked insurance contracts		
Single written premiums	148.6	171.3
Periodic written premiums	81.0	87.1
Total unit-linked insurance contracts	229.6	258.4
Non unit-linked insurance contracts		
Single written premiums	324.6	279.4
Periodic written premiums	919.9	829.2
Group business total	*1,244.5*	*1,108.6*
Single written premiums	330.4	308.1
Periodic written premiums	411.9	431.6
Individual business total	*742.3*	*739.7*
Total non unit-linked insurance contracts	1,986.8	1,848.3
Investment contracts with DPF		
Single written premiums	2,093.6	1,581.5
Periodic written premiums	484.0	453.1
Total investment contracts with DPF	2,577.6	2,034.6
Gross premium income Life	4,794.0	4,141.3
Single written premiums	1,156.0	1,578.4
Periodic written premiums	45.3	36.2
Premium inflow deposit accounting	1,201.3	1,614.6
Gross inflow Life	5,995.3	5,755.9

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.

	2018	2017
Gross premiums Life	4,794.0	4,141.3
Ceded reinsurance premiums	(36.6)	(33.8)
Net earned premiums Life	4,757.4	4,107.5

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.

2018	Accident & Health	Property & Casualty	Total
Gross written premiums	904.5	3,162.9	4,067.4
Change in unearned premiums, gross	(5.4)	58.3	52.9
Gross earned premiums	899.1	3,221.2	4,120.3
Ceded reinsurance premiums	(29.2)	(198.4)	(227.6)
Reinsurers' share of unearned premiums	0.9	(3.3)	(2.4)
Net earned premiums Non-life	870.8	3,019.5	3,890.3

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

Below is a breakdown of the Non-life net earned premiums by insurance operating segment.

2018	Accident & Health	Property & Casualty	Total
Belgium	521.6	1,422.8	1,944.4
UK	29.5	1,290.9	1,320.4
Continental Europe	318.2	275.6	593.8
Reinsurance	1.5	32.1	33.6
Elimination		(1.9)	(1.9)
Net earned premiums Non-life	870.8	3,019.5	3,890.3

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

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Interest, dividend and other investment income

The table below provides details of interest, dividend and other investment income for the year ended 31 December.

	2018	2017
Interest income		
Interest income on cash & cash equivalents	2.7	1.0
Interest income on loans to banks	21.3	18.0
Interest income on investments	1,620.4	1,734.0
Interest income on loans to customers	209.1	202.7
Interest income on derivatives held for trading	2.0	(2.5)
Other interest income	1.8	2.3
Total interest income	1,857.3	1,955.5
Dividend income from equity securities	137.3	144.4
Rental income from investment property	221.6	221.8
Revenues of parking garages	430.7	412.5
Other investment income	23.6	19.8
Total interest, dividend and other investment income	2,670.5	2,754.0

34 Result on sales and revaluations

Result on sales and revaluations for the year ended 31 December is broken down as follows.

	2018	2017
Debt securities classified as available for sale	50.5	26.7
Equity securities classified as available for sale	131.6	52.8
Financial instruments held for trading	(3.3)	2.2
Investment property	21.7	2.2
Capital gain (losses) on sale of shares of subsidiaries	41.5	204.7
Investments in associates	103.5	2.9
Property, plant and equipment	0.8	2.1
Assets and liabilities held at fair value through profit or loss	3.6	7.6
Hedging results	(21.5)	(2.6)
Other	(13.5)	(20.1)
Total Result on sales and revaluations	314.9	278.5

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 investments in associates of EUR 0.1 billion in 2018 relates to mainly the capital gains on the sales of Cardif Luxembourg Vie, North Light and Pole Star. These disposals are explained in more detail in note 3 Acquisitions and disposals.

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Investment income related to unit-linked contracts

The investment income related to unit-linked contracts is presented below.

	2018	2017
(Un)realised gains (losses) - insurance contracts	(201.9)	131.3
(Un)realised gains (losses) - investment contracts	(643.8)	448.2
(Un)realised gains (losses)	(845.7)	579.5
Investment income - insurance contracts	5.2	7.1
Investment income - investment contracts	187.6	199.3
Realised investment income	192.8	206.4
Total investment income related to unit-linked contracts	(652.9)	785.9

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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.

