Condensed Consolidated Interim Financial Statements

for the first six months period ended 30 June 2019

Brussels, 7 August 2019

ageas

CONTENTS

All amounts in the tables of these Condensed Consolidated Interim Financial Statements are denominated in millions of euros, unless stated otherwise. Small discrepancies due to rounding may appear.

Developments and results

Developments and results

Results of Ageas

The six months Group net result amounted to EUR 606 million.

Life

The net result increased by 30% to EUR 485 million (vs. EUR 373 million), with strong results in all segments and in particular a substantially higher contribution from Asia of EUR 324 million. This can mainly be attributed to China where the net profit benefitted from a positive evolution of the interest rates and a favourable retroactive change in the tax regime relating to the 2018 fiscal year.

Non-life

The net result of the Non-Life activities remained strong at EUR 116 million (vs. EUR 102 million), reflecting the strong performance in Portugal and the increased contribution of Turkey offset by the adverse weather events in Belgium. As for the UK, the positive impact from the Ogden rate review was offset by large losses in Motor.

The recently introduced internal reinsurance agreements between ageas SA/NV and the operating entities in Belgium, UK and Portugal reinsured EUR 1.1 billion of premiums from operating companies within the Group and contributed EUR 34 million negative (vs. EUR 2 million) to the Non-Life net result (reinsurance segment).

General Account

The six months net result for the General Account amounted to EUR 5 million positive. Staff and other operating expenses stood at EUR 49 million (vs. EUR 39 million). The RPN(I) liability reduced to EUR 298 million at the end of June, thus contributing EUR 61 million to the net result.

Net cash position General account

The total liquid assets in the General Account amounted to EUR 1.7 billion. The dividend upstream received from the operating companies more than covered the cash-outs related to the share-buy-back, the holding cost and the EUR 416 million dividend paid to the Ageas shareholders at the end of May. Capital management actions added EUR 0.3 billion to the Group's cash position, EUR 0.6 billion of which remains ring-fenced for the Fortis settlement.

Solvency

The Own Funds of the Group amounted to EUR 7.9 billion, EUR 4 billion above SCR resulting in a strong Group Solvency II_{ageas} ratio of 201%. Since year-end 2018 Solvency II_{ageas} ratio has come down 14 pp, mainly as a result of the acquisition of Non-Life activities in India and a sharp and continuing drop in the yield curve, specifically impacting the Solvency ratio in Continental Europe.

Brussels, 6 August 2019

Board of Directors

Consolidated Financial Statements

for the first six months of 2019

Consolidated statement of financial position

	Note	30 June 2019	31 December 2018
Assets			
Cash and cash equivalents		3,085.0	2,924.8
Financial investments	*7*	64,066.5	61,442.6
Investment property	*8*	2,640.6	2,727.3
Loans	*9*	10,227.7	9,788.5
Investments related to unit-linked contracts		17,111.9	15,509.3
Investments in associates	*10*	3,824.4	3,071.0
Reinsurance and other receivables		1,919.9	1,843.1
Current tax assets		73.6	64.2
Deferred tax assets		127.0	139.6
Accrued interest and other assets		1,656.4	1,837.1
Property, plant and equipment	*8*	1,716.3	1,234.6
Goodwill and other intangible assets		1,118.9	1,097.1
Assets held for sale			7.1
Total assets		107,568.2	101,686.3
Liabilities			
Liabilities arising from Life insurance contracts	*11.1*	28,560.7	26,987.5
Liabilities arising from Life investment contracts	*11.2*	32,122.9	30,860.1
Liabilities related to unit-linked contracts	*11.3*	17,119.0	15,511.1
Liabilities arising from Non-life insurance contracts	*11.4*	7,530.3	7,424.6
Subordinated liabilities	*12*	2,372.2	2,285.0
Borrowings	*13*	2,560.3	2,184.2
Current tax liabilities		46.3	35.7
Deferred tax liabilities		1,176.2	1,039.6
RPN(I)	*14*	297.6	358.9
Accrued interest and other liabilities		2,696.2	2,586.0
Provisions	*15*	699.8	887.1
Liabilities related to assets held for sale			6.9
Total liabilities		95,181.5	90,166.7
Shareholders' equity	*3*	10,225.0	9,411.4
Non-controlling interests		2,161.7	2,108.2
Total equity		12,386.7	11,519.6
Total liabilities and equity		107,568.2	101,686.3

Consolidated income statement

	Note	First half year 2019		First half year 2018	
Income					
- *Gross premium income*		*4,976.8*		*4,335.4*	
- *Change in unearned premiums*		*(130.9)*		*(92.4)*	
- *Ceded earned premiums*		*(180.4)*		*(122.2)*	
Net earned premiums	*19*		4,665.5		4,120.8
Interest, dividend and other investment income	*20*		1,313.5		1,354.3
Unrealised gain (loss) on RPN(I)			61.3		8.6
Result on sales and revaluations			114.9		153.8
Income related to investments for unit-linked contracts			1,248.9		(31.9)
Share in result of associates	*10*		376.4		207.2
Fee and commission income			183.5		162.0
Other income			147.9		108.2
Total income			8,111.9		6,083.0
Expenses					
- *Insurance claims and benefits, gross*		*(4,389.8)*		*(3,862.3)*	
- *Insurance claims and benefits, ceded*		*62.6*		*33.0*	
Insurance claims and benefits, net	*21*		(4,327.2)		(3,829.3)
Charges related to unit-linked contracts			(1,282.2)		(13.3)
Financing costs	*22*		(65.2)		(58.7)
Change in impairments			(26.7)		(18.2)
Change in provisions	*15*		(1.2)		(0.1)
Fee and commission expenses			(559.1)		(536.1)
Staff expenses			(420.2)		(408.0)
Other expenses			(638.0)		(566.4)
Total expenses			(7,319.8)		(5,430.1)
Result before taxation			792.1		652.9
Tax income (expenses)			(106.5)		(111.3)
Net result for the period			685.6		541.6
Attributable to non-controlling interests			79.6		100.4
Net result attributable to shareholders			606.0		441.2
Per share data (EUR)					
Basic earnings per share	*3*		3.13		2.23
Diluted earnings per share	*3*		3.13		2.23

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

	Note	First half year 2019	First half year 2018
Gross premium income		4,976.8	4,335.4
Inflow deposit accounting (directly recognised as liability)		*709.5*	735.3
Gross inflow	*19*	5,686.3	5,070.7

Consolidated statement of comprehensive income

	Note	First half year 2019		First half year 2018	
COMPREHENSIVE INCOME					
Items that will not be reclassified to the income statement:					
Remeasurement of defined benefit liability		*(96.4)*		*19.8*	
Related tax		*23.7*		*(1.2)*	
Remeasurement of defined benefit liability		(72.7)		18.6	
Total of items that will not be reclassified to the income statement:			(72.7)		18.6
Items that are or may be reclassified to the income statement:					
Change in amortisation of investments held to maturity		*3.8*		*5.4*	
Related tax		*(1.0)*		*(1.3)*	
Change in investments held to maturity	7	2.8		4.1	
Change in revaluation of investments available for sale [1]		*789.9*		*73.8*	
Related tax		*(164.2)*		*(50.2)*	
Change in revaluation of investments available for sale	7	625.7		23.6	
Share of other comprehensive income of associates	10	236.7		(27.1)	
Change in foreign exchange differences, gross		*40.5*		*19.8*	
Related tax					
Change in foreign exchange differences		40.5		19.8	
Total items that are or may be reclassified to the income statement:			905.7		20.4
Other comprehensive income for the period			833.1		38.9
Net result for the period			685.6		541.6
Total comprehensive income for the period			1,518.7		580.5
Net result attributable to non-controlling interests		79.6		100.4	
Other comprehensive income attributable to non-controlling interests		122.4		15.4	
Total comprehensive income attributable to non-controlling interests			202.0		115.8
Total comprehensive income attributable to shareholders			1,316.7		464.7

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

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Other reserves	Currency translation reserve	Net result attributable to shareholders	Unrealised gains and losses	Share holders' equity	Non-controlling interests	Total equity
Balance as at 1 January 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					441.2		441.2	100.4	541.6
Revaluation of investments						(11.6)	(11.6)	12.1	0.5
Remeasurement IAS 19			15.8				15.8	2.8	18.6
Foreign exchange differences				19.3			19.3	0.5	19.8
Total non-owner changes in equity			15.8	19.3	441.2	(11.6)	464.7	115.8	580.5
Transfer			623.2		(623.2)				
Dividend			(403.2)				(403.2)	(200.1)	(603.3)
Change in capital								13.5	13.5
Treasury shares			(98.2)				(98.2)		(98.2)
Cancellation of shares	(47.2)	(195.7)	242.9						
Share-based compensation		(4.5)					(4.5)		(4.5)
Impact written put option on NCI [1)]			(253.4)				(253.4)	1,695.4	1,442.0
Other changes in equity [2)]			(7.2)	1.3		(0.6)	(6.5)	41.8	35.3
Balance as at 30 June 2018	1,502.4	2,051.3	2,601.1	(63.6)	441.2	2,777.4	9,309.8	2,217.7	11,527.5
Balance as at 1 January 2019	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
Net result for the period					606.0		606.0	79.6	685.6
Revaluation of investments						724.5	724.5	140.8	865.3
Remeasurement IAS 19			(54.2)				(54.2)	(18.5)	(72.7)
Foreign exchange differences				40.4			40.4	0.1	40.5
Total non-owner changes in equity			(54.2)	40.4	606.0	724.5	1,316.7	202.0	1,518.7
Transfer			809.1		(809.1)				
Dividend			(415.7)				(415.7)	(149.4)	(565.1)
Change in capital								2.8	2.8
Treasury shares			(74.4)				(74.4)		(74.4)
Cancellation of shares		(201.3)	201.3						
Share-based compensation		1.5					1.5		1.5
Impact written put option on NCI [1)]			(0.8)				(0.8)	(1.9)	(2.7)
Other changes in equity [2)]			(13.7)				(13.7)		(13.7)
Balance as at 30 June 2019	1,502.4	1,859.5	2,954.5	(34.5)	606.0	3,337.1	10,225.0	2,161.7	12,386.7

