P&V Assurances SCRL

(Incorporated as a cooperative company with limited liability in Belgium)

EUR 390,000,000 5.5% Dated Subordinated Tier 2 Solvency II Notes due 2028

Issue price: 100%

This prospectus (the "**Prospectus**") constitutes a prospectus in relation to the issue of EUR 390,000,000 5.5% Dated Subordinated Tier 2 Solvency II Notes due 2028 (the "**Notes**") by P&V Assurances SCRL (the "**Issuer**" or "**P&V**").

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

The Notes will bear interest from (and including) 13 July 2018 (the "**Issue Date**") to (but excluding) the Scheduled Maturity Date (as defined below) at the rate of 5.5% per annum. Interest is scheduled to be paid annually in arrears on 13 July in each year (each, an "**Interest Payment Date**"), commencing on 13 July 2019 (subject to deferral as described below). The Issuer must defer the payment of interest in certain specified circumstances as described in Condition 4. Any deferred interest payments shall, for so long as the same remain unpaid, constitute "**Arrears of Interest**". Arrears of Interest will not themselves bear interest, and will be payable as provided in Condition 4.

The yield of the Notes will be 5.5% per annum. The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Unless previously redeemed or purchased and cancelled, the Notes will mature on 13 July 2028 (the "**Scheduled Maturity Date**") and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Event (as defined herein) having occurred, be redeemed in whole but not in part on the Scheduled Maturity Date. The holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date. If a Deductibility Event, Gross-up Event or Capital Disqualification Event occurs at any time, the Issuer may also elect to redeem the Notes in whole but not in part at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, all as more fully described in and subject to the conditions to redemption set out in Conditions 5 and 8. The Issuer shall be required to defer redemption of the Notes in certain circumstances as set out in Conditions 5 and 8.

The payment obligations of the Issuer under or arising from the Notes will constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of a Winding-up, claims in respect thereof will, subject to any obligations which are mandatorily preferred by law, rank (i) behind claims in respect of (aa) any existing or future unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (bb) any existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 3 Capital as at their respective issue dates and (cc) any outstanding 2008/2009/2012 Bilateral Loan Indebtedness; (ii) *pari passu* and without any preference among themselves; (iii) at least equally and rateably with claims in respect of any other existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital as at their respective issue dates (other than Junior Securities and, for the avoidance of doubt, other than any outstanding 2008/2009/2012 Bilateral Loan Indebtedness); and (iv) in priority to the claims of Junior Creditors (as such terms are defined in the Conditions). In the event of a Winding-up, no payments will be made under the Notes until the claims of holders of senior ranking indebtedness and payment obligations shall first have been satisfied in full.

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

The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area ("EEA"), as defined in the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("MiFID II"), or in Belgium to "consumers"(*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) dated 28 February 2013, as amended from time to time (the "Belgian Code of Economic Law"). Prospective investors are referred to the section headed "*Subscription and sale*" in this Prospectus for further information.

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

Application has been made to the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marches financiers*) (the "**FSMA**") in its capacity as competent authority under Article 23 of the Belgian Law of 16 June 2006 on public offering of investment securities and the admission of investment securities to trading on a regulated market (the "**Prospectus Law**") as a prospectus for the purposes of Article 23 of the Prospectus Law and Article 5.3 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (together, the "**Prospectus Directive**").

This approval does not imply any appraisal by the FSMA as to the opportunity or the merits of the securities, nor on the situation of the Issuer. Application has been made for the Notes to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels ("**Euronext Brussels**"). Euronext Brussels is a regulated market for the purposes of MiFID II.

Neither the Notes nor the Issuer are rated. The Notes will be issued in denominations of EUR 100,000. The Notes will be issued in dematerialised form (*gedematerialiseerd/dématérialisé*) in accordance with Article 3, §2 of the Belgian law of 14 December 2005 on the suppression of bearer securities (*Wet houdende afschaffing van de effecten aan toonder/Loi portant suppression des titres au porteur*) and the articles of association of the Issuer and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the National Bank of

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

Prospectus dated 4 July 2018.

Sole Lead Manager

Natixis

IMPORTANT INFORMATION

GENERAL

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

This Prospectus has been prepared on the basis of Annexes IX and XIII to Commission Regulation (EC) 809/2004.

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

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

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or Natixis (the "**Sole Lead Manager**") to subscribe or purchase any of the Notes. The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law.

Persons into whose possession this Prospectus comes are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe any such restrictions. For a description of further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" below.

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

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

Save for the Issuer, no other person has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sole Lead Manager or any third party or any of their respective affiliates as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection thereto. To the fullest extent permitted by law, the Sole Lead Manager accepts no liability whatsoever in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection thereto or for any other statement made or purported to be made by the Sole Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Sole Lead Manager accordingly disclaims any and all liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

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

This Prospectus contains certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's business strategies, trends in its business, competition and competitive advantage, regulatory changes, and restructuring plans. Words such as "believes", "expects", "projects", "anticipates", "seeks", "estimates", "intends", "plans" or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Issuer does not intend to update these forward-looking statements except as may be required by applicable securities laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved.

A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer conducts operations; (iv) the potential impact of government risk in certain European Union countries; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial regulation and currency fluctuations; (viii) the possibility of the imposition of foreign exchange controls by government and monetary authorities; (ix) operational factors, such as systems failure, human error, or the failure to implement procedures properly; (x) actions taken by regulators with respect to the Issuer's business and practices in one or more of the countries in which the Issuer conducts operations; (xi) the adverse resolution of litigation and other contingencies; and/or (xii) the Issuer's success at managing the risks involved in the foregoing.

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

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

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

This Prospectus has been approved for the purposes of the listing and admission to trading of the Notes on the regulated market of Euronext Brussels and does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor the Sole Lead Manager represents that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Sole Lead Manager which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act).

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

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

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

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

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

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

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

MiFID II product governance / Professional clients and eligible counterparties only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / Prohibition of sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any Retail Investor in the EEA. For these purposes, a "**Retail Investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any Retail Investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to Belgian consumers – The Notes are not intended to be offered, sold to or otherwise made available to, and should not be offered, sold or otherwise made available in, Belgium to "consumers" (*consumenten/consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**").

By purchasing, or making or accepting an offer to purchase, the Notes (or a beneficial interest in the Notes) from the Issuer and/or the Sole Lead Manager, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Sole Lead Manager that:

(i) it is not a "consumer" within the territory of Belgium (as defined in the Belgian Code of Economic Law);

(ii) it will not sell, offer or otherwise make the Notes available to "consumers" within the territory of Belgium; and

(iii) it will at all times comply with the applicable laws and regulations relating to the offering of investment instruments (such as the Notes) to "consumers" within the territory of Belgium, including (without limitation) the provisions of the Belgian Code of Economic Law.

Each potential investor should inform itself of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

STABILISATION

In connection with the issue of the Notes, the Sole Lead Manager (as stabilisation manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. Stabilisation may, however, not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Sole Lead Manager (or any person acting on behalf of the Sole Lead Manager), in accordance with all applicable laws and rules.

CURRENCIES

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "euro", "EUR" and "€" are to the lawful currency of the Member States of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Union, as amended.

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RISK FACTORS

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

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

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

Most of the factors described below are also relevant in respect of the PSH Group (as the sole material asset of PSH consists of its 91.7% stake in P&V and any other asset, or liability, of PSH is immaterial). This should be considered in light of the features of the Notes that may be triggered as a result of the solvency position of the PSH Group or other regulatory capital circumstances affecting the latter.

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

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

Market risks

The level of and volatility in interest rates may adversely affect the Issuer's business, results, financial condition and solvency margin

To be able to meet their future liabilities, insurers invest in a variety of assets that typically include a large portfolio of fixed income securities. At the end of 2017, the Issuer's fixed income portfolio represented 81.8% of its total investment portfolio in market value. Interest rate volatility can adversely affect insurance businesses by reducing the returns earned and by reducing the market value of such portfolios. Interest rates are highly sensitive to various factors that are beyond the Issuer's control, such as governmental, monetary, tax policies, the economic, financial and political environment and changes in legislation and regulation.

In particular, the insurance sector can be adversely impacted by sustained low interest rates. In such an environment insurance companies are exposed to reinvestment risk, whereby the proceeds of maturing fixed income securities need to be reinvested at yields that are low relative to the guaranteed interest rate of its liabilities. In the last three years, the average book yield of the Issuers' fixed income securities portfolio has decreased by 0.69%. This risk affects above all traditional life insurance business, but also, to a lesser extent non-life insurance activities such as disability insurance and workmen's compensation.

In-force life insurance and annuity products may become comparatively more attractive to customers in a sustained low interest rate environment, resulting in an increase of the Issuer's liabilities, asset-liability duration mismatches (as more policies and contracts remain in-force from year-to-year) and an increase in provisions for guarantees included in life insurance and annuity products. Accordingly, during periods of sustained low interest rates, the profitability may suffer as a result of a decrease in the spread between interest rates credited to insurance policyholders and annuity contract owners and the rates earned on the fixed income portfolio. In our view, while any risk that such spread turns negative cannot be excluded, it is unlikely in the middle term.

The risk of interest rate volatility is particularly relevant for the Issuer's employee benefit business (i.e., products in life wholesale (branche 21 and branche 23) such as pension schemes (2nd pillar in addition to 1st pillar legal pension) and protection covers such as death and health insurance (premium waver and guaranteed income) for workers. The Issuer's employee benefit business represents 47% of the technical reserves of the Issuer's life insurance business. Persistently low interest rates not only render delivering the necessary return for clients or offering competitive profit sharing more difficult. Low interest rates also make it difficult to continue to offer to clients attractive life investment and savings insurance products, which may lead to a reduction in new business.

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

As cash flows can be (re-)invested at higher rates, the earnings of an insurer will typically be positively impacted by an increase in interest rates, though only over a protracted period of time. The largest beneficiaries will be life insurers with large traditional books of participating business.

Additionally, insurance companies are exposed to the risk of rising interest rates. The availability of higher investment returns elsewhere gives the policyholders an incentive to buy back their insurance contract, requiring the insurance company to sell assets, potentially at a loss, in order to generate the required liquidity. Rising interest rates may affect the solvency margin of the Issuer.

In the past few years, the Issuer has significantly narrowed its duration gap in order to limit the interest rate sensitivity of its business. The Issuer currently has a positive duration gap of about one year. The duration gap is actively monitored and steered through adjustments in the duration of the fixed income portfolio in combination with the extensive use of various interest rate derivatives. Moreover, in 2013, the Issuer has invested in derivative products for a nominal value EUR 410 million in order to guarantee a future interest yield on the bonds which will be bought within this program. The exercise date of these products is between 2017 and 2019 and the average investment yield amounts to 4.15% for the bonds.

Stock market volatility or downturns can adversely affect the Issuer's business, results, financial condition and solvency margin

Stock market volatility and overall declines in stock market indices can negatively affect the Issuer's activities. Volatility and declines in market indices can reduce unrealised capital gains in its investment portfolio and hence impact the Issuer's solvency margin. The risk in relation to shares also relates to the potential absence of returns as a result of an absence of distributed dividends which is not compensated by a sufficient increase in the market value of the relevant assets. Stock market downturns and high volatility can occur not only as a result of the economic cycle, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Issuer's control.

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

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

The Issuer has real estate holdings in its investment portfolio and hence it is exposed to property risk. In 2017, 94% of its real estate holdings portfolio consist of offices. The value of the property portfolio of the Issuer is subject to risks related to, amongst others, rent levels, property prices, occupancy levels, consumer spending and interest rates. Due to an economic downturn, the property market, especially the office market, may face deteriorating occupancy levels. For instance, short term contracts or provisions entitling customers to terminate contracts early could reduce occupancy. The economic downturn may have an impact on the real estate market and clearly split it into core and non-core properties. The liquidity of non-core properties could be under pressure, while the desirability of core properties increases their values.