2018	Total income (100% interest)	Total expenses (100% interest)	Net result (100% interest)	% Ageas interest	Share in result of associates (Ageas share)
Taiping Holdings	16,653.1	(16,284.7)	368.4	20.0% - 24.9%	89.7
Muang Thai Group Holding	3,075.9	(2,837.8)	238.1	7.8% - 30.9%	71.9
Maybank Ageas Holding Berhad	1,323.3	(1,185.4)	137.9	31.0%	42.7
BG1	10.9	(8.6)	2.3	50.0%	1.2
Tesco Insurance Ltd	374.0	(351.6)	22.4	50.1%	11.2
Aksigorta	401.3	(363.9)	37.4	36.0%	13.5
DTHP	63.2	(79.5)	(16.3)	33.0%	(5.4)
East West Ageas Life	21.9	(34.9)	(13.0)	50.0%	(6.5)
Evergreen	18.0	(11.9)	6.1	35.7%	2.2
IDBI Federal Life Insurance	280.5	(270.2)	10.3	26.0%	2.7
Predirec	2.5		2.5	29.5%	0.7
MB Ageas Life JSC	49.7	(61.1)	(11.4)	32.0%	(3.6)
Royal Park Investments	6.5	(3.0)	3.5	44.7%	1.6
Cardif Lux Vie	99.1	(72.7)	26.4	33.3%	8.8
Other					20.8
Total share in result of associates					251.5

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
Maybank Ageas Holding Berhad	1,538.4	(1,379.4)	159.0	31.0%	49.2
BG1	10.7	(5.5)	5.2	50.0%	2.6
Tesco Insurance Ltd	446.3	(419.8)	26.5	50.1%	13.3
Aksigorta	406.3	(372.9)	33.4	36.0%	12.0
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
IDBI Federal Life Insurance	310.2	(293.4)	16.8	26.0%	4.4
Predirec	1.9	(1.3)	0.6	29.5%	0.2
MB Ageas Life JSC	7.7	(17.1)	(9.4)	32.0%	(3.0)
Royal Park Investments	16.3	(9.5)	6.8	44.7%	3.0
Cardif Lux Vie	4,558.0	(4,516.8)	41.2	33.3%	13.7
Other					48.9
Total share in result of associates					409.8

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Fee and commission income

Fee and commission income for the year ended 31 December is specified in the table below.

	2018	2017
Fee and commission income		
Reinsurance commissions	23.7	29.2
Insurance and investment fees	148.4	145.3
Asset management	58.3	29.2
Guarantees and commitment fees	0.8	1.5
Other service fees	65.3	74.6
Total fee and commission income	296.5	279.8

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.

	2018	2017
Other income		
Proceeds of sale of property intended for sale	37.4	6.2
Recovery of staff and other expenses from third parties	70.2	47.6
Other	103.2	105.9
Other income	210.8	159.7

The line item ‘Other’ mainly includes the re-invoicing of service costs related to rental activities.

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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.

	2018	2017
Life insurance	5,570.5	4,943.1
Non-life insurance	2,314.4	2,518.9
General account and eliminations	(1.8)	0.3
Total insurance claims and benefits, net	7,883.1	7,462.3

Details of Life insurance claims and benefits, net of reinsurance, are shown below.

	2018	2,017
Benefits and surrenders, gross	4,927.7	5,007.9
Change in liabilities arising from insurance and investment contract, gross	662.3	(48.4)
Total Life insurance claims and benefits, gross	5,590.0	4,959.5
Reinsurers' share of claims and benefits	(19.5)	(16.4)
Total Life insurance claims and benefits, net	5,570.5	4,943.1

Details of Non-life insurance claims and benefits, net of reinsurance, are shown in the following table.

	2018	2017
Claims paid, gross	2,398.9	2,463.8
Change in liabilities arising from insurance contracts, gross	(82.5)	338.4
Total Non-life insurance claims and benefits, gross	2,316.4	2,802.2
Reinsurance share of claims paid	(62.9)	(91.0)
Reinsurance share of change in liabilities	60.9	(192.3)
Total Non-life insurance claims and benefits, net	2,314.4	2,518.9

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Financing costs

The following table shows the breakdown of financing costs by product for the year ended 31 December.

	2018	2017
Financing costs		
Subordinated liabilities	69.0	68.4
Borrowings	16.1	21.0
Other borrowings	1.7	1.1
Derivatives	6.6	7.5
Other liabilities	29.1	18.8
Total financing costs	122.5	116.8

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Change in impairments

Change in impairments for the year ended 31 December is as follows.

	2018	2017
Change in impairments of:		
Investments in debt securities		0.2
Investments in equity securities and other	90.6	14.1
Investment property	3.9	2.4
Loans	18.9	0.6
Reinsurance and other receivables	1.0	(0.1)
Property, plant and equipment	2.6	2.6
Goodwill and other intangible assets	17.3	1.3
Accrued interest and other assets	0.3	0.7
Total change in impairments	134.6	21.8

The amount for ‘Investments in equity securities and other’ increased due to the volatile equity markets in 2018.

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Fee and commission expenses

The components of fee and commission expenses for the year ended 31 December are as follows.