1. *Relates to the put option on AG Insurance shares in 2018 and the put option on Interparking shares.*
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	First half year 2019		First half year 2018	
Cash and cash equivalents as at 1 January			2,924.8		2,552.3
Result before taxation			792.1		652.9
Adjustments to non-cash items included in result before taxation:					
Remeasurement RPN(I)	14	(61.3)		(8.6)	
Result on sales and revaluations		(114.9)		(153.8)	
Share in result of associates	10	(376.4)		(207.2)	
Depreciation, amortisation and accretion		397.9		330.8	
Impairments		26.7		18.2	
Provisions	15	(3.8)		(0.4)	
Share-based compensation expense		3.8		5.7	
Total adjustments to non-cash items included in result before taxation			*(128.0)*		*(15.3)*
Changes in operating assets and liabilities:					
Derivatives held for trading (assets and liabilities)	16	(3.2)		26.5	
Loans	9	(440.5)		(156.1)	
Reinsurance and other receivables		(64.7)		37.5	
Investments related to unit-linked contracts		(1,602.6)		(198.5)	
Borrowings	13	(142.3)		208.1	
Liabilities arising from insurance and investment contracts	11.1 & 11.2 & 11.4	3,086.6		(365.7)	
Liabilities related to unit-linked contracts	11.3	1,579.0		122.8	
Net changes in all other operational assets and liabilities		(2,632.6)		404.2	
Dividend received from associates		142.5		158.2	
Income tax paid		(122.7)		(211.3)	
Total changes in operating assets and liabilities			*(200.5)*		*25.7*
Cash flow from operating activities			463.6		663.3
Purchases of financial investments		(4,663.3)		(5,312.2)	
Proceeds from sales and redemptions of financial investments		5,163.5		5,267.7	
Purchases of investment property		(31.7)		(76.4)	
Proceeds from sales of investment property		63.7		8.4	
Purchases of property, plant and equipment		(72.3)		(50.2)	
Proceeds from sales of property, plant and equipment		0.6		0.2	
Acquisitions of subsidiaries and associates (including capital increases in associates)	2	(201.3)		(114.1)	
Divestments of subsidiaries and associates (including capital repayments of associates)	2	7.8		88.0	
Purchases of intangible assets		(13.9)		(16.6)	
Proceeds from sales of intangible assets		0.2		0.1	
Cash flow from investing activities			253.3		(205.1)
Proceeds from the issuance of subordinated liabilities	12	567.1			
Redemption of subordinated liabilities	12	(484.2)			
Proceeds from the issuance of other borrowings	13			10.2	
Payment of other borrowings	13			(5.4)	
Purchases of treasury shares	3	(74.4)		(98.2)	
Dividends paid to shareholders of parent companies		(415.7)		(403.2)	
Dividends paid to non-controlling interests		(149.4)		(200.1)	
Cash flow from financing activities			(556.6)		(696.7)
Effect of exchange rate differences on cash and cash equivalents			(0.1)		1.8
Cash and cash equivalents as at 31 December			3,085.0		2,315.6
Supplementary disclosure of operating cash flow information					
Interest received	20	1,235.3		1,313.6	
Dividend received from financial investments	20	84.1		85.0	
Interest paid	22	(78.8)		(66.5)	

General notes

01
Summary of accounting policies

The Ageas Condensed Consolidated Interim Financial Statements for the first six months of 2019 are prepared in accordance with the International Accounting Standard IAS 34 ‘Interim Financial Reporting’, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

1 Basis of accounting

These Ageas Condensed Consolidated Interim Financial Statements provide an update to the latest complete set of the Ageas Annual Consolidated Financial Statements for the year ended 31 December 2018 and should accordingly be read in conjunction with the Ageas Consolidated Financial Statements 2018.

The accounting policies applied for the first six months of 2019 are consistent with those applied for the year ended at 31 December 2018, except for new and amended IFRS-standards. Amendments to the accounting policies for new and endorsed IFRS standards that are effective as from 1 January 2019 are listed in section 2 below. The accounting policies disclosed in the Ageas Consolidated Financial Statements 2018 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 Condensed Consolidated Interim 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 more than 12 months, 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 financial instruments - presentation;
- IAS 36 for 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;
- IFRS 15 for revenue from contracts with customers; and
- IFRS 16 for leases

2 Changes in accounting policies

In 2019, the following new or revised IFRS standards, interpretations and amendments to IFRS standards and interpretations became effective, as adopted by the EU.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The IASB issued the amendments to IFRS 9 ‘prepayment features with negative compensation’ in October 2017. In March 2018, these amendments have been endorsed by the EU and they apply for annual periods beginning on or after 1 January 2019.

These narrow-scope amendments to IFRS 9 ‘financial instruments’ enable entities to measure at amortised cost some prepayable financial assets with negative compensation. Without these amendments, those financial assets would not pass the solely payments of principal and interest (SPPI) test under IFRS 9, requiring those financial assets to be measured at fair value through profit or loss (FVPL).

Ageas decided not to apply IFRS 9 ‘financial instruments’ as from 2018 since Ageas is eligible to apply the temporary exemption from applying IFRS 9. A detailed analysis leading to this conclusion is included in note 2 to the Ageas Consolidated Financial Statements 2018. Although Ageas decided to apply the temporary exemption from IFRS 9, the requirements in this narrow-scope amendments to IFRS 9 are taken into account into the SPPI-test that Ageas performs in the context of the annual disclosure on the amendments to IFRS 4 on ‘applying IFRS 9 financial instruments with IFRS 4 insurance contracts’. A copy of this disclosure is also included in the 2018 note 2 to the Ageas Consolidated Financial Statements.

IFRS 16 Leases

The IASB issued IFRS 16 'leases' in January 2016. IFRS 16 has been endorsed by the EU in October 2017 and is effective for annual periods beginning on or after 1 January 2019. As such, IFRS 16 is fully implemented by Ageas as from 1 January 2019.

IFRS 16 replaces the previous 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 lessees as 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. Ageas applied both exceptions to the lessee measurement model to the leases fulfilling the respective criteria.

Ageas applied 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, Ageas applied IFRS 16 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 has been 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.

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 have been 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 are recognised as expense and disclosed separately, in line with the exemption provided for short-term leases; and
- Application of the exemptions to the IFRS 16 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 are recognised as expense and disclosed separately.

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 were previously classified as an operating lease under IAS 17, the implementation of IFRS 16 did not result in a significant impact on Shareholder's Equity, Other Comprehensive Income and net result. An overview of this impact can be found in note 8 on Investment property and property, plant and equipment. Of the total right-of-use asset and lease liability recognised as per 30 June 2019, approximately 95% relates to real estate and 5% to employee company cars.

Other changes

Other changes in IFRS standards, interpretations and amendments to IFRS standards and interpretations that became effective after 1 January 2019, and that are endorsed by the EU, did not impact the statement of financial position or income statement of Ageas in a significant way. Those changes relate to:

- IFRIC 23: uncertainty over income tax treatments;
- Amendments to IAS 28: long-term interests in associates and joint ventures;
- Amendments to IAS 19: plan amendment, curtailment or settlement; and
- Annual improvements to IFRS standards (2015-2017 cycle): IFRS 3 business combinations, IFRS 11 joint arrangements, IAS 12 income taxes and IAS 23 borrowing costs.

Upcoming changes in IFRS EU

Following new or revised IFRS standards, interpretations and amendments to IFRS standards and interpretations, have been published by the IASB and become effective for annual reporting periods beginning on 1 January 2020 or later.

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. The IASB reconfirmed this decision during their Board meeting of April 2019.

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 at Ageas. 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). During the IASB Board meeting of April 2019, the IASB Board granted approval for the IASB Staff to start the balloting process for issuance of an exposure draft to IFRS 17, including a package of proposed amendments to IFRS 17. This exposure draft has been published on 26 June 2019, providing in a comment period until 25 September 2019. In view of theses current developments, and given the fact that the exposure draft to IFRS 17 may modify the actually known requirements, 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 depends on the expected publication of the exposure draft to IFRS 17 and on the input provided by the stakeholders on this exposure draft.