The Issuer has the necessary tools in place to closely monitor the real estate risk and has, among other things, put in place a run-off plan which seeks to reduce its exposure to the commercial real estate market in Belgium in case of a sudden decline of commercial real estate values in Belgium. Nevertheless, residual risks exist and a durable decline in the market values of its property investments could have a material adverse effect on its business, revenues, results, financial condition and solvency margin.

In addition to its direct real estate holdings, the Issuer also holds a credit portfolio secured by residential mortgages with a total value of EUR 1.4 billion as at 31 December 2017. This portfolio consists for approximately 80% of mortgages over real estate in Belgium and for approximately 20% of mortgages over real estate in the Netherlands. In its 2017 Financial Stability Report, the NBB referred to certain potential risks for the residential mortgage market in Belgium, such as property overvaluation, expansion of the gross household debt ratio and the existence of vulnerable segments in the outstanding stock of mortgage loans. A significant decrease in the value of the residential properties in Belgium and/or the Netherlands would likely result in (i) an increase in our capital requirements corresponding to our counterparty risk and, hence, our SCR and (ii) a decrease of the value of the residential real estate securing the credit portfolio which may lead to higher losses in the event of a borrower default.

As part of its periodic Own Risk & Solvency Assessment ("**ORSA**"), the Issuer closely monitors its exposure to the mortgage credit portfolio as well as the impact of a potential decrease of the value of the residential properties in Belgium and/or the Netherlands on its SCR ratio.

The ability of the Issuer to collect own funds may be reduced as a result of the Issuer being a non-rated and non-listed cooperative company, which may affect its financial condition and solvency margin

The Issuer is a cooperative company, which has not been assigned a rating and of which the shares are not listed on a regulated market.

The shares of the Issuer, as a cooperative company, are subject to various constraints, which would usually not apply in respect of shares of an ordinary corporate. Among others, the Issuer expects to re-invest most of its profits in the business and any dividend cannot exceed a cap fixed by applicable regulations in respect of agreed cooperatives; investors willing to invest in the shares must meet certain conditions provided by the articles of association; and any redemption of shares is capped at the nominal value of the shares and transferability of the shares is subject to significant restrictions.

While its cooperative nature is at the heart of the Issuer's business model and its interactions with its clients, this structure and the fact that the Issuer is non-rated and non-listed may negatively affect the ability of the Issuer to quickly access capital markets in order to raise own funds, either in the form of equity or subordinated debt, in the event of financial stress, including also solvency margin stress, which may affect its financial condition and solvency margin.

The Issuer is vulnerable to spread risk with respect to its fixed income portfolio, which may affect its results, financial condition and solvency margin

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

Any such developments may affect the results, financial condition and solvency margin of the Issuer.

The Issuer is subject to the risk of potential government debt credit deterioration because of its substantial exposure to government debt obligations in its investment portfolio, which may affect its results, financial condition and solvency margin

The Issuer holds a large proportion of government bonds in its investment portfolio. As at 31 December 2017, the exposure of the Issuer to government bonds (including bonds issued by States (sovereign bonds), regional bonds issued with a State guarantee and supranational bonds)) represented 71% of its total position in bonds and equivalents and 72.5% as at 31 March 2018. As a consequence, the Issuer is subject to the risk of potential government debt credit deterioration and default. Investing in such instruments creates exposure to the direct or indirect consequences of political, social or economic changes (including changes in governments) and to the creditworthiness of the government. The risk exists that the debt issuer may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt and the Issuer may have limited recourse to enforce payment in the event of a default. A government debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by different factors (such as the relative size of the debt service burden to the economy as a whole) that are beyond the Issuer's control. Periods of economic uncertainty may affect the volatility of market prices of government debt to a greater extent than the volatility inherent in debt obligations of other types of issues. The European government debt crisis persists to this day and credit spreads have not yet fully returned to pre-global economic and financial crisis levels. A government debt default or restructuring by a government (or government-backed) issuer in the Eurozone or elsewhere could have potentially significant negative consequences both for the holders of such debt and for the stability of the broader financial markets and the insurance sector. Given the current financial and political environment, spreads increases are not unlikely. Although the Issuer monitors its government debt exposure closely, any of these events, depending on their specific nature and magnitude, could have a material adverse effect on the results, financial condition and solvency margin of the Issuer.

As the Issuer essentially operates its insurance activities and business in Belgium, it has a substantial exposure towards Belgium in its government bonds portfolio (74% as at 31 December 2017 and 72% as at 31 March 2018 of such government bonds portfolio). Hence, the Issuer is largely exposed to the risks associated with the Belgian political and economic situation, which could have a significant impact on the value of the Issuer's investment portfolio. Taking into account that, despite its ongoing efforts to diversify its investment portfolio, the Issuer has an important exposure to linear bonds issued by the Kingdom of Belgium ("**OLOs**"), the main risk relates to an increase of the OLO spread. Based on the situation as at 31 December 2017, an increase in the OLO spread by 50bps would reduce the SCR ratio from 172% to 138% (see also "Capital sensitivity"). We note that these simulations are based on the assumption that the impact of the volatility adjuster (VA) would be zero, which is a realistic assumption in the event of a crisis affecting only Belgian government bonds, given the method of calculating the volatility adjuster (VA). An increase in the spread of OLOs could notably result from an increase in political and social tensions in Belgium, for instance in the context of the European, federal and regional elections which are expected to take place in 2019. A post-election political impasse in the formation of a new government (such as the one Belgium experienced in 2010-2011) would likely increase the spread on Belgian OLOs compared to other jurisdictions. Although the Issuer has developed the necessary tools and risk metrics to closely monitor and manage its spread risk, a risk may still exist and spread widening could have a material adverse effect on its results, financial condition and solvency margin.

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

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

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

The Issuer is exposed to currency exchange rate risk

The financial condition of the Issuer is subject to currency exchange rate risk. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing.

The Issuer uses a range of instruments and strategies to hedge against this risk, including by limiting the volume of unhedged investments in foreign currencies to 3%.

As at 31 March 2018, the portion of financial assets denominated in non-euro currency amounts to approximately 3% of the Issuer's total financial assets.

Asset illiquidity can adversely affect the Issuer's business, results and financial condition

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

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

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

While the Issuer has the necessary tools and risk management strategies in place to closely monitor and manage its liquidity risk, the risk that it would not be able to fund its liabilities could have a material adverse effect on P&V's results and financial condition.

In the case of P&V, 89,5% of its net financial instruments are classified as "available for sale". Among this category, 92% are assets quoted on an active market (level 1).

A sustained increase in inflation rates may negatively affect the Issuer's business, results, financial condition and solvency margin

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

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

A sustained deflationary environment may affect the Issuer's business in different ways

In a deflation period, consumption delays (resulting from consumption postponement due to price decrease) will cause a drop in the level of aggregate demand which may lead to a drop in the level of inflows, a slack in capacity if the economy is in recession and a higher profits pressure as selling prices would drop below costs. As far as non-life insurance business is concerned, a protracted period of deflation can have a positive impact through lower claim severity and margins are expected to be higher.

Claims reserves may develop beneficially and may show higher prudence. The life insurance industry may be more (negatively) affected by sustained deflationary pressures.

Since many products provide for a minimum rate of return guarantee, any scenario that leads to deflation or sustained periods of very low inflation, may pose challenges to the Issuer to earn at least the promised rate guarantees, especially in respect of "long-tail" life insurance products.

Insurance liability risks

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

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

Furthermore, among the life products marketed by the Issuer, a subset of these products is related to contracts with guaranteed investment returns (life insurance products). As at 31 December 2017, the aggregate level of technical provisions on such portfolio is € 10.8 billion and 49% of such technical provisions relates to products with guaranteed interest rates above 3% (such guarantee relating also to future premiums). If interest rates should remain at current low levels, and despite reductions in guaranteed rates and discontinuation of underwriting of certain products with guaranteed rates, the Issuer could potentially be required to provide additional funds to its life business to support its obligations in respect of products with higher guaranteed returns or increase reserves in respect of products with higher guaranteed returns, which could in turn have a material adverse effect on P&V's financial condition and results of operations.

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

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

Reserves, including IBNR reserves, are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, changes in medical costs and costs of repairs. Reserving inadequacy can also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes.

The Issuer's results depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations.

Although the Issuer has the necessary actuarial tools and processes (such as liability adequacy testing) in place to closely monitor and manage reserve risk, a residual risk still exists and to the extent that technical provisions are insufficient to cover the Issuer's actual insurance losses, expenses or future policy benefits, the Issuer would have to add to these technical provisions and incur a charge to its earnings, which could adversely impact its results and financial condition.

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

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

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

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

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

Operational risks

While the Issuer manages its operational risks, these risks remain an inherent part of its business

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

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

Insurance fraud may adversely affect the Issuer's financial results

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

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

In order to mitigate the risk of fraudulent practice, the Issuer continues to make material investments in staff and systems to work on the identification and prevention of claims fraud and these measures are regularly reviewed. As such, the Issuer has established an integrity policy that applies to all people working from the Issuer's premises (both service providers and employees) and an anti-fraud policy which foresees fraud prevention and detection measures and fraud reporting by fraud coordinators to a specially established Fraud Committee.

The financial industry, including the Issuer, is increasingly dependent on information technology systems, which may fail, be inadequate or no longer available

The Issuer, like other financial and insurance institutions, is increasingly dependent on highly sophisticated information technology (IT) systems for the conduct of its business. The proper functioning of the Issuer's payment systems, financial and sanctions controls, risk management, credit analysis and reporting, accounting, customer services and other IT services, as well as the communication networks between its regional offices, contact centres and main data centres, are critical to the Issuer's operations.

IT systems are, however, vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. Furthermore, failure to protect financial industry operations from cyber-attacks could result in the loss or compromise of customer data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that insurance institutions will be able to prevent all breaches and other attacks on its IT systems.

In addition to costs that may be incurred as a result of any failure of IT systems, insurance institutions, including the Issuer, could face fines from its regulators if they fail to comply with applicable insurance or reporting regulations.

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

The Issuer devotes significant resources to the development and implementation of an effective risk management framework consisting of policies, procedures and assessment methods appropriate to its risk profile and risk appetite, in particular in the framework of its periodic ORSA. The governance structure of the Issuer includes three levels of internal control functions (the so-called three lines of defence), i.e., (i) the internal control within the operational services, (ii) the compliance, risk management and actuarial functions and (iii) the internal audit. Sophisticated risk modelling, duration analysis, and stress testing as well as other risk assessment methods are in place. Nonetheless, these risk management techniques and strategies may not be fully effective in mitigating the Issuer's risk exposure in all economic market environments or against all types of risk, including the risks that the risk management fails to identify or anticipate.

The Issuer applies statistical and other tools to quantify its risk exposures. These tools and metrics may fail to quantify future risk exposures adequately. In addition, the quantified modelling does not take all risks into account and although it is complemented by a more qualitative approach takings into account a broader set of risks, this could prove to be insufficient. Unanticipated or incorrectly assessed risk exposures could result in material losses in the Issuer's business.

Strategic risks

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

The Issuer offers its various insurance products through a wide range of distribution channels, including (i) through its network of insurance intermediaries (i.e., insurance agents and insurance brokers), (ii) directly through online channels, call centres and its internal commercial team targeting large undertakings and institutional clients, and (iii) through its partnerships with car manufacturers (See "*Description of the Issuer — Distribution channels*"). As a result, the Issuer's successful distribution through these channels depends on the preferences of its clients (whether private, professional or public entities) for the products and services of the Issuer. Clients' preferences are determined in part by product features, quality and price, the services offered to them, the support services and the financial attractiveness of the insurance company. The Issuer may not succeed in continuing to provide incentives to their current and prospective clients to buy its products and services successfully, which failure could adversely impact the Issuer's results.

Advancing technology and changing customer preferences, regulations, and market conditions may impact the insurance intermediaries distribution, which is currently P&V's predominant distribution channel. There may be a need for insurance to be sold more directly and at a lower cost (as allowed by, among others, digitisation; customers wanting ease and transparency in pricing and products). Intermediaries may face consolidation and this may result in fewer but larger intermediaries, with such larger intermediaries using their leverage and market strength to their advantage. Intermediaries' remuneration structures and conducts may also come under pressure from customers and regulators (including as a result of new legislation, such as MiFID), and may, among others, increase conduct and reputational risks.