	2018	2017
Fee and commission expenses		
Securities	1.0	0.4
Intermediaries	1,013.5	1,075.6
Asset management fees	10.8	15.0
Custodian fees	5.5	5.4
Other fee and commission expenses	16.7	14.3
Total fee and commission expenses	1,047.5	1,110.7

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Staff expenses

Staff expenses for the year ended 31 December are as follows.

	2018	2017
Staff expenses		
Salaries and wages	571.2	578.2
Social security charges	126.0	129.5
Pension expenses relating to defined benefit pension plans	42.3	41.5
Defined contribution plan expenses	11.7	13.1
Share-based compensation	8.7	5.4
Other	49.4	57.7
Total staff expenses	809.3	825.4

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.

	2018	2017
Depreciation on tangible assets		
Buildings held for own use	39.3	36.9
Leasehold improvements	5.3	5.3
Investment property	98.5	91.3
Equipment	32.2	33.6
Amortization of intangible assets		
Purchased software	6.9	9.5
Internally developed software	3.2	3.7
Value of business acquired (VOBA)	16.2	17.3
Other intangible assets	23.5	21.5
Other		
Operating lease rental expenses and related expenses	18.8	22.2
Operating and other direct expenses relating to investment property	54.8	55.1
Operating and other direct expenses relating to property for own use	192.2	195.9
Professional fees	139.8	137.7
Capitalised deferred acquisition costs	(329.3)	(409.3)
Depreciation deferred acquisition costs	331.4	394.5
Marketing and public relation cost	55.6	58.0
Information technology cost	163.7	158.5
Maintenance and repair expenses	13.5	21.5
Cost of sale of property intended for sale	35.7	5.7
Other	256.6	258.5
Total other expenses	1,157.9	1,117.4

The line item ´Operating and other direct expenses relating to investment property / property for own use’ is partly recovered by income accounts as reported in note 38 Other Income.

The line item ‘Other’ includes in 2018 and 2017 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 2018 and 2017, 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.

	2018 Ageas Statutory Auditors	2018 Other Ageas Auditors	2017 Ageas Statutory Auditors	2017 Other Ageas Auditors
Audit fees	3.7	1.7	4.8	1.9
Audit-related fees	0.1		0.2	
Tax fees	0.4		0.3	
Other non-audit fees		0.1	0.1	0.2
Total	4.2	1.8	5.4	2.1

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Income tax expenses

The components of income tax expenses for the year ended 31 December are as follows.

	2018	2017
Current tax expenses for the current period	266.9	257.0
Adjustments recognised in the period for		
current tax of prior periods	(6.3)	(7.1)
Total current tax expenses	260.6	249.9
Deferred tax arising from the current period	(6.4)	25.0
Impact of changes in tax rates on deferred taxes	(2.3)	(6.3)
Deferred tax arising from the write-down or (reversal)		
of a write-down of a deferred tax asset		1.2
Previously unrecognised tax losses, tax credits and		
temporary differences reducing deferred tax expense	0.9	(11.6)
Total deferred tax expenses (income)	(7.8)	8.3
Total income tax expenses (income)	252.8	258.2

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

	2018	2017
Result before taxation	1,249.7	1,108.2
Applicable group tax rate	29.58%	33.99%
Expected income tax expense	369.7	376.7
Increase (decrease) against local tax rates resulting from:		
Tax exempt income (including dividend and capital gains)	(94.2)	(93.0)
Share in net result of associates and joint ventures	(61.6)	(105.6)
Disallowed items	13.5	25.9
Previously unrecognised tax losses and temporary differences	(0.9)	(15.2)
Write-down and reversal of write-down of deferred tax assets,		
including current year tax-losses deemed non-recoverable	25.6	111.9
Impact of changes in tax rates on temporary differences	(2.3)	(6.9)
Foreign tax rate differential	(23.7)	(56.4)
Adjustments for current and deferred tax of previous years	(4.2)	(13.2)
Deferred tax on investments in subsidiaries, associates and joint ventures	2.4	15.0
Notional interest deduction		(2.4)
Local income taxes (state/city/cantonal/communal taxes)	1.1	0.7
Other	27.4	20.7
Actual income tax expenses (income)	252.8	258.2

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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.

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. 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). Ageas also reached an agreement with Mr Arnauts and Mr Lenssens, two 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.

On 16 June 2017, the court took the interim decision not to declare the settlement binding in its initial format. As per 16 October 2017, Ageas decided to make a final additional effort of EUR 100 million.

Per 12 December 2017, the parties submitted an amended and restated settlement agreement to the court. Consumentenclaim, an opponent of the settlement in its initial 2016 format, agreed to support the 2017 settlement.

On 13 July 2018 the Amsterdam Appeal Court declared the settlement binding on Eligible Shareholders (i.e. persons who held Fortis shares at any time between close of business on 28 February 2007 and close of business on 14 October 2008).