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 at every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM), 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 into 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 effective after 1 January 2020, are not expected to have a significant impact on the statement of financial position or income statement of Ageas. Not all of those changes have yet been endorsed by the EU. Those changes relate to:

- 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.

3 Accounting estimates

The preparation of the Ageas Condensed Consolidated Interim 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.

30 June 2019

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

4 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.

5 Consolidation principles

Subsidiaries

The Ageas Condensed Consolidated Interim 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 to exist. 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.

6 Foreign currency

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

		Rates at end of period		Average rates
1 euro =	30 June 2019	31 December 2018	First half year 2019	First half year 2018
Pound sterling	0.90	0.89	0.87	0.88
US dollar	1.14	1.15	1.13	1.21
Hong Kong dollar	8.89	8.97	8.86	9.49
Turkish lira	6.57	6.06	6.36	4.96
Chinese yuan renminbi	7.82	7.88	7.67	7.71
Indian rupee	78.52	79.73	79.13	79.49
Malaysian ringgit	4.71	4.73	4.65	4.77
Philippine peso	58.34	60.11	58.98	62.94
Thai baht	34.90	37.05	35.71	38.42
Vietnamese dong	26,316.00	26,316.00	26,236.00	27,778.00

02

Acquisitions and disposals

The following significant acquisitions and disposals were made in 2019 and 2018. Details of acquisitions and disposals, if any, which took place after the date of the statement of financial position, are included in note 24 Events after the date of the statement of financial position.

2.1 Acquisitions in 2019

Royal Sundaram General Insurance (Asia)

On 22 February 2019, Ageas announced that all necessary regulatory approvals had been obtained and confirmed the completion of the acquisition of 40% of the share capital in the Indian Non-Life insurance company Royal Sundaram General Insurance Co. Limited (RSGI). The net cash consideration amounted to EUR 191 million, resulting in a goodwill of EUR 136.2 million. RSGI is reported applying the equity method by Ageas group as from Q1 2019.

2.2 Disposals in 2019

There were no material disposals during the first half of 2019.

2.3 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.

2.4 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 6 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.

03
Outstanding shares and earnings per share

The following table shows the number of outstanding shares.

in thousands	Shares issued	Treasury shares	Shares outstanding
Number of shares as at 1 January 2018	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
Cancelled shares	(4,648)	4,648	
Balance (acquired)/sold		(1,702)	(1,702)
Used for management share plans			
Number of shares as at 30 June 2019	198,374	(5,715)	192,659

3.1 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 23 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 table below gives an overview of the shares issued and the potential number of shares issued as at 30 June 2019, after the General Shareholders' meeting.

in thousands	
Number of shares as at 30 June 2019	198,374
Shares that may be issued per Shareholders' Meeting of 15 May 2019	20,000
In connection with option plans	
Total potential number of shares as at 30 June 2019	218,374

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 12 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 (5.7 million) consists of shares held for the FRESH (4.0 million) and the remaining shares resulting from the share buy-back programme (1.7 million, see below). Details of the FRESH securities are provided in note 12 Subordinated liabilities.

Share buy-back programme 2018

Ageas announced on 8 August 2018 a new Share Buy Back program, starting on 13 August 2018 and ending on 2 August 2019, for an amount of EUR 200 million. Between 13 August 2018 and 30 June 2019, Ageas bought back 3,645,187 shares corresponding to 1.84 % of the total shares outstanding and totalling EUR 158.7 million.

Share buy-back programme 2017

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

The Extraordinary General Meeting of Shareholders of ageas SA/NV of 15 May 2019 approved the cancellation of 4,647,872 shares. As a result, the total number of issued shares is reduced to 198,374,327.

The General Shareholders' Meeting 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 programmes.

3.2 Shares entitled to dividend and voting rights

The table below gives an overview of the shares entitled to dividend and voting rights.

in thousands	
Number of shares issued as at 30 June 2019	198,374
Shares not entitled to dividend and voting rights:	
Shares held by ageas SA/NV	1,702
Shares related to FRESH (see note 12)	3,968
Shares related to CASHES (see note 23)	3,959
Shares entitled to voting rights and dividend	188,745

BNP Paribas Fortis SA/NV (the former Fortis Bank) issued a financial instrument called CASHES in 2007. One of the features of this instrument was that it could only be redeemed through conversion into 12.5 million Ageas shares.

BNP Paribas Fortis SA/NV acquired all necessary Ageas shares to redeem the CASHES (these shares 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 12 Subordinated liabilities and note 23 Contingent liabilities).

In 2012, BNP Paribas made a (partially successful) cash tender for the CASHES and on 6 February 2012, BNP Paribas Fortis SA/NV converted 7,553 of the tendered CASHES securities out of 12,000 CASHES securities outstanding (62.9%) into 7.9 million Ageas shares.

Ageas and BNP Paribas had agreed that BNP Paribas could purchase CASHES under the condition that they are converted into Ageas shares. In 2016, 656 CASHES were purchased and converted. The agreement between Ageas and BNP Paribas expired at year-end 2016. At this moment, 4.0 million Ageas shares related to the CASHES are still held by BNP Paribas Fortis SA/NV.

3.3 Earnings per share

The following table details the calculation of earnings per share.

	First half year 2019	First half year 2018
Net result attributable to shareholders	606.0	441.2
Weighted average number of ordinary shares		
for basic earnings per share (in thousands)	193,617	197,987
Adjustments for:		
- restricted shares (in thousands) expected to be awarded		83
Weighted average number of ordinary shares		
for diluted earnings per share (in thousands)	193,617	198,070
Basic earnings per share (in euro per share)	3.13	2.23
Diluted earnings per share (in euro per share)	3.13	2.23

In 2018, all option plans lapsed and no new option plans was launched.

During 2019 and 2018, 3.97 million Ageas shares arising from the FRESH were excluded from the calculation of diluted earnings per share because the interest per share saved on these securities was higher than the basic earnings per share.

Ageas shares totalling 3.96 million (31 December 2018: 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 23 Contingent liabilities).

04
Regulatory supervision and solvency

ageas SA/NV is the ultimate parent of the Ageas Group and is since June 2018 licensed to carry out life & non-life activities of ageas SA/NV. 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. Ageas SA/NV started to write reinsurance business in the second half of 2018.

4.1 Requirements and available capital under Solvency II - Partial Internal Model

(Pillar 1 – Not reviewed)

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 Tesco Underwriting has 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.

In the Partial Internal Model (PIM), Ageas applies transitional measures relating to technical provisions in Portugal and France, the grandfathering of issued hybrid debt at Group level. As at 30 June 2019, Group Eligible Solvency II Own funds amounts to EUR 8,013.0 million (31 December 2018: EUR 8,059.0 million), Group Required Capital under Partial Internal Model (SCR) amounts to EUR 4,132.6 million (31 December 2018: EUR 3,728.1 million), and the Solvency ratio is 193.9 % (31 December 2018: 216.2 %).

4.2 Ageas capital management under Solvency II – SCRageas

(Pillar 2 – not reviewed)

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 and the removal of transitional measures (with the exception of the grandfathering of issued hybrid debt). 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 adjustment, the companies apply a company specific volatility adjustment or use an expected loss model, based on the composition of their specific asset portfolio. This SCR is called the SCR_{ageas}.

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

			30 June 2019			31 December 2018
			Solvency			Solvency
	Own Funds	SCR	Ratio	Own Funds	SCR	Ratio
Belgium	6,348.3	2,851.3	222.6%	6,446.4	2,747.3	234.6%
UK	807.4	500.2	161.4%	820.1	490.3	167.3%
Continental Europe	1,031.9	646.6	159.6%	1,036.3	581.3	178.3%
Reinsurance	622.2	324.5	191.8%	111.0	56.7	195.7%
General Account including elimination and diversification	122.2	49.3		606.2	76.1	
Non-transferable own funds / Diversification	(986.7)	(417.1)		(1,021.8)	(223.9)	
Total Ageas	7,945.2	3,954.8	200.9%	7,998.2	3,727.8	214.6%

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

05
Related parties

As at 30 June 2019, no outstanding loans, credits or bank guarantees have been granted to Board Members and executive managers or to close family members of the Board Members and close family members of executive managers. There were no changes in the related party transactions compared to year-end 2018.

06
Information on operating segments

6.1 General information

Ageas's reportable operating segments are primarily based on geographical regions; the results are based on IFRS. 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.

Operating segments

Ageas is organised in six operating segments:

- 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 Insurance activities in the sixth operating segment: General Account.

There were no changes applied in the operating segments in the first half year of 2019.

Brexit

At the time this 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 repair costs due to claims inflation, 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 bonds would bear a spread risk capital charge within Solvency II Pillar 1 as they would be rated A+. All UK Government bonds would have to be considered non-EEA government under Solvency II after the Brexit, and unlike EEA Government bonds, only non-EEA government rated AA- and above do not incur capital charge;
- The impact of 'no deal Brexit' and UK downgrade was assessed at Group level as having a limited impact on SCR spread.