The failure to respond effectively to various emerging technological changes may affect the Issuer's business and profitability

The insurance market is subject to emerging technological changes and one of the challenges which the Issuer faces (along with the rest of the insurance sector) is the effective adaptation to this constantly evolving technological landscape. If the Issuer is not effective in anticipating the impact on our business of changing technologies (such as driverless cars, connected devices, artificial intelligence, online insurance advice etc.), the Issuer's ability to successfully operate its business may be impaired.

Moreover, it is likely that existing competitors as well as new entrants in the market will launch innovative products based on new technologies. Failure by the Issuer to efficiently respond to business disruptors with the necessary agility and to set up an efficient end-to-end approach for its own innovative insurance products may result in a competitive disadvantage.

The rapid increase in the nature, volume and availability of data in recent years may have an adverse impact on our business, for example by changing the nature of insurance underwriting and pricing; by allowing customers and competitors to tailor coverage in ways that we do not currently offer; and by potentially exposing the Issuer to increased "moral hazard" in business lines where the Issuer is unable for regulatory or other reasons to adjust pricing or coverage to reflect individual risk profiles. While data-driven changes in the industry are at an early stage and difficult to predict, they could adversely impact our business going forward including through the expense and effort that the Issuer will need to incur in order to ensure that its employees, systems and processes are able to efficiently adapt and manage such changes as they arise. Specifically, the technological evolutions will require the Issuer to continuously update its IT infrastructure and key technology systems as well as to ensure that, while the average age of its workforce increases, it continues to attract employees with the necessary technological skills. The Issuer is well aware of this risk and has taken steps to further invest in the digitalisation of its products as well as the business.

However, if the Issuer would not be able to effectively use and update or replace its IT infrastructure and key technology systems as they become obsolete or as emerging technology renders them competitively inefficient, or if the Issuer fails to develop the talent and skills of its human resources to meet the new technological challenges, or to attract and assimilate new talents into the Issuer consistent with its business goals, its business, prospects, competitive position and financial condition could be adversely affected.

Failure to execute cost-reduction measures successfully could adversely affect the Issuer's competitive position, profitability and financial position

Over the last several years, the Issuer has taken steps to reduce operating costs across the company, and plans to continue its cost-management efforts. Some of these cost management efforts require significant up-front investment. If the Issuer does not achieve expected savings from these efforts, its total operating costs will be greater than anticipated. In addition, if it does not manage cost-management efforts properly, such efforts may affect the quality of its products and therefore its ability to generate future revenues. And to the extent its cost-management efforts result in reductions in staff and employee compensation and benefits, its ability to attract and retain key employees could be adversely affected. The Issuer's competitive position, profitability and financial position may be adversely affected as a result of the above.

The Issuer's activities are essentially concentrated in its home country Belgium and hence vulnerable to changes in the economic, market, fiscal and regulatory conditions in Belgium

All insurance activities and business of the Issuer are carried out in Belgium, with the exception of the P&V subsidiary Euresa Life which is in run-off. The Issuer is a general multi-product insurer providing insurance products to retail clients, public entities and corporates in Belgium.

The Issuer is thus directly exposed to Belgium specific risks and does not benefit from geographical diversification to mitigate such concentration risk. Specific conditions in Belgium, including in relation to regulation, political stability, force majeure or any other negative event that could affect the country, may have a direct, disproportionate and materially adverse impact on the Issuer's activities and profitability.

Business risks

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

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

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

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

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

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

Continuing difficult market conditions and business cycles in which the Issuer operates may adversely affect its business and its profitability

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

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

The solvency capital ratios of the Issuer may be negatively impacted by adverse capital market conditions, evolving regulatory interpretations and other factors

Under the requirements of Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance of 25 November 2009 (as amended) (the “**Solvency II Directive**” or “**Solvency II**”)) which entered into force on 1 January 2016, P&V is required to maintain eligible own funds sufficient to meet solvency capital requirements (and lower minimum regulatory capital requirements) calculated in the manner set forth in the applicable rules, which permit calculation based on either a standard formula or an internal model approved by the regulator. P&V has chosen the standard approach based on a formula and assumptions proposed by the European Insurance and Occupational Pensions Authority (“**EIOPA**”), while taking advantage of the following transitional measures: the transitional measures on equities and the grandfathering of subordinated debt. P&V also uses the volatility adjuster (VA) in the calculation of the best estimate. Based on the standard formula calculations, P&V’s Solvency II capital ratio on a solo basis stood at 159% at the end of 2015, 145% at the end of 2016 and at 172% at the end of 2017 (see “Solvency II position” for considerations regarding such evolutions).

P&V's solvency capital ratios are sensitive to capital market conditions (including the level of interest rates, spreads and the level of equity markets) as well as a variety of other factors (see "Capital sensitivity").

Management monitors the solvency capital ratios of P&V on an on-going basis both for regulatory compliance purposes and to ensure that P&V is appropriately positioned from a competitive point of view. Insurance regulators generally have broad discretion in interpreting, applying and enforcing their rules and regulations with respect to solvency and regulatory capital requirements and, during periods of extreme financial market turmoil of the type the market has experienced over the recent years, regulators may become more conservative in the interpretation, application and enforcement of these rules which may involve them, for example, imposing increased reserving requirements for certain types of risks, greater liquidity requirements, higher discounts/"haircuts" on certain assets or asset classes, more conservative calculation methodologies or taking other similar measures which may significantly increase regulatory capital requirements.

In the event of a failure by P&V to meet the applicable regulatory capital requirements, insurance regulators have broad authority to require or take various regulatory actions including limiting or prohibiting the issuance of new business, prohibiting payment of dividends, and/or, in extreme cases, putting the company into rehabilitation or insolvency proceedings.

Additional regulatory developments regarding solvency requirements, including further implementing measures under the Solvency II Directive or changes resulting from further efforts by EIOPA to harmonise implementation of the Solvency II Directive may lead to further changes in the insurance industry's solvency framework and prudential regime as well as associated costs. It is difficult to predict how the regulations resulting from such initiatives and proposals will affect the insurance industry generally or P&V's results of operations, financial condition and liquidity.

Management has developed various contingency plans designed to ensure that P&V remains well in excess of regulatory minimum requirements. There can be no assurance, however, that these plans will be effective to achieve their objectives and any failure by P&V to meet minimum regulatory capital requirements and to maintain regulatory capital at competitive levels could have a material adverse effect on its business, liquidity, results of operations and financial position.

On 5 April 2017, EIOPA published the methodology to derive the ultimate forward rate ("**UFR**"). In the methodology, the calculated value of the UFR for the euro is set at 3.65%. This is a significant decrease compared to the current UFR of 4.2%. The UFR methodology was applied for the first time in the calculation of the risk-free interest rates of January 2018. As the methodology provides that the annual changes to the UFR will not be higher than 15 basis points, the first step of the phasing-in of the current UFR of 4.2% consisted of a decrease in January 2018 to 4.05%. All other things held unchanged, P&V anticipates that a reduction of the UFR by 55 bps following the expiry of the 4-year transition phase may reduce the SCR ratio by approximately 7%.

Furthermore, prospective investors should note that changes in the Relevant Rules (as defined in the Conditions) may result in the Notes not qualifying as at least Tier 2 Capital (see "*Terms and conditions of the Notes — Definitions — Capital Disqualification Event*"). In such case, the Issuer may elect to redeem the Notes due to the occurrence of a Capital Disqualification Event or to modify the terms of the Notes (see also the risk factors entitled "*Subject to certain conditions, the Issuer may redeem the Notes at the Issuer's option or upon the occurrence of certain events*" and "*Variation of the terms of the Notes upon the occurrence of a Gross-up Event, Deductibility Event or Capital Disqualification Event*").

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

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

In particular the Issuer is subject to the so called "Twin Peaks" supervisory structure in Belgium aimed at simpler and more transparent insurance products and at reinforcing consumer protection rights. While the Issuer, as an insurance company, is subject to the supervision of the NBB, the supervision of insurance products is entrusted to the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers/Autoriteit voor Financiële Diensten en Markten*) (the "**FSMA**"). Heightened regulatory scrutiny could, for example, prohibit certain types of segmentation and adversely impact the Issuer's profitability.

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

On 9 December 2014, the PRIIPs Regulation was published in the Official Journal of the European Union. The PRIIPs Regulation applies directly in all EU Member States as from 1 January 2018. On 2 February 2016, Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) ("**IDD**") was published in the Official Journal of the European Union. The deadline for the transposition of IDD into national law was originally scheduled for 23 February 2018 but has since been delayed to 1 July 2018. The PRIIPs Regulation and the IDD are closely linked. The IDD and the PRIIPs Regulation introduce rules aimed at levelling the playing field for the sale and disclosure of insurance and retail investment products to strengthen consumer protection. The IDD addresses sales and disclosure rules for insurance products, including additional sales rules for insurance investment products. The PRIIPs Regulation addresses disclosure rules for retail investment products and introduces a new standard for product information called a "Key Information Document" or "KID". The main issues for the Issuer are transparency of remuneration in life as well as in non-life insurance (with a transitional regime of five years for non-life), a ban on commissions on life insurance investment products sold on the basis of independent advice, the introduction of investment profiles and suitability/appropriateness tests in life invest products and the implementation of the key information document. Most of these issues were already covered by the Belgian MIFID/Twin Peaks legislation.

On 25 April 2014 a new Royal Decree regarding certain information obligations for the marketing of financial products to retail clients (the "**Transversal Royal Decree**") was published which introduces rules on (i) pre-contractual information (key information document) and (ii) marketing documents for financial products (including insurance products) marketed to retail clients in Belgium. The Transversal Royal Decree entered into force on 12 June 2015. However, in order to avoid that the requirements regarding pre-contractual information of the Transversal Royal Decree would overlap with the PRIIPs Regulation, the entry into force of these requirements was initially postponed. Following the entry into force of the implementation measures of the PRIIPs Regulation, these requirements have ultimately been abolished by the Royal Decree of 25 December 2017.

On 14 April 2016, the European Parliament formally adopted Regulation (EU) 2016/679, a new general data protection regulation (the "**GDPR**"), establishing a harmonised data protection regulation across the EU that will replace all current national data protection laws. The GDPR will enter into force on 25 May 2018 and includes both stricter compliance requirements and sanctions for non-compliance. The GDPR imposes a substantially higher compliance burden on the insurance industry and could potentially impair the Issuer's ability to use customer data; for example by restricting the Issuer's ability to create customer profiles.

It is expected that a draft law for the reform of the Belgian Companies Code will be submitted to Parliament in the next coming months (the "**New Belgian Companies Code**"), with a target for approval, set by the competent minister, in the course of 2018. The New Belgian Companies Code is expected to be published in the Belgian State Gazette by the end of 2018. Based on the draft law, existing companies, including cooperative companies (such as the Issuer), would be subject to the New Belgian Companies Code as from 1 January 2020. The New Belgian Companies Code significantly amends the regime which applies to cooperative companies (such as the Issuer) and seeks to reserve this company type for companies which genuinely promote the "cooperative model" (i.e., companies having as their main purpose to meet the needs of its shareholders and/or to develop the economic and/or social activities of their shareholders, in particular by entering into agreements with them for the provision of goods or services). It follows that, under the New Belgian Companies Code, a cooperative company must have shareholders that are, at the same time, its clients, which is currently not the case of P&V. This would however not prohibit a cooperative company from servicing clients which are not shareholders or from having institutional shareholders with whom it does not have a client-relationship. In principle, any shareholder, any interested party or the public prosecutor could, as from 1 January 2020, apply with the relevant court for the dissolution of a company which does not meet the conditions to be constituted as a cooperative company. The court could grant a period of time to the company in order to rectify its situation. Also, a company that does not meet the conditions of a cooperative company would have, as from 1 January 2020, to comply with the mandatory rules applying to limited liability companies ("*sociétés à responsabilité limitée/besloten vennootschappen"*) and, after 1 January 2024, would be automatically converted into a limited liability company. In order to further strengthen the cooperative model of the Issuer, and to comply with the anticipated above requirement of the New Belgian Companies Code, the Issuer intends to start issuing C shares to its retail clients (and employees and agents) in the second half of 2018 (See "*Regulatory capital restructuring*"). There can be no assurance, however, that the issue of C shares will be effective by then or by 1 January 2020.