This means that Eligible Shareholders are entitled to compensation for the events of 2007-2008, subject to a full release of liability with respect to these events, and in accordance with the (other) terms of the settlement agreement. It further means that Eligible Shareholders who have not timely opted out (i.e. at the latest on 31 December 2018), regardless of whether or not they timely file a claim form, are, by operation of law, deemed to have granted such release of liability and to have waived any rights in connection with the events.

The claims filing period started on 27 July 2018 and will end on 28 July 2019.

The settlement is now final, as (i) the Court declared the settlement binding on 13 July 2018, and (ii) Ageas waived its termination right on 21 December 2018.

A provision of EUR 1.1 billion has been recognised for the settlement (see note 26 Provisions).

1. CIVIL PROCEEDINGS

I Proceedings covered by the settlement

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, regarding the 2007-2008 events were suspended by operation of law. Now that the settlement has become final, the parties who supported the settlement committed to terminate their legal proceedings. The parties who timely submitted an opt-out notice may resume their legal proceedings in the Netherlands or, as the case may be, resume or continue their legal proceedings in Belgium.

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. These proceedings have effectively been terminated since early 2019.

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, but 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 launched an appeal against the Court's decision with the Dutch Supreme Court in October 2014. These proceedings have effectively been terminated since early 2019.

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. These proceedings have effectively been terminated since early 2019.

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. 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. These proceedings are still ongoing.

Since 1 August 2014, Mr Meijer initiated five separate proceedings, each one on behalf of an individual claimant, before the Utrecht Court, claiming compensation for the loss due to alleged miscommunication by Fortis in the period September 2007 to September 2008. We expect these proceedings to be effectively terminated in the course of 2019.

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. These proceedings are still ongoing.

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. These proceedings have effectively been terminated since early 2019.

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. These proceedings have effectively been terminated since early 2019.

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. We expect these proceedings to be effectively terminated in the course of 2019.

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. The parties have exchanged written submissions and are now awaiting a pleading date and the court's decision, for which no date has yet been set.

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. We expect these proceedings to be effectively terminated in the course of 2019.

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 with the Deminor case. In the meantime, claimants agreed that their case be postponed sine die. We expect these proceedings to be effectively terminated in the course of 2019.

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. We expect these proceedings to be effectively terminated in the course of 2019.

1.3 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.

II Proceedings not covered by the settlement

2.1 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 which was later decreased to EUR 75 million. In 2017, RBS agreed to withdraw the proceedings before the Brussels Commercial Court. Per 29 January 2018, the ICC Tribunal decided in Ageas's favour and dismissed all RBS's claims.

2.2 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. Per 1 February 2019, the Brussels Court of Appeal confirmed the decision of the Commercial Court in Ageas's favour, and dismissed all claims. An appeal before the Supreme Court is still possible.

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. The Supreme Court took a decision in the Dutch-speaking procedure on 9 November 2018, and in the French-speaking procedure on 13 December 2018. In both cases, the Supreme Court confirmed the Court of Appeal's decision of 24 September 2015, meaning that the fine paid by Ageas in 2015 is now irrevocable.

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. The public prosecutor never requested the referral of Ageas to the criminal court and stated on 20 December 2018 to no longer request the referral of the individuals to the criminal court. However, the *Chambre du conseil/Raadkamer* has not yet taken a decision in this respect.

4. GENERAL OBSERVATIONS

Although the vast majority of the proceedings mentioned above are expected to be terminated in the course of 2019 as the settlement received the support of the majority of the parties mentioned above, some of the mentioned civil proceedings may be continued by claimants who have timely opted out of the settlement.

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 the Fortis 2007-2008 events, this could have negative consequences for Ageas. The settlement has substantially decreased the scope of the possible consequences of the events of 2007-2008. However, while we do not expect said consequences to have a significant impact on the ageas SA/NV financial position or results, such consequences cannot be precisely estimated 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 and referred the case to the Versailles Appeal Court.

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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.

	2018	2017
Less than 3 months	18.4	18.1
3 months to 1 year	57.9	54.3
1 year to 5 years	235.5	242.1
More than 5 years	368.8	381.0
Total	**680.6**	**695.5**
Annual rental expense:		
Lease payments	4.6	11.9

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Events after the date of the statement of financial position

Indian Non-Life insurer RSGI

On 22 February 2019, Ageas announced that all necessary regulatory approvals have been obtained and confirms the completion of the acquisition of 40% of the share capital of the Indian Non-Life insurance company Royal Sundaram General Insurance Co. Limited (RSGI). The transaction has a net cash impact of EUR 185 million. The acquisition reduces the Group Solvency II by approximately 5%, based on the position as at the end of 2018.