6.2 Income statement by operating segment

First half year 2019	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*3,012.3*	*697.7*	*1,259.8*		*1,136.6*	*(1,129.0)*	*4,977.4*		*(0.6)*	*4,976.8*
- *Change in unearned premiums*	*(102.9)*	*(6.5)*	*(21.5)*		*(265.9)*	*265.9*	*(130.9)*			*(130.9)*
- *Ceded earned premiums*	*(278.5)*	*(576.7)*	*(160.6)*		*(25.6)*	*861.0*	*(180.4)*			*(180.4)*
Net earned premiums	2,630.9	114.5	1,077.7		845.1	(2.1)	4,666.1		(0.6)	4,665.5
Interest, dividend and other investment income	1,185.6	19.7	102.2		6.0		1,313.5	16.1	(16.1)	1,313.5
Unrealised gain (loss) on RPN(I)								61.3		61.3
Result on sales and revaluations	82.2	5.3	22.7		4.2		114.4	4.2	(3.7)	114.9
Income related to investments for unit-linked contracts	729.2		519.7				1,248.9			1,248.9
Share in result of associates	14.2	6.7	8.0	346.7			375.5	0.9		376.4
Fee and commission income	180.8	88.6	86.1		1.9	(173.9)	183.5			183.5
Other income	121.5	18.9	10.3		0.2	(0.1)	150.9	2.4	(5.4)	*147.9*
Total income	4,944.4	253.7	1,826.7	346.7	857.4	(176.1)	8,052.8	84.9	(25.8)	8,111.9
Expenses										
- *Insurance claims and benefits, gross*	*(2,923.9)*	*(375.8)*	*(1,075.0)*		*(796.7)*	*780.9*	*(4,390.5)*		*0.7*	*(4,389.8)*
- *Insurance claims and benefits, ceded*	*176.6*	*556.3*	*106.4*		*2.4*	*(779.1)*	*62.6*			*62.6*
Insurance claims and benefits, net	(2,747.3)	180.5	(968.6)		(794.3)	1.8	(4,327.9)		0.7	(4,327.2)
Charges related to unit-linked contracts	(739.6)		(542.5)			(0.1)	(1,282.2)			(1,282.2)
Financing costs	(49.4)	(5.1)	(7.9)		(0.1)	(0.1)	(62.6)	(18.6)	16.0	(65.2)
Change in impairments	(19.7)	(4.5)	(2.5)				(26.7)			(26.7)
Change in provisions	1.4					0.1	1.5	(2.6)	(0.1)	(1.2)
Fee and commission expenses	(343.3)	(119.9)	(91.4)		(178.4)	173.9	(559.1)			(559.1)
Staff expenses	(275.0)	(77.6)	(40.2)	(12.7)			(405.5)	(14.7)		(420.2)
Other expenses	(435.2)	(164.8)	(88.9)	(2.6)	82.5	0.6	(608.4)	(35.0)	5.4	(638.0)
Total expenses	(4,608.1)	(191.4)	(1,742.0)	(15.3)	(890.3)	176.2	(7,270.9)	(70.9)	22.0	(7,319.8)
Result before taxation	336.3	62.3	84.7	331.4	(32.9)	0.1	781.9	14.0	(3.8)	792.1
Tax income (expenses)	(69.4)	(10.3)	(20.5)		(1.1)	(0.1)	(101.4)	(5.2)	0.1	(106.5)
Net result for the period	266.9	52.0	64.2	331.4	(34.0)		680.5	8.8	(3.7)	685.6
Attributable to non-controlling interests	72.1		7.5				79.6			79.6
Net result attributable to shareholders	194.8	52.0	56.7	331.4	(34.0)		600.9	8.8	(3.7)	606.0
Total income from external customers	5,059.0	725.3	1,923.0	346.7			8,054.0	57.9		8,111.9
Total income internal	(114.6)	(471.6)	(96.3)		857.4	(176.1)	(1.2)	27.0	(25.8)	
Total income	4,944.4	253.7	1,826.7	346.7	857.4	(176.1)	8,052.8	84.9	(25.8)	8,111.9
Non-cash expenses (excl. depreciation & amortisation)								(2.6)		(2.6)

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

First half year 2019	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	3,012.3	697.7	1,259.8		1,136.6	(1,129.0)	4,977.4		(0.6)	4,976.8
Inflow deposit accounting	549.9		159.6				709.5			709.5
Gross inflow	3,562.2	697.7	1,419.4		1,136.6	(1,129.0)	5,686.9		(0.6)	5,686.3

First half year 2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Income										
- *Gross premium income*	*2,648.8*	*722.0*	*965.2*		*29.3*	*(29.3)*	*4,336.0*		*(0.6)*	*4,335.4*
- *Change in unearned premiums*	*(92.2)*	*19.1*	*(19.3)*				*(92.4)*			*(92.4)*
- *Ceded earned premiums*	*(32.1)*	*(57.4)*	*(47.8)*		*(14.2)*	*29.3*	*(122.2)*			*(122.2)*
Net earned premiums	2,524.5	683.7	898.1		15.1		4,121.4		(0.6)	4,120.8
Interest, dividend and other investment income	1,226.9	28.3	101.9		0.8		1,357.9	12.1	(15.7)	1,354.3
Unrealised gain (loss) on RPN(I)								8.6		8.6
Result on sales and revaluations	131.0	3.8	16.5				151.3	2.7	(0.2)	153.8
Income related to investments for unit-linked contracts	(71.2)		39.3				(31.9)			(31.9)
Share in result of associates	8.9	4.5	10.9	183.0			207.3	(0.2)	0.1	207.2
Fee and commission income	98.0	6.9	57.3		1.0	(1.2)	162.0			162.0
Other income	78.1	26.0	8.9	0.4		(0.2)	113.2	2.7	(7.7)	108.2
Total income	3,996.2	753.2	1,132.9	183.4	16.9	(1.4)	6,081.2	25.9	(24.1)	6,083.0
Expenses										
- *Insurance claims and benefits, gross*	*(2,637.5)*	*(430.3)*	*(793.4)*		*(9.8)*	*8.1*	*(3,862.9)*		*0.6*	*(3,862.3)*
- *Insurance claims and benefits, ceded*	*9.1*	*5.1*	*27.2*		*(0.3)*	*(8.1)*	*33.0*			*33.0*
Insurance claims and benefits, net	(2,628.4)	(425.2)	(766.2)		(10.1)		(3,829.9)		0.6	(3,829.3)
Charges related to unit-linked contracts	55.4		(68.7)				(13.3)			(13.3)
Financing costs	(48.5)	(7.9)	(7.3)				(63.7)	(10.5)	15.5	(58.7)
Change in impairments	(14.6)		(3.7)				(18.3)		0.1	(18.2)
Change in provisions	0.6		(0.5)				0.1	(0.2)		(0.1)
Fee and commission expenses	(317.4)	(130.1)	(86.3)		(3.3)	1.0	(536.1)			(536.1)
Staff expenses	(268.4)	(76.2)	(36.1)	(10.0)			(390.7)	(17.3)		(408.0)
Other expenses	(392.7)	(77.0)	(76.2)	(3.4)	(1.4)	0.4	(550.3)	(23.9)	7.8	(566.4)
Total expenses	(3,614.0)	(716.4)	(1,045.0)	(13.4)	(14.8)	1.4	(5,402.2)	(51.9)	24.0	(5,430.1)
Result before taxation	382.2	36.8	87.9	170.0	2.1		679.0	(26.0)	(0.1)	652.9
Tax income (expenses)	(77.4)	(6.3)	(19.5)				(103.2)	(8.1)		(111.3)
Net result for the period	304.8	30.5	68.4	170.0	2.1		575.8	(34.1)	(0.1)	541.6
Attributable to non-controlling interests	85.0		15.4				100.4			100.4
Net result attributable to shareholders	219.8	30.5	53.0	170.0	2.1		475.4	(34.1)	(0.1)	441.2
Total income from external customers	4,002.4	762.0	1,136.9	183.3			6,084.6	(1.6)		6,083.0
Total income internal	(6.2)	(8.8)	(4.0)	0.1	16.9	(1.4)	(3.4)	27.5	(24.1)	
Total income	3,996.2	753.2	1,132.9	183.4	16.9	(1.4)	6,081.2	25.9	(24.1)	6,083.0
Non-cash expenses (excl. depreciation & amortisation)	(119.2)		(0.8)				(120.0)	(0.2)		(120.2)

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

First half year 2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Group Eliminations	Total
Gross premium income	2,648.8	722.0	965.2		29.3	(29.3)	4,336.0		(0.6)	4,335.4
Inflow deposit accounting	539.6		195.7				735.3			735.3
Gross inflow	3,188.4	722.0	1,160.9		29.3	(29.3)	5,071.3		(0.6)	5,070.7

6.3 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.