If the Issuer fails, or appears to fail, to address some of the above regulatory changes, the Issuer's reputation could be harmed and the Issuer could be subject to additional legal risk, including enforcement actions, fines and penalties. Despite its best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings.

The Issuer also faces increasing compliance costs in view of the continuously changing regulatory landscape in which it operates, which could impact its results and financial condition.

The Issuer may, from time to time, be subject to litigation, inquiries or investigations that could divert management time and resources and result in fines, sanctions, variation or revocation of permissions and authorisations, reputational damage or loss of goodwill

The Issuer, in common with the insurance industry in general, is involved in, and may become involved in, legal proceedings that may be costly if they are not determined in the Issuer's favour and that may divert management's attention away from the running of the business. In the ordinary course of the Issuer's insurance activities, it is routinely involved in legal, mediation and arbitration proceedings with respect to liabilities which are the subject of policy claims.

In recent years, the insurance industry has been the focus of increased regulatory scrutiny as regulators have conducted inquiries and investigations into the products and practices of the financial services industry. The Issuer is also subject to regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The impact of these inquiries and investigations may be difficult to assess or quantify. The regulatory authorities conducting such inquiries or investigations may seek to impose significant fines, sanctions and/or customer redress. In addition, such inquiries or investigations could result in adverse publicity for, or negative perceptions regarding, the Issuer or they could affect its relations with current and potential customers, as well as divert management's attention away from the day-to-day management of the Issuer's business.

The NBB and/or the FSMA may, from time to time, make enquiries of insurance companies regarding compliance with specific regulations and conduct reviews into certain products, selling practices or other aspects of the Belgian insurers' businesses, including those of the Issuer. In each case, the impact of the Issuer being found to be non-compliant with business activity regulation is difficult to assess or quantify, but regulatory proceedings could result in a public reprimand, substantial monetary fines or other sanctions which could impact its results or financial condition.

In addition, the Issuer is subject to anti-money laundering and financial sanctions regimes. Financial penalties could result from a failure to comply with these regimes. Any such failure could materially and adversely impact the Issuer's and the Issuer's business, results of operations and financial position.

Changes to IFRS which affect insurance companies may adversely affect the Issuer's financial results

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

Changes to IFRS for insurance companies have been proposed in recent years and further changes may be proposed in the future. The International Accounting Standards Board has published IFRS 9 accounting standards for financial instruments and IFRS 17 accounting standards for insurance contracts (replacing IFRS 4 as of 1 January 2021) that will make significant changes to the financial reporting landscape of insurance entities. These standards could affect the way in which the Issuer presents its financial information, including the effect of technical reserves and reinsurance on the value of insurance contracts. It is uncertain whether and how these standards will affect the Issuer but there is potential for them to adversely affect the Issuer's financial position. The Issuer may also have to devote resources to adapt its organisation, processes and systems to reflect these changes which could be costly. Any changes may also need to be considered alongside other regulatory changes which may come into effect.

Reputational risks

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

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

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

The Notes may not be a suitable investment for all investors

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

Risks related to the structure of the Notes

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

The Issuer's obligations under the Notes will be direct, unsecured and subordinated and will rank *pari passu* and without preference among themselves. In the event of a Winding-up (as defined in the Conditions) of the Issuer under Belgian law, the claims of the Holders in respect of the Notes will, subject to any obligations which are mandatorily preferred by law, rank (i) behind claims in respect of (aa) any existing or future unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (bb) any existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 3 Capital as at their respective issue dates and (cc) any outstanding 2008/2009/2012 Bilateral Loan Indebtedness; (ii) *pari* *passu* and without any preference among themselves; (iii) at least equally and rateably with claims in respect of any other existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital as at their respective issue dates (other than Junior Securities and, for the avoidance of doubt, other than any outstanding 2008/2009/2012 Bilateral Loan Indebtedness); and (iv) in priority to the claims of Junior Creditors (as such terms are defined in the Conditions).

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

In particular, although the 2008/2009/2012 Bilateral Loan Indebtedness comprises of bilateral loans which constitute, respectively, (grandfathered) Tier 1 Capital and Tier 2 Capital of the Issuer, such indebtedness will, in accordance with its terms and the terms of the Notes, rank in priority to the Notes (which, following their issuance, will constitute Tier 2 Capital). The amount of 2008/2009/2012 Bilateral Loan Indebtedness which currently remains outstanding is EUR 227,000,000.

It is expected that, at the time of the issuance of the Notes, all of the outstanding 2008/2009/2012 Bilateral Loan Indebtedness will be exchanged for the Notes. As a result of such exchange, it is expected that no 2008/2009/2012 Bilateral Loan Indebtedness will remain outstanding. There can be no assurance, however, that the exchange of the 2008/2009/2012 Bilateral Loan Indebtedness into the Notes will be effective.

Furthermore, the Conditions will not limit the amount of the liabilities ranking senior to, or *pari passu* with, the Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date. The incurrence of any such liabilities may reduce the amount (if any) recoverable by Holders on a Winding-up of the Issuer. Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Notes and each Holder shall, by virtue of its holding, be deemed to have waived all such rights of set-off, compensation or retention.

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

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

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

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

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

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

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

The Scheduled Maturity Date of the Notes is 13 July 2028 and, although the Issuer may redeem or purchase the Notes in certain special circumstances described herein prior to that date, the Issuer is under no obligation to do so. In addition, the Holders have no right to require the Issuer to redeem the Notes. Therefore, prospective investors should be aware that they may be required to bear the financial risks associated with an investment in long term securities.

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

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

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

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

The Notes provide Holders with limited rights and remedies

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

Upon any default, the sole remedy available to any Holder for recovery of amounts which have become due in respect of the Notes is to sue for payment of principal or interest when the same are due and to prove or claim in the Winding-up of the Issuer. The Holders have no right to petition for the Winding-up of the Issuer. A deferral of payment of interest and/or principal as described under "*Interest payments under the Notes must be deferred by the Issuer in certain circumstances*" shall not constitute a default under the Notes for any purpose, including enforcement action against the Issuer.

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

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

No right of set-off

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

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

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

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

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

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

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

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

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

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

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

Subject to Condition 8, if a Gross-up Event, Deductibility Event or Capital Disqualification Event has occurred and is continuing, then the Issuer may, at its option and without any consent or approval of the Holders, elect at any time to vary the terms of the Notes so that the relevant event no longer exists after such modification. Whilst the modified Notes must have terms not materially less favourable to Holders than the terms of the Notes, there can be no assurance that, due to the particular circumstances of each Holder, such modified Notes will be as favourable to each Holder in all respects or that, if it were entitled to do so, a particular investor would make the same determination as the Issuer as to whether the terms of the modified Notes are not materially less favourable to holders than the terms of the Notes.

Change of law

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

English law or, as the case may be, the laws of the Kingdom of Belgium, the official application, interpretation or the administrative practice after the date of this Prospectus.

Credit ratings may not reflect all risk

Neither the Notes nor the Issuer are rated. However, one or more independent credit rating agencies may assign unsolicited credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the market value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities. In addition, if any unsolicited credit rating assigned to the Notes is revised lower, suspended or withdrawn, the market value of the Notes may be reduced.

Credit ratings do not imply that interest will be paid

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

Risks related to the Notes generally

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

Majority decisions bind all Holders

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

Change of tax law and practice

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

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

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**FTT Commission Proposal**") for a Directive on a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**FTT Participating Member States**"). However, Estonia has since stated that it will no longer participate.

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

Under the FTT Commission Proposal, the FTT could apply in certain circumstances to persons both within and outside of the FTT Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in an FTT Participating Member State. A financial institution may be, or be deemed to be, "established" in an FTT Participating

Member State in a broad range of circumstances, including (a) by transacting with a person established in an FTT Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in an FTT Participating Member State.

However, the FTT Commission Proposal remains subject to negotiation between the FTT Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

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

Belgian withholding tax

Belgian withholding tax, currently at a rate of 30%, will in principle apply to the interest on the Notes held in a non-exempt securities account (an "**N-Account"**) in the NBB Securities Settlement System. If a payment were to be made to a Holder holding the Notes in an N-Account, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to these Notes as a result of a deduction or withholding for the Belgian withholding tax.

Potential investors should be aware that any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Holder, including that the liquidity of the Notes may decrease and/or the amounts payable to or receivable by an affected Holder may be less than otherwise expected by such Holder.

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

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred, where the investors are resident for tax purposes and/or other jurisdictions. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

Risks related to the market generally

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

The secondary market generally

Although application has been made for the Notes to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels, the Notes have no established trading market and one may never develop. Furthermore, if a market does develop, no assurances can be given that it will continue or that it will be or remain liquid. The fact that the size of the issuance of the Notes is relatively small and that the Notes are not rated may adversely affect the liquidity and tradability of the Notes compared to similar debt securities which are issued in a larger volume and/or which have been assigned a rating.

If a secondary market does not develop or such secondary market is insufficiently liquid, an investor might not be able to sell its Notes easily or at prices that will provide it with a yield comparable to similar investments that have a developed secondary market. The possibility to sell the Notes might additionally be restricted by country specific reasons. Illiquidity may have a severely adverse effect on the market value of the Notes.

Fixed rate notes are exposed to specific market risks

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

Inflation risk

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

Relationship with the Issuer

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

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

The Notes will be issued in dematerialised form in accordance with Article 3, §2 of the Belgian law of 14 December 2005 on the suppression of bearer securities (*Wet houdende afschaffing van de effecten aan toonder/Loi portant suppression des titres au porteur*) and the articles of association of the Issuer, and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the NBB Securities Settlement System.

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

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

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

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

Exchange rate risks and exchange controls

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

Legal investment considerations may restrict certain investments

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

Potential conflicts of interest

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

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

The Agent does not assume any fiduciary duties or other obligations to Holders and, in particular, are not obliged to make determinations which protect or further their interests.

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

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

OVERVIEW OF THE NOTES

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

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

The Issuer

P&V Assurances SCRL

Description of the Notes

EUR 390,000,000 5.5% Dated Subordinated Tier 2 Solvency II Notes due 2028 (the "**Notes**") to be issued by the Issuer on 13 July 2018 (the "**Issue Date**").

Denomination

EUR 100,000

Form of the Notes

The Notes will be issued in dematerialised form in accordance with Article 3, §2 of the Belgian law of 14 December 2005 on the suppression of bearer securities and the articles of association of the Issuer. The Notes will be represented by book entry in the records of the clearing system operated by the NBB or any successor thereto.

Initial paying agent

BNP Paribas Securities Services

Status and subordination of the Notes

The payment obligations of the Issuer under or arising from the Notes will constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of a Winding-up, claims in respect thereof will, subject to any obligations which are mandatorily preferred by law, rank (i) behind claims in respect of (aa) any existing or future unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (bb) any existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 3 Capital as at their respective issue dates and (cc) any outstanding 2008/2009/2012 Bilateral Loan Indebtedness; (ii) *pari passu* and without any preference among themselves; (iii) at least equally and rateably with claims in respect of any other existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital as at their respective issue dates (other than Junior Securities and, for the avoidance of doubt, other than any outstanding 2008/2009/2012 Bilateral Loan Indebtedness); and (iv) in priority to the claims of Junior Creditors. In the event of a Winding-up, no payments will be made under the Notes until the claims of holders of unsubordinated indebtedness and payment obligations shall first have been satisfied in full.