RSGI is a top 10 privately owned player in the Indian Non-Life market with strong positions in Motor and Health insurance. The company benefits from extended distribution capabilities with a nationwide network of more than 5,600 agents, 700 branches, and well-established relationships with banks and other distribution partners off- and online. For the first nine months of the current financial year that in India ends in March, RSGI reported EUR 12 million net profit. Between 2015 and 2018 RSGI realised an average annual growth rate of 55% in net profit.

Following the transaction Ageas now holds 40% of the share capital of RSGI, Sundaram Finance 50% and various other shareholders the remaining 10%.

There have been no other material events since the date of the Consolidated statement of financial position that would require adjustment to the Ageas Consolidated Financial Statements as at 31 December 2018.

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 2018 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 26 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 15 May 2019.

Brussels, 26 March 2019

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
	Sonali Chandmal

Independent Auditor's Report

Statutory auditor's report to the General Meeting of Shareholders of ageas SA/NV on the consolidated financial statements for the year ended 31 December 2018

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated financial statements of ageas SA/NV (the « Company ») and its subsidiaries (jointly « the Group »). This report includes our report on the consolidated financial statements, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 16 May 2018, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2020. We have performed the statutory audit of the consolidated financial statements of ageas SA/NV for one year.

Report on the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 101,686.3 million and a profit for the year of EUR 996.9 million.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (« IFRS ») as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (« ISAs ») as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the *« Statutory auditor's responsibilities for the audit of the consolidated financial statements »* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company 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 46 Contingent Liabilities to the consolidated financial statements, which describes that, while 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 "Settlement") is now final, the Company is still involved in a series of legal proceedings as a result of aforementioned events. Note 46 to the consolidated financial statements specifies that since the Settlement is now final, the risks related to said legal proceedings decreased. Although management does not expect these remaining risks to have a significant impact on the Company's financial position, such consequences cannot be precisely estimated at this stage. We concur with management's position. As a result, the conclusion of our audit report remains unmodified.

Key audit matters

The key audit matters are those that, based on our professional judgment, were the most significant during the audit of the current period's consolidated financial statements. These points were addressed in the context of our audit of the consolidated financial statements taken as a whole and during the establishment of our opinion on them. We do not express a separate opinion on these points.

Adequacy of the amount of the technical provisions relating to insurance activities

Description of the key audit matter

As per 31 December 2018, the technical provisions amount to EUR 80,783.3 million as detailed in note 20 to the consolidated financial statements and represent more than 79% of the Group’s balance sheet total. For technical provisions relating to similar to non-life insurance activities, the provisions are mainly determined based on the best estimate made by claims managers, taking into account all the information available at the end of the accounting period. Regarding technical provisions relating to similar to life insurance activities, the provisions are calculated based on actuarial techniques defined by law as well as in accordance with the technical parameters arising from the said insurance contracts. As mentioned in note 2.8 to the consolidated financial statements, as part of the closing of the financial year, an adequacy test is carried out to ensure that the (« life » and « non-life ») insurance liabilities are sufficient considering the expected future cash flows. When and where applicable, the technical provisions are increased by any shortfall resulting from the said adequacy test.

The adequacy test of technical liabilities is based on actuarial techniques. It is relatively complex in that it is based on a number of assumptions that require significant judgment regarding future events. The latter may be influenced by future economic or business conditions as well as by laws and regulations specific to the insurance sector. The assumptions used within the adequacy test depend, with respect to similar to non-life insurance activities, mainly on the amounts paid for claims, the number of claims incurred but not yet reported and claims expenses. For similar to life insurance activities, the assumptions used depend mainly on mortality and longevity risks, effects related to the decrease in financial income (and in particular the decrease in interest rates) and overhead costs. In addition, the Group has elected to apply « shadow » accounting (an option permitted by « IFRS 4 »), introducing the possible recognition of an additional liability that would result from the application of this accounting option (hereinafter referred to as the « shadow provision »). For life insurance contracts and life investment contracts that are subject to « IFRS 4 » and which are not segregated funds, this shadow provision is determined as the negative difference between the result of the adequacy test (see previous paragraph) and net unrealised capital gains of investments allocated to these contracts.

In view of the above, the measurement and recognition of the shadow provision is influenced by the result of the adequacy test.

The aforementioned different elements, combined with the possible uncertainty related to modelling techniques and the discretionary nature of the assumptions used in the adequacy test, are the main reasons why we considered this topic as a key audit matter.

Our audit procedures related to the key audit matter

We carried out verifications regarding the operational effectiveness of the controls implemented by the Group in order to ensure the quality of the data used within the adequacy test of technical provisions.

Supported by our in-house actuarial experts, we also assessed the relevance of the assumptions used in relation to current market conditions and their adequacy with respect to the technical results recorded during the year under review.