First half year 2019	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	2,436.5		1,046.5				3,483.0			3,483.0
Gross inflow Non-life	1,125.7	697.7	372.9		1,136.6	(1,129.0)	2,203.9		(0.6)	2,203.3
Operating costs	(297.2)	(120.3)	(93.2)		(0.7)		(511.4)			(511.4)
- *Guaranteed products*	*195.3*		*28.3*				*223.7*			*223.7*
- *Unit linked products*	*15.0*		*2.9*				*17.9*			*17.9*
Life operating result	210.3		31.2				241.6			241.6
- *Accident & Health*	*17.6*	*(1.2)*	*19.8*		*(8.1)*	*0.2*	*28.3*			*28.3*
- *Motor*	*26.4*	*54.6*	*10.5*		*(34.2)*	*9.5*	*66.8*			*66.8*
- *Fire and other damage to property*	*14.0*	*7.9*	*11.4*		*7.4*	*2.8*	*43.5*			*43.5*
- *Other*	*27.9*	*11.7*	*3.6*		*(8.2)*	*(13.7)*	*21.2*		(3.7)	*17.5*
Non-life operating result	85.9	73.0	45.3		(43.1)	(1.2)	159.8		(3.7)	156.1
Operating result	296.2	73.0	76.5		(43.1)	(1.2)	401.4		(3.7)	397.7
Share in result of associates non allocated		6.7	8.1	346.7			361.5	0.9	(0.1)	362.3
Other result, including brokerage	40.1	(17.4)	0.1	(15.3)	10.2	1.3	19.0	13.1		32.1
Result before taxation	336.3	62.3	84.7	331.4	(32.9)	0.1	781.9	14.0	(3.8)	792.1
Key performance indicators Life										
Net underwriting margin	(0.09%)		(0.10%)				(0.09%)			(0.09%)
Investment margin	0.83%		0.49%				0.75%			0.75%
Operating margin	0.74%		0.39%				0.66%			0.66%
- *Operating margin Guaranteed products*	*0.82%*		*0.66%*				*0.79%*			*0.79%*
- *Operating margin Unit linked products*	*0.34%*		*0.08%*				*0.22%*			*0.22%*
Life cost ratio in % of Life technical liabilities (annualised)	0.41%		0.41%				0.41%			0.41%
Key performance indicators Non-life										
Expense ratio	37.0%	214.0%	34.8%		11.1%		36.0%			36.0%
Claims ratio	57.3%	(157.6%)	48.8%		94.0%		59.7%			59.7%
Combined ratio	94.3%	56.4%	83.6%		105.1%		95.7%			95.7%
Operating margin	11.5%	63.8%	22.0%		(5.1%)		8.4%			8.2%
Technical Insurance liabilities	64,583.9	2,503.5	18,228.5		936.9	(910.3)	85,342.5		(9.6)	85,332.9

First half year 2018	Belgium	UK	Continental Europe	Asia	Reinsurance	Insurance Eliminations	Total Insurance	General Account	Eliminations	Total Ageas
Gross inflow Life	2,109.7		817.0				2,926.7			2,926.7
Gross inflow Non-life	1,078.7	722.0	343.9		29.3	(29.3)	2,144.6		(0.6)	2,144.0
Operating costs	(285.0)	(120.2)	(84.6)		(1.3)		(491.1)			(491.1)
- *Guaranteed products*	257.7		48.5				306.2			306.2
- *Unit linked products*	17.6		4.7				22.3			22.3
Life operating result	275.3		53.2				328.5			328.5
- *Accident & Health*	0.8	(1.1)	19.3		0.3		19.3			19.3
- *Motor*	42.9	59.5	0.5				102.9			102.9
- *Fire and other damage to property*	(10.4)	(22.6)	6.8		0.3		(25.9)			(25.9)
- *Other*	31.2	(2.8)	0.5		0.7		29.6			29.6
Non-life operating result	64.5	33.0	27.1		1.3		125.9			125.9
Operating result	339.8	33.0	80.3		1.3		454.4			454.4
Share in result of associates non allocated		4.5	10.9	183.0			198.4	(0.2)		198.2
Other result, including brokerage	42.4	(0.7)	(3.3)	(13.0)	0.8		26.2	(25.8)	(0.1)	0.3
Result before taxation	382.2	36.8	87.9	170.0	2.1		679.0	(26.0)	(0.1)	652.9
Key performance indicators Life										
Net underwriting margin	0.01%		0.18%				0.04%			0.04%
Investment margin	0.97%		0.50%				0.88%			0.88%
Operating margin	0.98%		0.68%				0.92%			0.92%
- *Operating margin Guaranteed products*	1.08%		1.21%				1.10%			1.10%
- *Operating margin Unit linked products*	0.43%		0.12%				0.28%			0.28%
Life cost ratio in % of Life technical liabilities (annualised)	0.40%		0.37%				0.40%			0.40%
Key performance indicators Non-life										
Expense ratio	37.6%	36.8%	29.5%		23.9%		36.1%			36.1%
Claims ratio	61.2%	62.2%	62.1%		67.4%		61.7%			61.7%
Combined ratio	98.8%	99.0%	91.6%		91.3%		97.8%			97.8%
Operating margin	6.7%	4.8%	9.3%		8.7%		6.5%			6.5%
Technical Insurance liabilities	62,041.3	2,732.4	17,073.5		27.6	(18.3)	81,856.5		(8.1)	81,848.4

Definitions of alternative performance measures in the tables:

Net underwriting result	:	The difference between the net earned premiums and the sum of the actual claim payments and the change in insurance liabilities, both net of reinsurance. The result is presented net of allocated claim handling expenses, general expenses, commissions and reinsurance.
Net underwriting margin	:	For Life the net annualised underwriting result divided by the average net Life insurance liabilities during the reporting period. For Non-life the net underwriting result divided by the net earned premium.
Net investment result	:	The sum of investment income and realised capital gains or losses on assets covering insurance liabilities, after deduction of related investment expenses. The investment results in Life is also adjusted for the amount that is allocated to the policyholders as technical interest and profit sharing. The investment results in Accident & Life (part of Non-life) is also corrected for the technical interest that has been accrued to the insurance liabilities.
Net investment margin	:	For Life the annualised investment result divided by the average net Life insurance liabilities during the reporting period. For Non-life the investment result divided by the net earned premium.
Net operating result	:	The sum of net underwriting result, investment result and other result allocated to the insurance and/or investment contracts. The difference between operating result and result before taxation consists of all income and costs not allocated to the insurance and/or investment contracts and thus not reported in the operating result or result from non-consolidated partnerships.
Net operating margin	:	For Life the annualised operating result of the period divided by the average net Life insurance liabilities. For Non-life the operating result divided by the net earned premium.
Net earned premium	:	The written premiums of Non-life covering the risks for the current period netted for the premiums paid to reinsurers and the change in unearned premiums reserves.
Expense ratio	:	The expenses as a percentage of net earned premiums. Included in expenses are internal costs of claims handling commissions, net of reinsurance.
Claims ratio	:	The cost of claims, net of reinsurance, as a percentage of net earned premiums.
Combined ratio	:	A measure of profitability in Non-life which is the ratio between the insurer's total expenses and net earned premiums. This is insurer's total expenses as a percentage of net earned premiums. This is the sum of the claims ratio and the expense ratio.

Notes to the Consolidated statement of financial position

07
Financial investments

The composition of financial investments is as follows.

	30 June 2019	31 December 2018
Financial investments		
- Held to maturity	4,439.6	4,505.5
- Available for sale	59,625.7	56,861.8
- Held at fair value through profit or loss	242.5	332.0
- Derivatives held for trading	11.4	9.9
Total, gross	64,319.2	61,709.2
Impairments:		
- of investments available for sale	(252.7)	(266.6)
Total impairments	(252.7)	(266.6)
Total	64,066.5	61,442.6

For more information on Derivatives held for trading, please refer to note 16 Derivatives for further details.

7.1 Investments held to maturity

	Government bonds	Total
Investments held to maturity at 1 January 2018	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
Maturities	(65.9)	(65.9)
Amortisation		
Investments held to maturity at 30 June 2019	4,439.6	4,439.6
Fair value at 31 December 2018	6,455.3	6,455.3
Fair value at 30 June 2019	6,958.1	6,958.1

The fair value of government bonds classified as investments held to maturity is based on quoted prices in active markets (level 1).

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

30 June 2019	Historical / amortised cost	Fair value
Belgian national government	4,324.5	6,776.4
Portuguese national government	115.1	181.7
Total	4,439.6	6,958.1

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

7.2 Investments available for sale

30 June 2019	Historical/ amortised cost	Gross unrealised gains	Gross unrealised losses	Total gross	Impairments	Fair value
Government bonds	27,580.5	6,695.8	(4.2)	34,272.1		34,272.1
Corporate debt securities	19,239.4	1,615.3	(7.3)	20,847.4	(20.2)	20,827.2
Structured credit instruments	51.9	3.0	(0.4)	54.5		54.5
Available for sale investments in debt securities	46,871.8	8,314.1	(11.9)	55,174.0	(20.2)	55,153.8
Private equities and venture capital	62.1	17.3	(0.8)	78.6		78.6
Equity securities	3,802.1	610.7	(43.7)	4,369.1	(232.3)	4,136.8
Other investments	3.8			3.8		3.8
Available for sale investments in equity securities and other investments	3,868.0	628.0	(44.5)	4,451.5	(232.3)	4,219.2
Total investments available for sale	50,739.8	8,942.1	(56.4)	59,625.5	(252.5)	59,373.0

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

An amount of EUR 1,042.5 million of the investments available for sale has been pledged as collateral (31 December 2018: EUR 1,229.6 million) (see also note 13 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).