Solvency Condition

Except in a Winding-up of the Issuer, all payments in respect of the

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

The Issuer will be considered to be solvent if (i) it is able to pay its debts owed to creditors (ignoring for these purposes only the claims of Junior Creditors) as they fall due, (ii) its credit has not been imperilled within the meaning of Article XX.99 of the Belgian Economic Law Code and (iii) its Assets exceed its Liabilities.

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

Redemption

Unless previously redeemed or purchased and cancelled, the Notes will mature on the Scheduled Maturity Date and shall, subject to the satisfaction of the Solvency Condition and to no Regulatory Deficiency Event having occurred, be redeemed on the Scheduled Maturity Date (which may be deferred as described below). The holders of the Notes have no right to require the Issuer to redeem the Notes before the Scheduled Maturity Date. Subject to as provided under "*Deferral of Redemption*" below and to the provisions of Condition 5, the Issuer may also elect to redeem, in whole but not in part, the Notes upon the occurrence of a Deductibility Event, Gross-up Event or Capital Disqualification Event at any time at their principal amount, in each case together with any Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, provided that if any such redemption occurs prior to the fifth anniversary of the Issue Date, the Issuer shall fund such redemption out of the proceeds of a new issue of basic own-funds items of at least the same quality as the Notes.

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

Deferral of Redemption

Deferral of Redemption following a Regulatory Deficiency Event

If:

(i) a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or on the date specified in the notice of redemption by the Issuer pursuant to Condition 5(b) or (c), as the case may be; or

(ii) a redemption on such date would itself cause a Regulatory Deficiency Event to occur, the redemption of the Notes shall be deferred.

Notwithstanding the above, but always subject to the satisfaction of the Solvency Condition and no Insolvent Insurer Winding-up relating to a PSH Group Insurance Undertaking having occurred and being continuing, the Issuer may redeem or repay the Notes upon the occurrence of a Regulatory Deficiency Event if:

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

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

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

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

(i) the date falling 10 Business Days after the date the Regulatory Deficiency Event has ceased (provided that if on such 10th Business Day a further Regulatory Deficiency Event has occurred and is continuing or a redemption would itself cause a Regulatory Deficiency Event to occur, the Notes shall not fall due for redemption on such date and the provisions of this paragraph shall apply *mutatis mutandis* to determine the subsequent date for redemption of the Notes); or

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

(iii) the Winding-up of the Issuer.

Deferral of Redemption relating only to the Solvency Condition

If a Regulatory Deficiency Event has not occurred but the Issuer is required to defer redemption of the Notes on the Scheduled Maturity Date or the date specified in the notice of redemption by the Issuer pursuant to Condition 5(b) or (c), as the case may be, only as a result of the Solvency Condition not being satisfied at such time or following such payment, such Notes shall instead become due for redemption, at their principal amount together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earlier of (i) the date falling 10 Business Days immediately following the day that the Solvency Condition is met provided that it continues to be met and a Regulatory Deficiency Event has not occurred at such deferred date for payment or (ii) the Winding-up of the Issuer. If the condition to redemption specified in (i) above is not satisfied, the Notes shall not fall due for redemption on such date and the subsequent date for redemption shall be determined as described in Condition 5(e).

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

Conditions to redemption

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

Interest

The Notes will bear interest from (and including) the Issue Date to (but excluding) the Scheduled Maturity Date at a rate of 5.5% per annum.

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

Interest Payment Dates

Interest is scheduled to be paid annually on 13 July in each year, commencing on (and including) 13 July 2019.

Interest Deferral

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

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

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

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

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

(each a “**Mandatory Interest Deferral Event**”),

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

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

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

(iii) the Minimum Capital Requirement will be complied with at the time of and immediately after the Interest Payment (or part thereof) is made.

The deferral of interest as described above will not constitute a default under the Notes for any purpose, including enforcement action against the Issuer.

Arrears of Interest

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

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

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

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

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

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

Enforcement Events

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

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

Issuer under the Notes.

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

No payment in respect of the Notes may be made by the Issuer other than during or after a Winding-up of the Issuer, unless the Issuer has given prior written notice to, and received consent (if required) from, the Relevant Supervisory Authority.

Variation

If a Deductibility Event, Gross-up Event or Capital Disqualification Event has occurred and is continuing, the Issuer (subject to the prior approval of the Relevant Supervisory Authority (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer or the PSH Group under the Applicable Regulations from time to time)) may without any requirement for the consent of the Holders modify the terms and conditions of the Notes so that such Deductibility Event, Gross-up Event or Capital Disqualification Event no longer exists after such modification. Any such modification to the Notes is conditional on certain matters set out in the Conditions being satisfied.

Taxation

All payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any Taxes of the Kingdom of Belgium, unless such withholding or deduction is required by law. In that event, the Issuer shall, subject to the conditions set out in Condition 10, pay such additional amounts in respect of interest (but not in respect of principal) as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required.

Listing and Admission to Trading

Application has been made to Euronext Brussels for the Notes to be listed and to be admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels. Euronext Brussels is a regulated market for the purposes of MiFID II.

Clearing Systems

The Notes will be represented exclusively by book entries in the records of the X/N securities and cash clearing system operated by the NBB or any successor thereto (the "**NBB Securities Settlement System**"). Access to the NBB Securities Settlement System is available through those of its NBB Securities Settlement System participants whose membership extends to securities such as the Notes. NBB Securities Settlement System participants include certain banks, stockbrokers (*beursvennootschappen/sociétés de bourse*), Euroclear Bank SA/NV

("**Euroclear**") and Clearstream Banking, S.A., Luxembourg ("**Clearstream Luxembourg**"), SIX SIS AG ("**SIX SIS**") and Monte Titoli S.p.A. ("**Monte Titoli**"). Accordingly, the dematerialised securities will be eligible to clear through, and therefore accepted by, Euroclear, Clearstream Luxembourg, SIX SIS and Monte Titoli, and investors can hold their dematerialised Notes within securities accounts in Euroclear, Clearstream Luxembourg, SIX SIS and Monte Titoli.

Statutory Auditors

KPMG Réviseurs d'Entreprises/Bedrijfsrevisoren SC SRL/BV CVBA

Governing Law

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

Use of Proceeds

Part of the Notes will be issued in exchange for 2004/2008/2009/2012 bilateral loan indebtedness and part in exchange for cash. The Issuer expects that, based on orders received from them, respective lenders holding an aggregate amount of EUR 228,200,000 in 2004/2008/2009/2012 bilateral loan indebtedness will, in conjunction with the issuance of the Notes, tender such receivables to P&V in exchange for the issuance to such lenders of an aggregate amount of EUR 228,200,000 of Notes. As a result, the net proceeds of the issue are expected to amount to EUR 160,100,000. The net proceeds of the issue of the Notes are expected to be used by the Issuer for general corporate purposes and to strengthen the Issuer's capital base.

ISIN

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Common Code

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TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions, save for the paragraphs in italics that shall not form part of the Conditions.

The issue of the EUR 390,000,000 5.5% Dated Subordinated Notes due 2028 (the "**Notes**") was authorised by the resolutions of the board of directors of P&V Assurances SCRL (the "**Issuer**") passed on 24 May 2018. An Agency Agreement dated the Issue Date (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer and BNP Paribas Securities Services as the initial paying agent and domiciliary agent (the "**Agent**") which expressions shall include any successor thereto or additional or replacement paying agent or domiciliary agent) has been entered into in relation to the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Holders at the specified office of the Agent. The Holders are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1 Form, Denomination and Title

The Notes are issued in dematerialised form in accordance with Article 3, §2 of the Belgian law of 14 December 2005 on the suppression of bearer securities (*Wet houdende afschaffing van de effecten aan toonder/Loi portant suppression des titres au porteur*) and the articles of association of the Issuer. The Notes will be represented by book entry in the records of the clearing system (the "**NBB Securities Settlement System**") operated by the National Bank of Belgium (*Banque Nationale de Belgique/Nationale Bank van België*) (the "**NBB**") or any successor thereto. The Notes can be held through participants in the NBB Securities Settlement System, including Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli and through other financial intermediaries which in turn hold the Notes through Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli or other participants in the NBB Securities Settlement System. The Notes are accepted for clearance through the NBB Securities Settlement System, and are accordingly subject to the applicable Belgian clearing regulations, including the Belgian Law of 6 August 1993 on transactions in certain securities, its implementing Belgian Royal Decrees of 26 May 1994 and 14 June 1994 and the rules of the NBB Securities Settlement System and its annexes, as issued or modified by the NBB from time to time (the laws, decrees and rules mentioned in this Condition 1 being referred to herein as the "**NBB Securities Settlement System Regulations**"). The Notes are tradable on a fungible basis in accordance with the Coordinated Belgian Royal Decree n° 62 of 10 November 1967 relating to the deposit of fungible financial instruments and the settlement of operations on these instruments (*Gecoördineerd koninklijk besluit 62 betreffende de bewaargeving van vervangbare financiële instrumenten en de vereffening van transacties op deze instrumenten/Arrêté royal coordonnée 62 relatif au dépôt d'instruments financiers fongibles et à la liquidation d'opérations sur ces* instruments). Title to the Notes will pass by account transfer in accordance with the NBB Securities Settlement System Regulations. The Notes shall neither be physically delivered nor converted into bearer securities (*titres au porteur/effecten aan toonder*). The Holders will not be entitled to exchange the Notes for securities in bearer form.

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

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

2 Winding-up

(a) *General*

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

(i) behind claims in respect of (aa) any existing or future unsubordinated indebtedness and payment obligations of the Issuer (including, without limitation, the claims of policyholders of the Issuer), (bb) any existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 3 Capital as at their respective issue dates and (cc) any outstanding subordinated, dated or undated, bilateral loan indebtedness entered into by the Issuer in the calendar years 2008, 2009 or 2012 (the "**2008/2009/2012 Bilateral Loan Indebtedness**");

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

(iii) at least equally and rateably with claims in respect of any other existing or future direct, unsecured and dated subordinated indebtedness and payment obligations of the Issuer which constitute or constituted, or would but for any applicable limitation on the amount of such capital constitute or would have constituted, Tier 2 Capital as at their respective issue dates (other than Junior Securities and, for the avoidance of doubt, other than any outstanding 2008/2009/2012 Bilateral Loan Indebtedness); and

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

(b) *Condition to Payment*

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

In these Conditions the Issuer will be considered to be solvent if (i) it is able to pay its debts owed to its creditors (ignoring for these purposes only the claims of Junior Creditors) as they fall due, (ii) its credit has not been imperilled within the meaning of Article XX.99 of the Belgian Economic Law Code and (iii) its Assets exceed its Liabilities.

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

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

(d) *Set-off*

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

3 Interest

(a) *Interest Rate*

The Notes bear interest on their outstanding principal amount at the rate of 5.5% per annum from (and including) the Issue Date in accordance with the provisions of this Condition 3. Subject to the provisions of this Condition 3 and Conditions 2*(*b) and 4, interest shall be payable annually in arrear on 13 July in each year (each, an "**Interest Payment Date**"), commencing on 13 July 2019.

Interest in respect of any Note shall be calculated per €100,000 in principal amount thereof (the "**Calculation Amount**").

Accordingly, the amount of interest payable (subject to Conditions 2*(*b) and 4) on each Interest Payment Date shall be EUR 5,500 per Calculation Amount.

(b) *Accrual of Interest*

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

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

4 Interest Deferral

(a) *Mandatory Deferral of Interest Payments*

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

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

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

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

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

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

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

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

(ii) paying such Interest Payment (or part thereof) does not further weaken the solvency position of the Issuer (on a solo and, if applicable in accordance with the Applicable Regulations, on a consolidated basis) and/or the PSH Group as determined in accordance with the Applicable Regulations; and

(iii) the Minimum Capital Requirement will be complied with at the time of and immediately after the Interest Payment (or part thereof) is made.

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

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

The Issuer expects to publish the Solvency Capital Requirement and the Minimum Capital Requirement applicable to it on a solo basis and on a consolidated basis in such manner and at such times as is required by the Applicable Regulations and in the case of the Issuer on a solo basis, in any event, at least once a year and the PSH Group Holding Company expects to publish the Solvency Capital Requirement and the Minimum Capital Requirement applicable to the PSH Group in such manner and at such times as is required by the Applicable Regulations and, in any event, at least once a year.