For non-life insurance activities, we have independently recalculated the claims reserves based on recognised actuarial techniques. We then compared our results with those of the Group and obtained satisfying documentation regarding the significant differences observed.

We also ensured thatr the flows (inward and outward) used in the adequacy test of the technical provisions were consistent with those used in the calculation of the best estimate of insurance liabilities under the « Solvency II » framework.

For a sample of contracts, we tested the accuracy of the key data included in the different technical systems and which is also used in the adequacy test of technical provisions.

Finally, we shared and corroborated our conclusions with the members of the Audit Committee, the Executive Committee and the Group’s actuarial function.

Based on the aforementioned audit procedures, we believe that the assumptions used in the adequacy test of technical provisions are reasonable in relation to the current market conditions and the technical results of the past financial year.

Valuation of unquoted financial assets

Description of the key audit matter
The Group holds financial assets that are not listed on a regulated market. These mainly consist of corporate bonds and shares in unlisted companies, detail of which can be found in note 11.2 to the consolidated financial statements. The techniques and models used to value these financial assets involve a variety of assumptions that include, for many of them, some degree of judgment. In addition, the number of elements that might affect the determination of the fair value depends both on the type of instrument and the instrument itself. As a result, the use of various valuation techniques and assumptions could lead to significantly different fair value estimates.

The uncertainty associated with these valuation techniques and models selected per type of instrument is the main reason why we considered this subject as a key audit matter.

Our audit procedures related to the key audit matter
We obtained an understanding of the internal control system for the valuation of financial assets, including controls over pricing and the model validation process.

We selected a sample of financial assets and, with the assistance of our valuation experts, reviewed the estimates made and the main assumptions used in determining their fair value, taking into account market data. Where necessary, we also tested the standing data used in the determination of fair value. Our experts have, for a sample of selected financial assets, independently recalculated the fair value. Finally, we verified compliance with the application of the accounting policies adopted by the Group.

We believe that the main assumptions used in the determination of the market value are reasonable. Our independent tests did not reveal any exception in determining the market value of investments for which a quoted price in an active market is not available.

IT systems and automated controls over the financial reporting

Description of the key audit matter
In view of the significant volume of transactions recorded, the reliability of accounting and financial information is fundamentally dependent on the quality of information systems, interfaces and related controls.

Automated accounting processes, the control environment for IT systems and in particular IT governance, as well as general controls over these systems, must be designed and operated effectively to ensure the reliability of financial information. The large number of automated controls across the numerous technical systems and the importance of the interfaces between these different IT systems with each other and with the accounting system are the main reasons why we considered this subject as a key audit matter.

Our audit procedures related to the key audit matter
Supported by our IT audit specialists, we gained an understanding of the Company's overall governance framework for managing IT systems.

As part of our audit work, we also assessed the IT general controls (« ITGC ») related to computer systems such as program and data access controls, computer operation controls and controls over developments and changes to these systems. In addition, our audit procedures also included an assessment of the design and operational effectiveness of the automated controls of key processes that lead to the preparation of the financial information produced by the Group. The controls in place as well as the additional substantive procedures considered necessary in the context of our audit enabled us to ensure the reliability of the accounting and financial information produced by the IT systems.

Finally, we ensured that the integrity of the data transmitted by the different computer systems to the systems that produce the financial information.

Valuation of investment property

Description of the key audit matter
As per 31 December 2018, the carrying amount of investment properties held by the Group amounted to EUR 2,727.3 million. As mentioned in note 2.8.2 of the consolidated financial statements, these properties are valued using the amortised cost model in accordance with the provisions of IAS 40 « Investment properties ».

As part of the preparation of the consolidated financial statements as at 31 December 2018, and in order to assess whether the recognition of an impairment loss on these investment properties is necessary, the Group determines their fair value by using independent experts. These experts use valuation models based on unobservable market data and/or discounted expected cash flows. At the reporting date, the fair values obtained are subject to a detailed review by the Group in order to identify any event subsequent to the valuation date that could have a significant influence on the value of the properties.

The valuation of investment properties is considered as a key audit matter in view of its significant amount in relation to the Group's total investments as well as the complexity and subjective nature inherent in any valuation exercise.

Our audit procedures related to the key audit matter

We assessed the reliability of the external valuation and determined the reasonableness of the parameters used as follows:

- we assessed the objectivity, independence and expertise of the appointed external evaluators.
- we also estimated, for a sample of properties, the reasonableness of the fair values determined through a review of the main parameters by our own property valuation experts.
- at the reporting date of the consolidated financial statements, we ensured that no events subsequent to the valuation date could have a significant influence on the fair values of investment properties.

We have also ensured that the information provided in the notes to the consolidated financial statements is reasonable.