30 June 2019	Level 1	Level 2	Level 3	Total
Government bonds	33,969.1	303.0		34,272.1
Corporate debt securities	19,520.7	819.1	487.4	20,827.2
Structured credit instruments	29.4	18.1	7.0	54.5
Equity securities, private equities and other investments	2,291.9	1,203.5	723.8	4,219.3
Total investments available for sale	55,811.1	2,343.7	1,218.2	59,373.0

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

The changes in level 3 valuation are as follows.

	30 June 2019	31 December 2018
Balance as at 1 January	1,221.5	734.8
Maturity/redemption or repayment	(3.7)	(7.6)
Acquired	19.0	501.5
Proceeds from sales	(15.2)	(8.5)
Realised gains (losses)		5.3
Impairments		
Unrealised gains (losses)	(3.4)	(4.0)
Transfers between valuation categories		
Closing balance	1,218.2	1,221.5

Level 3 valuations for private equities and venture capital use fair values disclosed in the audited financial statements of the relevant participations. Level 3 valuations for equities and asset-backed securities use a discounted cash flow methodology. Expected cash flows take into account original underwriting criteria, borrower attributes (such as age and credit scores), loan-to-value ratios, expected house price movements and expected prepayment rates etc. Expected cash flows are discounted at risk-adjusted rates. Market participants often use such discounted cash flow techniques to price private equities and venture capital. To value these instruments we also take into account quotes when they exist. These techniques are subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

The level 3 positions are mainly sensitive to a change in the level of expected future cash flows and, accordingly, their fair values vary in proportion to changes of these cash flows. The changes in value of the level 3 instruments are accounted for in other comprehensive income.

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.

	30 June 2019	31 December 2018
Available for sale investments in debt securities:		
Carrying amount	55,153.8	52,132.6
Gross unrealised gains and losses	8,302.2	5,564.4
Related tax	(2,111.9)	(1,433.3)
Shadow accounting	(3,742.7)	(1,697.9)
Related tax	965.5	447.8
Net unrealised gains and losses	3,413.1	2,881.0

	30 June 2019	31 December 2018
Available for sale investments in equity securities and other investments:		
Carrying amount	4,219.3	4,462.6
Gross unrealised gains and losses	583.5	356.2
- Related tax	(56.7)	(34.0)
Shadow accounting	(209.5)	(132.5)
- Related tax	54.2	35.3
Net unrealised gains and losses	371.5	225.0

Impairments of investments available for sale

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

	30 June 2019	31 December 2018
Impairments of investments available for sale:		
- debt securities	(20.2)	(20.3)
- equity securities and other investments	(232.3)	(246.3)
Total impairments of investments available for sale	(252.5)	(266.6)

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

	30 June 2019	31 December 2018
Balance as at 1 January	(266.6)	(204.3)
Acquisitions/divestments of subsidiaries		
Increase in impairments	(18.2)	(90.6)
Reversal on sale/disposal	31.2	28.9
Foreign exchange differences and other adjustments	1.1	(0.6)
Closing balance	(252.5)	(266.6)

7.3 Investments held at fair value through profit or loss

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

	30 June 2019	31 December 2018
Government bonds	0.6	0.8
Corporate debt securities	97.7	189.7
Structured credit instruments	7.8	6.0
Debt securities	106.1	196.5
Other investments	136.4	135.5
Equity securities and other investments	136.4	135.5
Total investments held at fair value through profit or loss	242.5	332.0

Investments held at fair value through profit or loss include primarily investments related to insurance liabilities where cash flows are linked to the performance of these assets, either contractually or on the basis of discretionary participation and whose measurement incorporates current information. This measurement significantly reduces the accounting mismatch that would otherwise arise from measuring assets and liabilities and the related gains and losses on different bases.

The nominal value of the debt securities held at fair value through profit or loss as at 30 June 2019 is EUR 105.9 million (31 December 2018: EUR 197.3 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).

30 June 2019	Level 1	Level 2	Level 3	Total
Government bonds	0.6			0.6
Corporate debt securities	0.5	97.2		97.7
Structured credit instruments		7.8		7.8
Other investments	136.4			136.4
Total investments held at fair value through profit or loss	137.5	105.0		242.5

31 December 2018	Level 1	Level 2	Level 3	Total
Government bonds	0.8			0.8
Corporate debt securities	0.1	189.6		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	136.4	195.6		332.0

08 Investment property; Property, Plant and Equipment

	30 June 2019	31 December 2018
Fair value investment property	4,003.2	4,035.0
Carrying amount own investment property	2,633.6	2,727.3
Net right-of-use asset leased investment property	7.1	
Lease liability	13.4	
Total carrying amount investment property (including lease liability)	2,627.2	2,727.3
Gross unrealised gain/loss	1,376.0	1,307.7
Taxation	(344.2)	(321.4)
Net unrealised gain/loss (not recognised in equity)	1,031.8	986.3

	30 June 2019	31 December 2018
Fair value land and buildings held for own use	1,679.6	1,604.7
Carrying amount own land and buildings held for own use	1,124.3	1,105.4
Net right-of-use asset leased land and buildings held for own use	441.5	
Lease Liability	456.5	
Total carrying amount land and buildings held for own use (including lease liability)	1,109.3	1,105.4
Gross unrealised gain / loss	570.3	499.3
Taxation	(156.1)	(139.9)
Net unrealised gain / loss (not recognised in equity)	414.2	359.4

	30 June 2019	31 December 2018
Carrying amount other property, plant and equipment	125.0	129.3
Net right-of-use asset leased other property, plant and equipment	23.6	
Lease liability	21.8	
Total carrying amount other property, plant and equipment (including lease liability)	126.8	129.3

The increase in both right of use and lease liability is linked to the implementation of IFRS 16, effective as from 1 January 2019. More details can be found in the note 1 “Summary of accounting policies”.

09 Loans

The composition of loans is as follows.

	30 June 2019	31 December 2018
Government and official institutions	4,718.9	4,648.4
Commercial loans	3,253.6	2,690.2
Residential mortgages	1,170.7	1,178.0
Policyholder loans	371.7	347.0
Interest bearing deposits	220.0	420.0
Loans to banks	522.3	532.9
Total	10,257.1	9,816.5
Less impairments	(29.5)	(28.0)
Total Loans	10,227.7	9,788.5

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Investments in associates

The following table provides information on investments in associates.

First half year 2019	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Investments in associates	523.3	85.6	74.2	3,133.6	10.3	(2.4)	3,824.4
Share in result of associates	14.2	6.7	8.0	346.7	0.9		376.4
Gross Inflow of associates		182.8	337.1	14,819.0			15,338.9
Gross Inflow of associates @ Ageas Share		91.6	121.4	3,821.0			4,034.0

Prior Year	Belgium	UK	Continental Europe	Asia	General Account	Eliminations	Total
Investments in associates (at 31 December)	528.5	92.7	84.0	2,357.0	10.3	(1.5)	3,071.0
Share in result of associates (6M)	8.9	4.5	10.9	183.0	(0.2)	0.1	207.2
Gross Inflow of associates (6M)		198.7	1,524.5	13,334.2			15,057.4
Gross Inflow of associates @ Ageas Share (6M)		99.6	517.1	3,432.0			4,048.7

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

Royal Park Investments

After the disposal of the assets and settlement of the liabilities, the remaining activity of RPI is essentially limited to the management of litigation initiated against a number of US financial institutions.

11 Insurance liabilities

11.1 Liabilities arising from Life insurance contracts

The following table provides an overview of the liabilities arising from Life insurance contracts.

	30 June 2019	31 December 2018
Liability for future policyholder benefits	25,939.2	25,755.4
Reserve for policyholder profit sharing	182.7	168.5
Shadow accounting	2,448.3	1,072.8
Before eliminations	28,570.3	26,996.7
Eliminations	(9.5)	(9.2)
Gross	28,560.7	26,987.5
Reinsurance	(22.2)	(23.2)
Net	28,538.6	26,964.3

11.2 Liabilities arising from Life investment contracts

The following table provides an overview of the liabilities arising from Life investment contracts.

	30 June 2019	31 December 2018
Liability for future policyholder benefits	30,449.8	29,876.6
Reserve for policyholder profit sharing	169.1	225.8
Shadow accounting	1,504.1	757.7
Gross	32,122.9	30,860.1
Reinsurance		
Net	32,122.9	30,860.1

11.3 Liabilities related to unit-linked contracts

Liabilities related to unit-linked contracts are broken down into insurance and investment contracts as follows.

	30 June 2019	31 December 2018
Insurance contracts	2,592.3	2,358.5
Investment contracts	14,526.8	13,152.6
Total	17,119.0	15,511.1

11.4 Liabilities arising from Non-life insurance contracts

The following table provides an overview of the liabilities arising from Non-life insurance contracts.