As at the date of the Prospectus, the Issuer does not have a separate Solvency Capital Requirement or Minimum Capital Requirement on a consolidated basis. However, if the Issuer does have such requirements in the future the Issuer would expect to so publish the Solvency Capital Requirement and the Minimum Capital Requirement applicable to the Issuer on a consolidated basis (i.e., the Issuer and each of its Subsidiaries) in addition to the solo requirements applicable to the Issuer.

(b) *Deferral not default*

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

(c) *Arrears of Interest*

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

(d) *Payment of Arrears of Interest*

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

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

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

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

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

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

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

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

(e) *Notices and Certificates*

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

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

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

Prior to the publication of any notice pursuant to (i) above, the Issuer shall deliver to the Agent and make available to Holders a copy of a certificate signed by two directors of the Issuer stating either that (A) a Regulatory Deficiency Event has occurred and is continuing or that payment of the relevant Interest Payment (or part thereof) would cause a Regulatory Deficiency Event or (B) that the Solvency Condition is not satisfied or payment of the relevant Interest Payment (or part thereof) could not be made in compliance with the Solvency Condition, on the relevant Interest Payment Date, whichever is applicable. Such certificate shall be conclusive and binding on the Agent and Holders.

5 Redemption

(a) *Scheduled Maturity Date*

Subject to Conditions 2*(*b) and 5*(*d), unless previously redeemed or purchased and cancelled, the Notes will be redeemed in whole but not in part at their principal amount together with accrued interest up to (but excluding) 13 July 2028 (the "**Scheduled Maturity Date**") and Arrears of Interest (if any).

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

(b) *Redemption for Taxation Reasons*

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

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

(c) *Redemption following a Capital Disqualification Event*

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

Prior to the publication of any notice of redemption pursuant to this Condition 5*(*c), the Issuer shall deliver to the Agent and make available to Holders a copy of a certificate signed by two directors of the Issuer stating that a Capital Disqualification Event has occurred and is continuing. Such certificate shall constitute sufficient evidence of the Capital Disqualification Event having occurred and being continuing (without liability to any person) and shall be conclusive and binding on the Agent and Holders.

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

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

In such event, subject (except in the case of (iii) below) to the Solvency Condition in Condition 2*(*b), such Notes shall instead become due for redemption at their principal amount, together with Arrears of Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, upon the earliest of:

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

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

(iii) the Winding-up of the Issuer.

(e) *Deferral of Redemption relating only to Solvency Condition*

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

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

(f) *No default or acceleration*

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

(g) *Notices and Certificates*

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

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

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

Prior to the publication of any notice pursuant to (i) above, the Issuer shall deliver to the Agent and make available to Holders a copy of a certificate signed by two directors of the Issuer stating either that (A) a Regulatory Deficiency Event has occurred and is continuing on the Scheduled Maturity Date or the relevant scheduled redemption date, as the case may be, or that redemption of the Notes would cause a Regulatory Deficiency Event to occur or (B) that the Solvency Condition is not satisfied or redemption of the Notes on the Scheduled Maturity Date or the relevant scheduled redemption date, as the case may be, could not be effected in compliance with the Solvency Condition, whichever is applicable. Such certificate shall constitute sufficient evidence of the events and circumstances described therein and shall be conclusive and binding on the Agent and Holders.

6 Variation

Subject to Condition 8, if a Deductibility Event, a Gross-up Event or a Capital Disqualification Event has occurred and is continuing, the Issuer (subject to the prior approval of the Relevant Supervisory Authority (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer (on a solo and, if applicable in accordance with the Applicable Regulations, on a consolidated basis) or the PSH Group under the Applicable Regulations from time to time)) may, without any requirement for the consent of the Holders, modify the Conditions so that such Deductibility Event, Gross-up Event or Capital Disqualification Event no longer exists after such modification.

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

The Conditions may only be modified if (i) all rights to accrued but unpaid interest and Arrears of Interest (if any) are retained following such variation, (ii) the modification itself does not give rise to a Deductibility Event, a Gross-up Event or a Capital Disqualification Event, (iii) the Notes remain listed on Euronext Brussels or such other internationally recognised EEA regulated market as selected by the Issuer and (iv) the Notes remain admitted to, and traded in, the same clearing system (or systems) as they were prior to such modification.

Prior to any such modification, the Issuer shall deliver to the Agent and make available to Holders a copy of an opinion or a certificate, as the case may be, in the form required by Condition 5*(*b) or 5*(*c), as appropriate, and also confirming the matters detailed in the paragraph above. Such opinion or certificate shall constitute sufficient evidence that (i) the matters set out in the opinion or certificate have occurred and are continuing and (ii) the conditions to modification set out in this Condition 6 have been or will be met or satisfied, and shall be conclusive and binding on the Agent and the Holders.

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

7 Purchases and Cancellation

(a) *Purchases*

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

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

(b) *Cancellation*

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

8 Preconditions to Redemption, Variation and Purchase

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

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

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

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

(d) no Insolvent Insurer Winding-up relating to a PSH Group Insurance Undertaking having occurred and being continuing.

Notwithstanding a Regulatory Deficiency Event (i) having occurred or (ii) occurring as a result of any redemption or purchase or being caused by such redemption or purchase, but always subject to the satisfaction of the Solvency Condition and to sub-paragraph (d), the Issuer may redeem or purchase Notes following the occurrence of a Regulatory Deficiency Event if:

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

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

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

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

A certificate from any two directors of the Issuer delivered to the Agent with a copy made available to the Holders confirming that the Issuer is in compliance with the matters detailed above (or such other or additional pre-conditions) shall be conclusive evidence thereof. Such certificate shall constitute sufficient evidence that the requirements of, or circumstances required by, this Condition 8 have been or will be met or satisfied and shall be conclusive and binding on the Agent and the Holders.

9 Payments

(a) *Principal and Interest*

All payments of principal and interest in respect of the Notes shall be made through the Agent and the NBB Securities Settlement System in accordance with the NBB Securities Settlement System

Regulations. The payment obligations of the Issuer under the Notes will be discharged by payment to the NBB Securities Settlement System in respect of each amount so paid. Each of the persons shown in records of a direct participant, sub-participant or the operator of the NBB Securities Settlement System as the beneficial holder of a particular nominal amount of Notes must look solely to the relevant direct participant or sub-participant, as the case may be, for its share of each payment so made by the Issuer on the Notes.

(b) *Payments*

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

(c) *Payments only on business days*

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

(d) *Payments subject to laws*

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

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

(e) *Agents, etc.*

The Issuer reserves the right under the Agency Agreement at any time, without the prior approval of the Agent, to vary or terminate the appointment of the Agent as paying agent and/or domiciliary agent, provided that it will maintain, in relation to the Notes, a paying agent and a domiciliary agent which will at all times be a participant in the NBB Securities Settlement System. Notice of any change in any agent or its specified offices will promptly be given by the Issuer to the Holders in accordance with Condition 14.

(f) *Fractions*

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

10 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts in respect of Interest Payments and Arrears of Interest (but not in respect of principal) ("**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

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

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

(c) **Conversion into registered securities:** to a Holder who is liable to such Taxes because such Note held by it was upon its request converted into a registered Note and could no longer be cleared through the NBB Securities Settlement System.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

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

11 Enforcement Events

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

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

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

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

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

No payment in respect of the Notes may be made by the Issuer pursuant to this Condition 11(*a*) other than during or after a Winding-up of the Issuer, unless the Issuer has given prior written notice (with a copy to the Agent and made available to the Holders) to, and received consent (if required) from, the Relevant Supervisory Authority which the Issuer shall confirm in writing to the Agent and the Holders.

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

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

(c) *Enforcement*

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

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

(d) *Extent of Holders' remedy*

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

12 Prescription

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

13 Meetings of Holders and Modification

(a) *Meetings of Holders*

The general meeting of Holders is convened by the board of directors of the Issuer. The board of directors of the Issuer is required to convene a general meeting of Holders at the request of Holders holding at least 20% of the aggregate principal amount of the outstanding Notes.

Convening notices for the general meeting of Holders will include an agenda setting out the matters to be considered during the meeting and the proposed decisions, and will be issued in accordance with the requirements set forth in Condition 14, at least fifteen Business Days prior to the meeting.

In order to attend a general meeting of Holders, any Holder must provide to the Issuer, at least five Business Days before such meeting, a certificate issued by the NBB Securities Settlement System or a participant or sub-participant in the NBB Securities Settlement System, stating that a specified principal amount of Notes is held under its control and blocked by it and that no such Notes will cease to be so held and blocked until the conclusion of the meeting specified in such certificate.

The chairman of the general meeting of Holders shall be a member of the board of directors of the Issuer.

In order for the meeting to be able to validly deliberate, Holders which represent at least 50 per cent. of the aggregate principal amount of the outstanding Notes must be present or validly represented. If this quorum is not met, a convening notice for a new meeting shall be issued within one month. Such new meeting shall deliberate and decide regardless of the amount of Notes presented or represented.

The general meeting of Holders shall be entitled to consider any matter relating to the Notes and to modify or waive any provision of these Conditions, which includes, among others, the proposal to (i) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, (ii) effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, notes or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, (iii) change the currency in which amounts due in respect of the Notes are payable or (iv) any change to the provisions regarding subordination referred to in Condition 2.

A resolution will be passed if it is approved by Holders holding at least 75% of the aggregate principal amount of the outstanding Notes.

Each matter submitted to the general meeting of Holders will be decided by show of hands.

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

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

Minutes will be made of all resolutions and proceedings at every meeting and shall be signed by the chairman of that meeting and any Holder which requests to sign such minutes, and will be conclusive evidence of the matters in them. Such resolutions will be published on the website of the Issuer within three Business Days.

Insofar as permitted pursuant to applicable law, this Condition 13(*a*) derogates from any and all contradicting applicable provisions of the Belgian Companies Code in respect of general meetings of noteholders.

(b) *Modification of Agency Agreement and Conditions*

Subject to the prior approval of the Relevant Supervisory Authority (if required or applicable in order for the Notes to qualify as regulatory capital of the Issuer (on a solo and, if applicable in accordance with the Applicable Regulations, on a consolidated basis) or the PSH Group under the Applicable Regulations from time to time), the Agent may agree with the Issuer, without the consent of the Holders, to (i) any modification of any of the provisions of the Agency Agreement or the Conditions which in the Agent's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, or (ii) any other modification of the provisions of the Agency Agreement or the Conditions which is, in the opinion of the Agent, not materially prejudicial to the interests of the Holders.

Any such modification shall be binding on the Holders and shall be notified to the Holders in accordance with Condition 14 as soon as practicable thereafter.

14 Notices

Notices to the Holders shall be valid if delivered by or on behalf of the Issuer to the NBB for communication by it to the participants of the NBB-System. Any such notice shall be deemed given on the date and at the time it is delivered to the NBB Securities Settlement System.

For so long as the Notes are admitted to listing and trading on a regulated market, any notices to holders must also be published in accordance with the rules and regulations applying in respect of such market at the relevant time.

In addition to the above, with respect to notices for meetings of Holders, convening notices for such meetings shall be made in accordance with Condition 13(a).

15 Contracts (Rights of Third Parties) Act 1999

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

16 Governing Law and Jurisdiction

(a) *Governing Law*

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

(b) *Jurisdiction*

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

(c) *Agent for Service of Process*

The Issuer has irrevocably appointed TMF Global Services (UK) Ltd, at its registered office for the time being (being at the date hereof at 6 St Andrew Street, 5th Floor, London EC4A 3AE), as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Nothing herein shall affect the right to serve process in any other manner permitted by law.

17 Definitions

In these Conditions:

"**2008/2009/2012 Bilateral Loan Indebtedness**" has the meaning provided in Condition 2(a).