We believe that the main assumptions used in the determination of the market value are reasonable. Our independent tests did not reveal any exception in determining the market value of the related investment properties.

Other matter

The Company's consolidated financial statements for the year ended 31 December 2017 were audited by another auditor who expressed an unqualified opinion with emphasis of matter paragraphs on these consolidated financial statements in his report dated 30 March 2018.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of 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 the 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 about 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 users taken on the basis of these consolidated financial statements.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated financial statements in Belgium.

As part of an audit in accordance with « ISAs », we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 control 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 the board of directors;
- conclude on the appropriateness of the 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 statutory auditor's 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 statutory auditor's 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 and 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.

From 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.

Other legal and regulatory requirements

Responsibilities of the board of directors

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

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) which is complementary to the International Standards on Auditing (« ISAs ») as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated financial statements and to report on these matters.

Aspects related to the directors' report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the year under audit, and it is 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 acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated financial statements. The Company has prepared the non-financial information, based on the United Nations « Sustainable Development Goals ». However, in accordance with article 148, §1, 5° of the Companies' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with said framework as disclosed in the consolidated financial statements.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated financial statements, and our registered audit firm remained independent of the Group in the course of our mandate;
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

Other statement

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 26 March 2019

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

Yves Vandenplas
Statutory auditor

Summarised ageas SA/NV Company Financial Statements 2018

7

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.
In June 2018, the NBB has granted ageas SA/NV a license to underwrite reinsurance activities.

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. PwC will issue an unqualified auditor's report with an emphasis of matter paragraph on the ageas SA/NV company financial statements.

7 Reinsurance

In June 2018 NBB granted reinsurances licences to the company for both Non-Life and Life. Reinsurance operations started as from 1 July 2018 with a Quota-share arrangement with the Non-Life entities of Portugal. Extension of operations is scheduled for the beginning of 2019.

Statement of financial position after profit appropriation

	2018
ASSETS	
Intangible fixed assets	1
Investments	7,140
Debtors	82
Other assets	551
Prepayments and accrued income	14
TOTAL ASSETS	7,788

LIABILITIES	
Equity	6,160
Technical provisions	3
Other provisions	1,171
Creditors	446
Accruals and deferred income	8
TOTAL LIABILITIES	7,788

Income statement

	2018
Balance on the technical account - non-life insurance business	1
Balance on the technical account - life insurance business	
Investment income	831
Investment charges	(17)
Other income	93
Other charges	(82)
Profit or loss on ordinary activities before tax	826
Tax on profit or loss	(1)
Profit or loss for the financial year to distribute	825

	2018
Appropriation of profit	
Profit to be appropriated	1,029
Profit for the financial year available for appropriation	825
Profit carried forward from the previous financial year	205
Transfers from shareholders' equity	
From the capital and share premium reserves	
From reserves	
Transfers to shareholders' equity	41
To legal reserve	41
Result to be carried forward	573
Profit to be distributed	416
Dividends	416

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 2018 based on Belgian Accounting Principles a net profit of EUR 825 million (2017: EUR 289 million) and a shareholders' equity of EUR 6,160 million (2017: EUR 5,993 million). EUR 1 million can be allocated to the non-life reinsurance activities of the company.

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 Intangible fixed assets

(2018: EUR 1 million; 2017: EUR 1 million)

1..2.1.2 Investments

(2018: EUR 7,140 million; 2017: EUR 6,791 million)

Investments include the following items:

	2018	2017
Investments	7,140	6,791
Participating interests	6,440	6,441
Ageas Insurance International	6,436	6,436
Royal Park Investments	4	5
Loan to AG Insurance	350	350
Treasury bonds and term deposits	350	

1.2.1.3 Debtors

(2018: EUR 82 million; 2017: EUR 248 million)

Receivables include EUR 3 million related to the reinsurance activities of the company.

1.2.1.4 Other assets

(2018: EUR 551 million; 2017: EUR 476 million)

Own shares

In connection with share buy-back programmes, ageas SA/NV purchased 4,791,752 own shares for an amount of EUR 207 million. In 2018, 6,377,750 own shares were cancelled.

143,880 of these own shares with a value of EUR 6 million were used to cover the restricted share plans for some members of staff and directors of the company.

1.2.1.5 Prepayments and accrued income

(2018: EUR 14 million; 2017: 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

(2018: EUR 6,160 million; 2017: EUR 5,993 million)

Subscribed capital

(2018: EUR 1,502 million; 2017: EUR 1,550 million)
The decrease in subscribed capital is due to the cancellation of own shares.

Share premium reserve

(2018: EUR 2,051 million; 2017: EUR 2,247 million)
The decrease in share premium reserve is due to the cancellation of own shares.