	30 June 2019	31 December 2018
Claims reserves	6,747.5	6,206.5
Unearned premiums	1,683.8	1,221.6
Reserve for policyholder profit sharing	9.2	21.0
Before eliminations	8,440.5	7,449.1
Eliminations	(910.2)	(24.5)
Gross	7,530.3	7,424.6
Reinsurance	(687.3)	(636.6)
Net	6,843.0	6,788.0

12
Subordinated liabilities

The following table provides a specification of subordinated liabilities.

	30 June 2019	31 December 2018
FRESH	1,250.0	1,250.0
Fixed Rate Reset Perpetual Subordinated Notes	73.7	480.1
Fixed to Floating Rate Callable Subordinated Notes issued by group holding	493.4	
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	396.6	396.4
Total subordinated liabilities	2,372.2	2,285.0

The following table shows the changes in subordinated liabilities.

	30 June 2019	31 December 2018
Balance as at 1 January	2,285.0	2,261.3
Proceeds from issuance	567.1	
Redemption	(484.2)	
Foreign exchange differences	4.1	21.8
Amortisation premiums and discounts	0.2	1.9
Closing balance	2,372.2	2,285.0

In March 2019, AG Insurance redeemed its USD 550 million Fixed Rate Reset Perpetual Subordinated Notes that were issued on 21 March 2013 at an interest rate of 6.75%, payable semi-annually. The USD 550 million Notes were listed on the Luxembourg Stock Exchange and qualified as Grandfathered Tier 1 capital for both AG Insurance and Ageas Group under European regulatory requirements for insurers (Solvency II). On 26 June 2019, Ageas and BNP Paribas Cardif granted a EUR 300 million (Ageas: EUR 225 million; BNP Paribas Cardif: EUR 75 million) subordinated loan to AG Insurance as a partial replacement for the USD 550 million which had been redeemed in March 2019. The intercompany loan between Ageas and AG Insurance is eliminated at group level.

Ageas Group has replaced this instrument at the level of the Group Holding, ageas SA/NV. On 10 April 2019 ageas SA/NV issued its inaugural debt securities in the form of EUR 500 million Subordinated Fixed to Floating Rate Notes maturing in 2049.

The Notes have a fixed coupon rate of 3.25 % payable annually until the first call date (2 July 2029). As of the first call date, the coupon becomes payable quarterly at a 3-month Euribor floating rate increased with an initial credit spread and a 100 basis points step-up.

The newly issued instrument qualifies as Tier 2 capital for both Ageas Group and ageas SA/NV under European regulatory capital requirements for insurers (Solvency II) and is rated BBB+ by Standard & Poor's and Fitch. It is listed on the regulated market of the Luxembourg Stock Exchange.

13 Borrowings

The table below shows the components of borrowings.

	30 June 2019	31 December 2018
Repurchase agreements	1,044.1	1,262.9
Loans	845.7	789.6
Due to banks	1,889.8	2,052.5
Funds held under reinsurance agreements	108.0	84.8
Lease liabilities	491.7	16.7
Other borrowings	70.7	30.2
Total borrowings	2,560.3	2,184.2

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 1,042.5 million (31 December 2018: EUR 1,229.6 million) as collateral for repurchase agreements.

In addition, property has been pledged as collateral for loans and other with a carrying amount of EUR 181.3 million (31 December 2018: EUR 184.3 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.

	30 June 2019	31 December 2018
Balance as at 1 January	2,184.2	1,969.3
Acquisition of subsidiaries		91.0
Divestment of subsidiaries		(13.9)
Proceeds from issuance	175.6	193.8
Payments	(317.9)	(69.3)
Foreign exchange differences	(0.5)	
Amortisation premiums and discounts	4.4	
Realised Gains & Losses		(0.8)
Other changes	514.5	14.1
Closing balance	2,560.3	2,184.2

The line other changes is explained by the lease liability linked to the implementation of IFRS 16 as per 1 January 2019.

14 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).

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 (3,791 at 30 June 2019) divided by the number of CASHES securities originally issued (12,000).

Ageas pays interest to BNP Paribas Fortis SA/NV on the average reference amount in the quarter (if the above outcome becomes negative BNP Paribas Fortis SA/NV will pay Ageas); the interest amounts to 3 month Euribor plus 90 basispoints. Ageas pledged 6.3% of the total AG Insurance shares outstanding in favour of BNP Paribas Fortis SA/NV.

Valuation

Ageas applies a transfer notion to arrive at the fair value of the RPN(I) liability. Fair value is defined in IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition is explicitly described as an exit price, linked with the price 'paid to transfer a liability'. When such pricing is not available and the liability is held by another entity as an asset, the liability needs to be valued from the perspective of the market participant that holds the asset. Ageas values its liability at the reference amount.

The RPN reference amount is based on the CASHES price and Ageas share price. The reference amount decreased from EUR 358.9 million at year-end 2018 to EUR 297.6 million at 30 June 2019, predominantly due to the decrease in the CASHES price from 75.95% to 72.16% over the first six months of 2019, compensated by an increase of the Ageas share price from EUR 39.30 to EUR 45.71 over the same period.

Sensitivity of RPN(I) Value

At 30 June 2019 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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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 (Annual Report 2018), 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 (the "Settlement") 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 625.7 million provision as at 30 June 2019 are:
- EUR 1,308.5 million related to the WCAM settlement agreement;
- EUR 60.3 million related to the tail risk, including accrued expenses;
- minus EUR 290 million contributed by D&O insurers;
- minus EUR 263.8 million in 2018 and EUR 189.3 million in the first half of 2019 already paid to the eligible shareholders.

Related to the WCAM settlement agreement, the balance on the advance payment paid by Ageas to Stichting FORsettlement ('Stichting') to settle the claims amounted to EUR 7.6 million at 30 June 2019.

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.

	30 June 2019	31 December 2018
Balance as at 1 January	887.1	1,178.1
Acquisition and divestment of subsidiaries		0.4
Increase (Decrease) in provisions	(3.8)	16.2
Utilised during the year	(183.2)	(307.5)
Foreign exchange differences	(0.2)	(0.1)
Closing balance	699.8	887.1

16 Derivatives

Ageas is mainly using derivatives to manage its overall interest, equity and currency risks. Derivatives are in principle recorded as trading derivatives unless a hedge relation with an open position is properly documented, in which case the derivatives are recorded as hedging derivatives.

Fair value movements of trading derivatives are recorded in the income statement. Fair value movements of hedging derivatives are recorded in Other comprehensive income together with the fair value movement of the hedged position.

Due to the fact that in certain situations the fair value movements of the derivative and the hedged position both flow through the income statement, no hedge documentation is drawn up and the derivatives are recorded as trading.

Trading derivatives

			30 June 2019			31 December 2018
	Fair values			Fair values		
			Notional			Notional
	Assets	Liabilities	amount	Assets	Liabilities	amount
Foreign exchange contracts						
Forwards and futures	7.4	2.7	670.3	3.1	1.9	386.7
Swaps	0.2		10.6	4.1	4.2	191.5
Total	7.6	2.7	680.9	7.2	6.1	578.2
Interest rate contracts						
Swaps	2.8	10.5	263.5	2.0	8.7	305.5
Total	2.8	10.5	263.5	2.0	8.7	305.5
Equity/Index contracts						
Options and warrants		0.2	0.2		0.2	0.2
Total		0.2	0.2		0.2	0.2
Other	**1.1**			**0.7**		
Total	11.5	13.4	944.6	9.9	15.0	883.9
Fair values supported by observable market data	0.7			4.1	6.0	
Fair values obtained using a valuation model	10.8	13.4		5.8	9.0	
Total	11.5	13.4		9.9	15.0	
Over the counter (OTC)	11.4	13.4	944.6	9.9	15.0	883.9
Total	11.4	13.4	944.6	9.9	15.0	883.9

Hedging derivatives

	30 June 2019			31 December 2018		
	Fair values			Fair values		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Interest rate contracts						
Swaps	2.0	60.3	1,384.8	3.1	25.6	1,362.1
Total	**2.0**	**60.3**	**1,384.8**	**3.1**	**25.6**	**1,362.1**
Equity/Index contracts						
Forwards and futures		3.9	20.9	24.4	9.7	96.5
Total		**3.9**	**20.9**	**24.4**	**9.7**	**96.5**
Total	2.0	64.2	1,405.7	27.5	35.3	1,458.6
Fair values supported by observable market data		52.5			19.5	
Fair values obtained using a valuation model	2.0	11.7		27.5	15.8	
Total	2.0	64.2		27.5	35.3	
Over the counter (OTC)	2.0	64.2	1,405.7	27.5	35.3	1,458.6
Total	2.0	64.2	1,405.7	27.5	35.3	1,458.6

Derivatives are valued based on level 2 (observable market data in active markets).

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Commitments

Commitments received and given are as follows.