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

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

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

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

"**Applicable Regulations**" means any solvency margin, capital adequacy or regulatory capital legislation, regulations or rules (whether having the force of law or otherwise) then in effect which are applicable to the Issuer and/or the PSH Group as applied and construed by the Relevant Supervisory Authority, including the Solvency II Directive and any additional measures adopted to give effect to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation (including, without limitation, the Level 2 Regulations), a directive, application of the relevant guidelines of the European Insurance and Occupational Pension Authority (EIOPA) or otherwise).

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

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

"**Belgian Companies Code**" means the Belgian *Code des sociétés/Wetboek van vennootschappen*.

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

"**Calculation Amount**" has the meaning provided in Condition 3(a).

a “**Capital Disqualification Event**” is deemed to have occurred if, as a result of any replacement of or change to (or change to the interpretation by the Relevant Supervisory Authority or any court or authority entitled to do so of) the Applicable Regulations, the whole or any part of the Notes cease to count as Tier 2 Capital for the purposes of the Issuer (on a solo and, if applicable, on a consolidated basis) and/or the PSH Group, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital (other than as a result of any transitional or grandfathering provisions under the Applicable Regulations).

As at the date of the Prospectus, the Issuer does not have a Solvency Capital Requirement or Minimum Capital Requirement on a consolidated basis.

“**Clearstream, Luxembourg**” means Clearstream Banking S.A.

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

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

“**EEA**” means the European Economic Area;

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

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

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

“**PSH Group**” means, at any time, the PSH Group Holding Company and its Subsidiaries (excluding any Subsidiaries which do not need to be taken into account for the purpose of the relevant calculation of group capital requirements or solvency of the relevant EEA insurance group).

“**PSH Group Holding Company**” means PSH SCRL or, if PSH SCRL itself has an ultimate insurance holding company that is subject to consolidated supervision by an EEA regulatory authority for the purpose of the Applicable Regulations, such ultimate insurance holding company.

“**PSH Group Insurance Undertaking**” means an insurance undertaking whose data is included for the purposes of the calculation of the Solvency Capital Requirement of the PSH Group pursuant to the Applicable Regulations.

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

“**Insolvent Insurer Winding-Up**” means:

(i) the winding-up of any PSH Group Insurance Undertaking; or

(ii) the appointment of any insolvency practitioner to any PSH Group Insurance Undertaking,

in each case where the Issuer has determined, acting reasonably, that all Policyholder Claims of the policyholders and beneficiaries under contracts of insurance of that PSH Group Insurance Undertaking may or will not be met in full.

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

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

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

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

"**Issuer**" means P&V Assurances SCRL.

"**Issue Date**" means 13 July 2018.

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

"**Junior Securities**" means (a) any class of share capital of the Issuer, (b) any payment obligations of the Issuer which rank, or are expressed to rank, junior to the Notes and/or *pari passu* with any class of share capital of the Issuer, (c) any payment obligations in respect of undated subordinated indebtedness (for the avoidance of doubt, other than any outstanding 2008/2009/2012 Bilateral Loan Indebtedness), (d) any obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital (including by virtue of the operation of any grandfathering provisions) (for the avoidance of doubt, other than any outstanding 2008/2009/2012 Bilateral Loan Indebtedness) or are expressed to rank *pari passu* therewith and (e) any guarantee or support agreement entered into by the Issuer in respect of any obligations of any person or entity, which guarantee or support agreement ranks, or is expressed to rank, junior to the Notes and/or *pari passu* with any class of share capital of the Issuer.

"**Level 2 Regulations**" means the Commission Delegated Regulation (EU) No. 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), as amended.

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

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

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

"**Minimum Capital Requirement**" means (as applicable):

(i) the Minimum Capital Requirement of the Issuer on a solo basis;

(ii) if and to the extent such a requirement applies pursuant to the Applicable Regulations applicable to the Issuer from time to time, the minimum consolidated sub-group Solvency Capital Requirement of the Issuer ("sub-group" means the Issuer and its subsidiaries);

(iii) the minimum consolidated group Solvency Capital Requirement of the PSH Group; and/or

(iv) any other minimum capital requirements (as applicable) from time to time,

in each case referred to in, or described in, the Relevant Rules applicable to the Issuer and/or the PSH Group (as the case may be).

“**NBB**” has the meaning provided in Condition 1.

“**NBB Securities Settlement System**” has the meaning provided in Condition 1.

“**NBB Securities Settlement System Regulations**” has the meaning provided in Condition 1.

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

“**Payment Business Day**” has the meaning provided in Condition 9(c).

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

“**Policyholder Claims**” means claims of policyholders or beneficiaries under contracts of insurance in a winding-up, liquidation, bankruptcy or other analogous insolvency process of a PSH Group Insurance Undertaking to the extent that those claims relate to any debt to which the PSH Group Insurance Undertaking is, or may become, liable to a policyholder or such a beneficiary pursuant to a contract of insurance, including all amounts to which policyholders or such beneficiaries are entitled under applicable insolvency legislation or rules to reflect any right to receive, or expectation of receiving, benefits which such policyholders or such beneficiaries may have.

“**Proceedings**” has the meaning set out in Condition 16(*b*).

“**Regulatory Deficiency Event**” means any of the following events:

(i) the amount of ‘own fund-items’ (or whatever the terminology is employed by the Applicable Regulations from time to time) of the Issuer (on a solo and, if applicable, consolidated basis) or the PSH Group eligible to cover the Solvency Capital Requirement or the Minimum Capital Requirement of the Issuer (on a solo and, if applicable, consolidated basis) or the PSH Group is not sufficient to cover such Solvency Capital Requirement or Minimum Capital Requirement; or

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

provided that the references to the Solvency Capital Requirement and the Minimum Capital Requirement of the Issuer (on a consolidated basis) in sub-paragraphs (i) and (ii) above shall only be applicable to the Notes if, and for so long as, the Issuer has a Solvency Capital Requirement and/or a Minimum Capital Requirement on a consolidated basis and only to the extent that the inclusion of such requirements is necessary in order for the Notes to be eligible to count as Tier 2 Capital of the Issuer under the Applicable Regulations from time to time.

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

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

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

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

"**Solvency Capital Requirement**" means:

(i) the Solvency Capital Requirement of the Issuer on a solo basis;

(ii) if and to the extent such a requirement applies pursuant to the Applicable Regulations applicable to the Issuer from time to time, the Solvency Capital Requirement of the Issuer on a consolidated basis;

(iii) the Solvency Capital Requirement of the PSH Group; and/or

(iv) any successor capital requirement to (i) or (iii) from time to time,

in each case, as referred to in, or described in, the Applicable Regulations applicable to the Issuer and/or the PSH Group (as the case may be).

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

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

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

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

"**Taxes**" has the meaning set out in Condition 10.

"**Tax Law Change**" means a change or officially announced proposed change in, amendment or officially announced proposed amendment to, or clarification of, the laws or regulations of the Kingdom of Belgium or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which the Kingdom of Belgium is or becomes a party, or any change in the official application or official interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or clarification becomes, or would become, effective on or after 13 July 2018.

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

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

"**Tier 3 Capital**" has the meaning set out in the Applicable Regulations.

“**Winding-up**” means any dissolution or liquidation of the Issuer, including the following events creating a competition between creditors (*“samenloop van schuldeisers/concours de créanciers”*): bankruptcy (*“faillissement/faillite”*), judicial liquidation (*“gerechtelijke vereffening/liquidation forcée”*) or voluntary liquidation (*“vrijwillige vereffening/liquidation volontaire”*), other than a voluntary liquidation in connection with a reconstruction, merger or amalgamation where the continuing corporation assumes all the liabilities of the Issuer.

CLEARING

The Notes have been accepted for clearance through the NBB Securities Settlement System under the ISIN number BE0002603810 and Common Code 185600688 with respect to the Notes, and will accordingly be subject to the NBB Securities Settlement System Regulations (as defined in the Conditions).

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

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

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

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

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

DESCRIPTION OF THE ISSUER

Unless expressly indicated otherwise in this section, this section should be read and construed in conjunction with (i) the audited consolidated annual financial statements of the Issuer prepared in accordance with IFRS for the financial years ended 31 December 2017 and 31 December 2016 and the related auditors' reports thereon and (ii) the unaudited (limited review) consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the three month period ended 31 March 2018, together with the related auditors' review report thereon, as contained in the F-pages of this Prospectus.

1 Overview, incorporation and history

Overview

P&V is a leading insurer in the Belgian market, with, in terms of gross written premiums ("**GWP**"), a 5.8% market share in life insurance and a 6.1% market share in non-life insurance at the end of December 2016[1]. P&V is the 5th largest insurer in the Belgian market[2].

All of P&V's insurance activities and business are carried out in Belgium (see "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Securities – The Issuer's activities are highly concentrated in its home country Belgium and hence vulnerable to Belgian sovereign exposure*"), except for some residual activities conducted by its Luxembourg law subsidiary Euresa Life, which is in run-off and, which, subject to acceptable conditions, P&V may consider selling to a third party.

P&V distributes only insurance products, no banking products.

For the year ended 31 December 2017, P&V recorded gross inflow of EUR 1.539 billion, with EUR 845 million for life insurance and EUR 694 million for non-life insurance. At 31 December 2017, P&V's total assets amounted to EUR 19.5 billion. For the interim period ended 31 March 2018, P&V recorded gross inflow of EUR 469 million, with EUR 247 million for life insurance and EUR 222 million for non-life insurance. At 31 March 2018, P&V's total assets amounted to EUR 19.5 billion.

P&V distributes its products mainly through tied agents and brokers.

At the end of December 2017, P&V employed 1,607 employees.

P&V is a cooperative insurer and, as such, integrates the cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity in its business model.

[1] Calculated based on internal figures and market data available in Assuralia's study "Key figures and main results of Belgian insurance in 2016", 9 November 2017, available in French and Dutch on http://www.assuralia.be. Assuralia is the professional organisation of insurance companies in Belgium.

[2] See footnote above.

As far as feasible in the insurance business, P&V does apply the cooperative principles of conducting business[3]:

- voluntary and open membership;
- democratic member control;
- member economic participation;
- autonomy and independence;
- education, training and information;
- co-operation among co-operatives;
- concern for community.

These values and principles are reflected in P&V's vision and mission (see "Strategy").

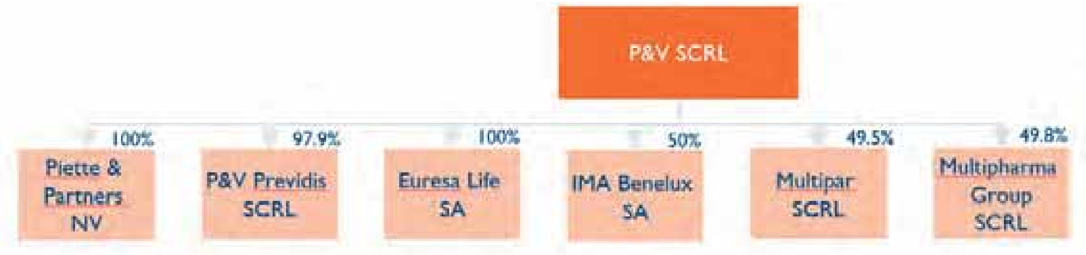
As a cooperative issuer, P&V reinvests most of its benefits in its business, which in turn contributes to its financial solidity and the quality of its products and services at the right price. Some of its benefits are also used to contribute to responsible citizenship and a more solidarity-based society, among others through the P&V Foundation.

Legal form and Group structure

P&V is a cooperative company with limited liability (*société coopérative à responsabilité limitée/coöperatieve vennootschap met beperkte aansprakelijkheid*) incorporated under the name La Prévoyance Sociale on 25 September 1907 and existing under the laws of Belgium for an unlimited duration, with its registered office at rue Royale 151-153, 1210 Brussels, Belgium (telephone number: +32 (0)2 210.95.81) and registered with the Crossroads Bank for Enterprises under number 0402.236.531.