Legal reserve

(2018: EUR 55 million; 2017: EUR 14 million)
From the profit available for appropriation will on an annual base 5 percent be allocated to the legal reserve.

Reserves not available for distribution

(2018: EUR 201 million; 2017: EUR 243 million)
The reserves not available for distribution relates to own shares held by ageas SA/NV.

Reserves available for distribution

(2018: EUR 1,777 million; 2017: EUR 1,735 million)
The increase in the reserves available for distribution relates to a transfer to the reserves not available for distribution related to the buy-back of own shares (- EUR 207 million), a transfer of EUR 6 million from reserves not available for distribution related to the settlement of a share plan and the cancellation of own shares for EUR 243 million.

Profit/loss carried forward

(2018: EUR 573 million; 2017: EUR 205 million)
The 2018 financial year closed with a profit of EUR 825 million, which means that taking into account the transfer to the legal reserves (EUR 41 million) and the dividend that is proposed to be paid (EUR 419 million of which EUR 3 million was already transferred from available reserves last year), the profit to be carried forward amounts to EUR 573 million.

1.2.2.2 Provisions

(2018: EUR 1,171 million; 2017: EUR 1,558 million)
The decrease in the provisions is explained by the lower value of RPN(I) (EUR 89 million) and a reduction in the provision for the settlement following payments to eligible shareholders in 2018 (minus EUR 297 million). See note 26 'Provisions' of the Consolidated Financial Statements for more details.

1.2.2.3 Creditors

(2018: EUR 446 million; 2017: EUR 437 million)
The increase in amounts payable is mainly explained by the higher amount payable to shareholders with regard to dividends for the financial year (2018: EUR 415 million; 2017: EUR 410 million). In addition, creditors include amounts payable related to dividends related to previous years, which have not yet been settled (2018: EUR 3 million; 2017: EUR 11 million).

1.2.2.4 Accruals and deferred income

(2018: EUR 8 million; 2017: EUR 17 million)
Accruals and deferred income mainly concerns provisions made with regard to 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 Balance on the technical account non-life business

(2018: EUR 1 million; 2017: nil)
Result on the reinsurance activity (non-life) of the company

1.2.3.2 Investment income

(2018: EUR 831 million; 2017: EUR 635 million)
Investment income includes dividends received from subsidiaries and equity associates (2018: EUR 813 million; 2017: EUR 618 million).

1.2.3.3 Investments charges

(2018: EUR 17 million; 2017: EUR 16 million)

1.2.3.4 Other income

(2018: EUR 93 million; 2017: EUR 10 million)
The increase in other income relates to the expected lower settlement amount of RPN(I) (EUR 89 million).

1.2.3.5 Other charges

(2018: EUR 82 million; 2017: EUR 340 million)

The components of the charges are as follows:

▪ Services and miscellaneous goods	EUR 47 million
▪ Staff expenses	EUR 21 million
▪ Other operating expenses	EUR 14 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 Board of Directors on 13 November 2018 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). This branch was closed in 2018.

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 2018.

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 request 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 2018 no capital increase or issue of warrants was made.

Non-audit assignments carried out by the auditor in 2018

In 2018, the external auditor carried out an additional assignment on tax consultancy.

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.

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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 (ageas SA/NV) and at the company's registered office.

The Annual Report is filed with the National Bank of Belgium (ageas SA/NV). Resolutions on the (re)election and removal of Ageas Board members are published in annexes to the Belgian Law Gazette (ageas SA/NV) 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 dematerialised 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 on which Ageas has significant influence but which it does not control.

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 an insurance 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 boundary of the contract. The obligations that relate to insurance cover provided by the insurance 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 boundary of the contract, unless the insurance undertaking can compel the policyholder to pay the premium for those obligations.

Credit loss
The difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expect to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

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 are primarily related to the production of new business.

Derivative
A financial instrument such as a swap, forward contract, futures contract or 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 projected future cash flows are 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 after all.

Discretionary participation feature
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:
- That are likely to be a significant proportion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- 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.

Expected credit losses (ECL)
The weighted average of credit losses with the respective risk of a default occurring as the weights.

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 accounting standards 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, its subsidiaries or associates) 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
ZAR	South Africa, Rand

Liquidity ratio
A metric that allows assessing if the 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.

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.

SPPI (Solely Payments of Principal and Interest)
A financial asset meets the SPPI test if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Stress liquidity ratio
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.

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
ECL	Expected credit losses
EPS	Earnings per share
Euribor	Euro interbank offered rate
EV	Embedded value
FRESH	Floating rate equity linked subordinated hybrid bond
HTM	Held-to-maturity
HFT	Held for trading
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
SPPI	Solely Payments of Principal and Interest
SPV	Special purpose vehicle
UK	United Kingdom

Supporter of your life

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