Commitments	30 June 2019	31 December 2018
Commitment Received		
Credit lines	925.1	751.0
Collateral and guarantees received	5,192.0	4,986.0
Other off-balance sheet rights	5.7	5.7
Total received	**6,122.7**	**5,742.7**
Commitment Given		
Guarantees, Financial and Performance Letters of Credit	239.1	116.5
Credit lines	*2,288.9*	*1,712.1*
Used	*(1,141.9)*	*(631.9)*
Available	1,147.1	1,080.2
Collateral and guarantees given	1,179.8	1,298.3
Entrusted assets and receivables	974.1	890.3
Capital rights & commitments	175.8	166.2
Other off-balance sheet commitments	969.8	1,151.7
Total given	**4,685.6**	**4,703.2**

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.

Other off balance sheet commitments as at 30 June 2019 include EUR 118 million in outstanding credit bids (31 December 2018: EUR 316 million) and EUR 433 million in real estate commitments (31 December 2018: EUR 461 million).

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Fair value of financial assets and financial liabilities

The following table shows the carrying amounts and fair value of those classes of financial assets and financial liabilities not reported at fair value on the Ageas consolidated statement of financial position. Liabilities are held at amortised cost.

			30 June 2019		31 December 2018
	Level	Carrying value	Fair value	Carrying value	Fair value
Assets					
Cash and cash equivalents	2	3,085.0	3,085.0	2,924.8	2,924.8
Financial Investments held to maturity	1 / 3	4,439.6	6,958.1	4,505.5	6,455.3
Loans	2	10,227.7	11,297.6	9,788.5	10,323.0
Reinsurance and other receivables	2	1,919.9	1,919.8	1,843.1	1,843.1
Total financial assets		19,672.1	23,260.5	19,061.9	21,546.2
Liabilities					
Subordinated liabilities	2	2,372.2	2,423.8	2,285.0	2,292.8
Borrowings	2	2,560.3	2,560.1	2,184.2	2,182.9
Total financial liabilities		4,932.5	4,983.9	4,469.2	4,475.7

Fair value is the amount for which an asset could be exchanged, a liability settled or a granted equity instrument exchanged between knowledgeable, willing parties in an arm's length transaction. A detailed description of the methods used to determine the fair value of financial instruments is disclosed in our Annual Report of 2018. There were no material changes in the valuation methods used to determine the fair value in the first six months of 2019 compared to the Annual Report of 2018.

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.

Notes to the Consolidated Income Statement

19 Insurance premiums

The following table provides an overview of the composition of gross inflow and net earned premiums.

	First half year 2019	First half year 2018
Gross inflow Life	3,482.9	2,926.7
Gross inflow Non-life	2,203.9	2,144.6
General account and eliminations	(0.6)	(0.6)
Total gross inflow	5,686.2	5,070.7

	First half year 2019	First half year 2018
Net earned premiums Life	2,754.1	2,172.8
Net earned premiums Non-life	1,912.0	1,948.6
General account and eliminations	(0.6)	(0.6)
Total net earned premiums	4,665.5	4,120.8

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.

	First half year 2019	First half year 2018
Gross premiums Life	2,773.4	2,191.4
Ceded reinsurance premiums	(19.3)	(18.6)
Net earned premiums Life	2,754.1	2,172.8

Non-life

The table below shows the details of net earned premiums Non-life. Premiums for motor, fire and other damage to property, and other are grouped in Property & Casualty.

First half year 2019	Accident & Health	Property & Casualty	Total
Gross written premiums	525.7	1,678.2	2,203.9
Change in unearned premiums, gross	(55.2)	(75.6)	(130.8)
Gross earned premiums	470.5	1,602.6	2,073.1
Ceded reinsurance premiums	(23.7)	(145.1)	(168.8)
Reinsurers' share of unearned premiums	2.9	4.8	7.7
Net earned premiums Non-life	449.7	1,462.3	1,912.0

First half year 2018	Accident & Health	Property & Casualty	Total
Gross written premiums	491.3	1,653.3	2,144.6
Change in unearned premiums, gross	(52.8)	(39.6)	(92.4)
Gross earned premiums	438.5	1,613.7	2,052.2
Ceded reinsurance premiums	(14.2)	(90.2)	(104.4)
Reinsurers' share of unearned premiums	0.7	0.1	0.8
Net earned premiums Non-life	425.0	1,523.6	1,948.6

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Interest, dividend and other investment income

The table below provides details of interest, dividend and other investment income.

	First half year 2019	First half year 2018
Interest income		
Interest income on cash & cash equivalents	2.1	(0.1)
Interest income on loans to banks	9.3	9.8
Interest income on investments	771.9	823.0
Interest income on loans to customers	111.3	105.6
Interest income on derivatives held for trading	0.3	(1.0)
Other interest income	0.8	2.0
Total interest income	895.7	939.3
Dividend income from equity securities	84.1	85.0
Rental income from investment property	109.1	112.1
Revenues parking garage	211.6	207.9
Other investment income	13.0	10.0
Total interest, dividend and other investment income	1,313.5	1,354.3

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Insurance claims and benefits

The details of insurance claims and benefits, net of reinsurance are shown in the table below.

	First half year 2019	First half year 2018
Life insurance	3,171.5	2,605.5
Non-life insurance	1,156.4	1,224.4
General account and eliminations	(0.6)	(0.6)
Total insurance claims and benefits, net	4,327.2	3,829.3

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

	First half year 2019	First half year 2018
Benefits and surrenders, gross	2,324.4	2,450.7
Change in liabilities arising from insurance and investment contracts, gross	855.7	164.5
Total Life insurance claims and benefits, gross	3,180.1	2,615.2
Reinsurers' share of claims and benefits	(8.6)	(9.7)
Total Life insurance claims and benefits, net	3,171.5	2,605.5

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

	First half year 2019	First half year 2018
Claims paid, gross	1,238.6	1,207.9
Change in liabilities arising from insurance contracts, gross	(28.2)	39.8
Total Non-life insurance claims and benefits, gross	1,210.3	1,247.7
Reinsurers' share of claims paid	(46.3)	(39.3)
Reinsurers' share of change in liabilities	(7.7)	16.0
Total Non-life insurance claims and benefits, net	1,156.3	1,224.4

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Financing costs

The following table shows the breakdown of financing costs by product.

	First half year 2019	First half year 2018
Financing costs		
Subordinated liabilities	29.1	33.6
Borrowings	9.4	7.8
Borrowings - Lease Liabilities	8.7	
Other borrowings	0.5	3.1
Derivatives	6.7	3.5
Other liabilities	10.8	10.7
Total financing costs	65.2	58.7

The increase in Lease liability is linked to the implementation of IFRS 16, effective as from 1 January 2019. More details can be found in the note 1 “Summary of accounting policies”.

Notes to the items not recorded in the Consolidated Statement of financial position

23 Contingent liabilities

23.1 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 ended 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 15 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. These proceedings have effectively been terminated.

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

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 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. In July 2019, the hedge funds have filed for Supreme Court appeal against all originally involved defendants. The involved parties are now preparing their written submissions, a hearing date is yet to be determined.

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.

23.2 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.

23.3 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. No new claims can be introduced anymore (deadline was 31 December 2018).

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. The proceedings before the Versailles Appeal Court have been abandoned. A proceeding in first instance, which had been put on hold for several years, awaiting the decision of the French Supreme Court, has been reactivated by 2 plaintiffs. A hearing is scheduled in the first half of October 2019.

24
Events after the date of the statement of financial position

There have been no material events since the date of the Consolidated statement of financial position that would require adjustment to the Ageas Consolidated Condensed Interim Financial Statements as at 30 June 2019.

Statement of the Board of Directors

The Board of Directors of Ageas is responsible for preparing the Ageas Condensed Consolidated Interim Financial Statements for the first six months of 2019 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the European Transparency Directive (2004/109/EC).

The Board of Directors of Ageas declares that, to the best of its knowledge, the Ageas Condensed Consolidated Interim Financial Statements of the first six months of 2019 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 reviewed the Ageas Condensed Consolidated Interim Financial Statements for the first six months of 2019 on 6 August 2019 and authorised their issue.

Brussels, 6 August 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	Emmanuel Van Grimbergen (appointed 15 May 2019)
Chief Operating Officer	Antonio Cano
Chief Development Officer	Filip Coremans
Directors	Sonali Chandmal
	Richard Jackson
	Yvonne Lang Ketterer
	Jane Murphy
	Lionel Perl
	Lucrezia Reichlin
	Katleen Vandeweyer
	Jan Zegering Hadders

Review report

STATUTORY AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AGEAS SA/NV ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Introduction

We have reviewed the accompanying consolidated statement of financial position of ageas SA/NV (the "Company") and its subsidiaries (the "Group") as of 30 June 2019 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes ("the condensed consolidated interim financial statements"). The board of directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared,
in all material respects, in accordance with IAS 34, as adopted by the European Union.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 23 Contingent liabilities to the condensed consolidated interim 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 23 to the condensed consolidated interim 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 review report remains unmodified.

Sint-Stevens-Woluwe, 6 August 2019

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

Yves Vandenplas
Réviseur d'Entreprises ⁄ Bedrijfsrevisor

Supporter of your life

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