As at the date of the Prospectus, the share capital of the Issuer amounts to EUR 45,411,000, represented by 204,400 fully paid-up A shares with a nominal value of EUR 2.50 per share and 449 fully paid-up B shares with a nominal value of EUR 100,000 per share. All shares are in registered form.

Set out below is a simplified structure of the Group formed by P&V and its main subsidiaries and associate companies.



[3] For more information regarding the cooperative principles, you may refer to the website of the International Cooperative Alliance (https://ica.coop/).

P&V is the main operational entity of the Group as it centralises all life and non-life activities.

Piette & Partners NV distributes, essentially in Flanders, a range of non-life insurance products and services through a network of independent brokers.

P&V Previdis SCRL conducts advising services and awareness raising actions to prevent accidents and other damages of any kind.

Euresa Life SA is a Luxembourg based company that used to commercialise life insurance products mainly to customers located in Italy, the Benelux and France but is managed in run-off since a few years when P&V decided to focus exclusively on the Belgian market.

P&V also owns a number of subsidiaries dedicated to the acquisition and management of real estate in Belgium.

P&V furthermore owns a substantial shareholding in the cooperative group Multipharma (through shareholdings in Multipar SCRL and Multipharma Group SCRL), which owns a network of pharmacies and para-pharmacies throughout Belgium. Such shareholdings are accounted by equivalence.

P&V also owns a substantial shareholding in Ima Benelux SA (Inter Mutuelles Assistance), which focuses on assistance cover services. Such shareholding is accounted by equivalence.

History

P&V was established in 1907 as a limited liability cooperative company by the Belgian Workers Party, under the name La Prévoyance Sociale, aimed at ensuring that as many people as possible accede to a good insurance cover at fair conditions, at a time when there was practically no social security system and major insurers were not interested in social insurance given the efforts needed to collect the insurance premiums.

In 1922, La Prévoyance Sociale was one of the founders of the International Cooperative and Mutual Association Federation (ICMIF), the only worldwide federation of cooperative and mutualist insurers.

From 1927 on, a significant part of the company’s benefits was allocated to building a range of social institutions: orphanages, sanatoriums, preventive health services or retirement homes. This network of social institutions remained within the Group until the nineties, when new legislation required to dispose of such activities.

In 1990, the company contributed to the creation of Euresa, a European economic interest grouping of several cooperative and mutualist insurers.

La Prévoyance Sociale was rebranded as P&V (standing for “Prévoyance” and “Voorzorg”, i.e. the French and Flemish words for providence) in 1993.

In 1997, Actel was created, to become the direct distribution channel of the Group (and was, later on, merged into P&V).

In 2003, P&V acquired Piette & Partners.

In 2004, P&V acquired a significant part of the Belgian and Luxembourg activities of Zurich Financial Services, leading to the creation of Vivium, aimed at focusing on the brokers distribution channel.

In 2005, P&V acquired Arces, which, through the use of brokers, specialised in legal insurance protection.

In 2005, P&V created the P&V Foundation, aimed at promoting active citizenship and reducing young people exclusion.

In 2007, P&V acquired (through Vivium) ING Insurance Belgium.

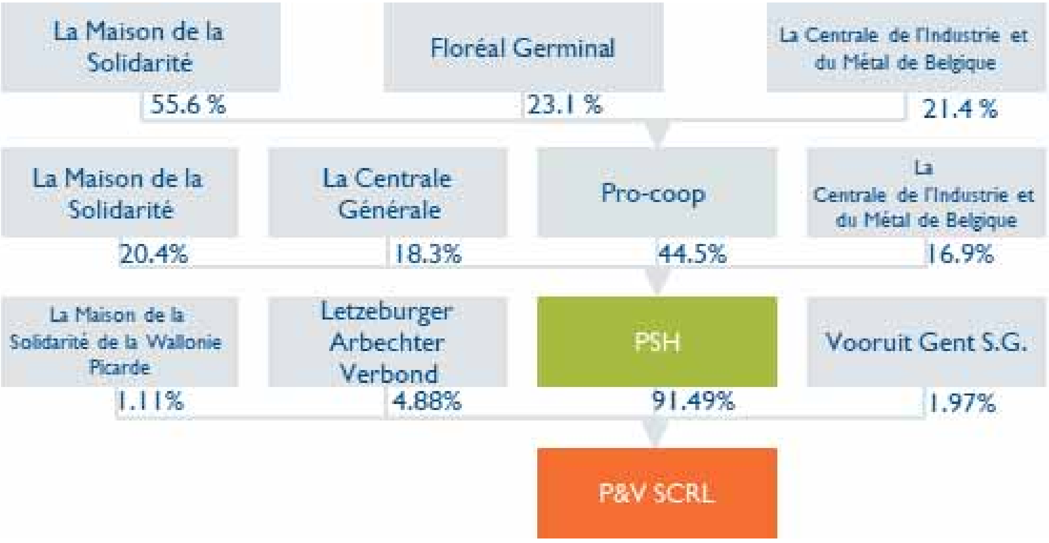
In 2013, P&V (through Vivium) disposed of its Luxembourg insurance activities.

In 2013 also, the insurances portfolio of Piette & Partners, except for legal expenses insurance, was transferred to P&V by way of partial split of Piette & Partners, and Piette & Partners was converted into a subscription desk.

In 2016, P&V merged with Vivium through absorbing the latter, and also assumed the entirety of the work accident activities of P&V Caisse Commune, with the latter being subsequently wound-up. In 2017, P&V merged with Arces through absorbing the latter.

Throughout the consolidation movements of the last decades, P&V has been able to maintain its independence and its individuality as a Belgian insurer and remains committed to demonstrating that a business can be developed in a balanced way while creating value for all its stakeholders and that an enterprise is a place for cooperation and respect and not of incompatible differences and dominance.

2 Shareholding structure


La Maison de la Solidarité
55.6 %
Floréal Germinal
23.1 %
La Centrale de l'Industrie et du Métal de Belgique
21.4 %
La Maison de la Solidarité
20.4%
La Centrale Générale
18.3%
Pro-coop
44.5%
La Centrale de l'Industrie et du Métal de Belgique
16.9%
La Maison de la Solidarité de la Wallonie Picarde
1.11%
Letzeburger Arbechter Verbond
4.88%
PSH
91.49%
Vooruit Gent S.G.
1.97%
P&V SCRL

Further minority interests in P&V are held by entities (generally unions (related) or individuals).

PSH SCRL ("**PSH**") is a holding company, which is held by the historical reference shareholders of P&V, which are also referred to as co-operators (see "PSH").

3 Strategy

Vision

The P&V Group calls forth its expertise in order to allow everyone to protect himself against the risks of everyday life and to plan his future.

By making insurance accessible to as many people as possible, the P&V Group embodies its commitment to a solidary and sustainable society.

Missions

As a Belgian co-operative group, P&V is driven by:

- Accessibility

  We insure what people need against a fair price. Our solutions are easy, transparent and geared to the present and future needs of private clients, self-employed individuals, companies and other organisations.

- Prevention

  We combine our expertise as an insurer with modern technology to develop innovative solutions that reduce or prevent the risks of those we insure.

- Sustainability

  Our strategy and all our activities contribute to the development of our company and the society as a whole, economically and socially.

Strategy

P&V aims to strengthen its position as a leader in the insurance market and to focus on new profitable and sustainable growth opportunities while remaining committed to cooperative values.

P&V remains committed to a multi-channelling strategy with a focus on intermediaries (tied agents and brokers), focusing solely on the Belgian market and leveraging innovation and excellence in technical management.

P&V is engaged in an ambitious plan of technological transformation. This includes the acquisition of new IT tools and platforms to meet the future needs of its customers and to improve overall performance. These tools are aimed more particularly at supporting the deployment of the multi-channel strategy.

P&V also adapted its organisational architecture to meet the new challenges (such as technological, transformation and regulatory changes) and to focus on client needs.

Confronted with a macro-economic context of extremely low interest rates, P&V is continuing to prioritise the reinforcement of its own funds. Among other measures to this effect, P&V (i) looks at limiting the impact of markets risks, (ii) considers, from time to time, reinforcing its capital base through the issuance of financial instruments, such as the Notes to be issued under this Prospectus and (iii) carries out further efforts on reducing all operational costs.

P&V intends to continue to reinvest most its benefits in the business, in view of contributing to its financial solidity and the quality of its products and services.

4 Distribution channels

P&V provides its products through various brands (P&V, Vivium, PNP, Actel and Arces) and channels.

P&V distributes its products mainly through independent exclusive agents and independent brokers.

P&V also makes use of the following direct distribution channels:

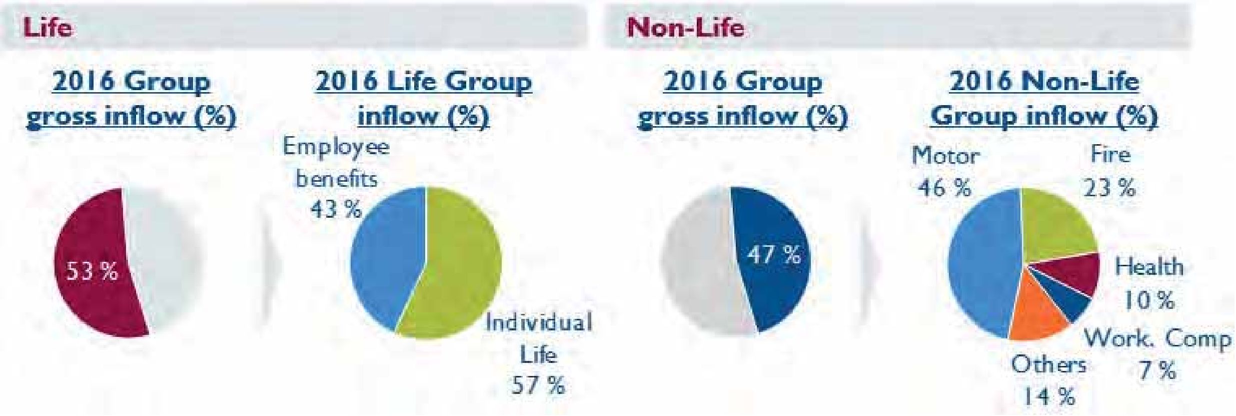
- the internet (P&V website);
- call contact centres.

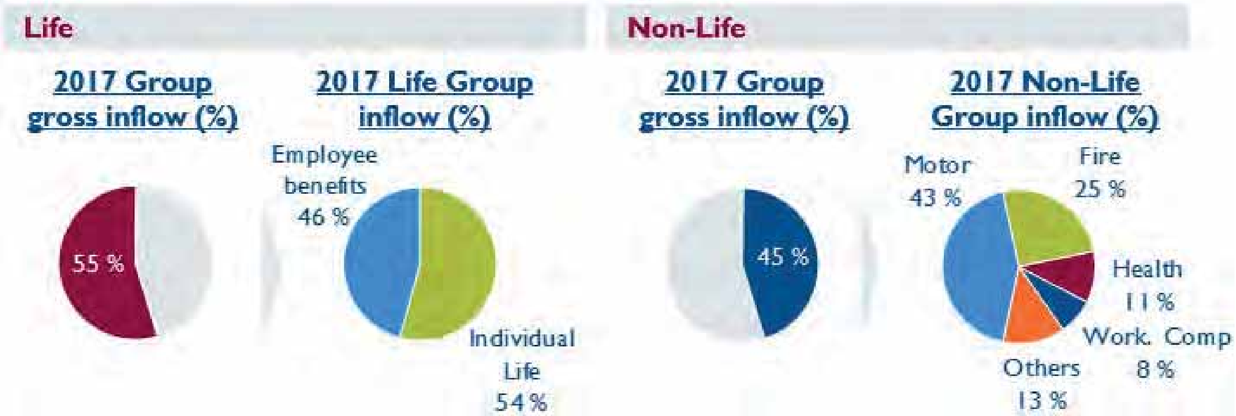
P&V uses a number of specialised employees to manage the relationships with large corporates, public sector clients and non-profit sector clients.

P&V also has distribution partnerships with car distributors.

5 Products

The below table provides an overview of the main non-life and life products that are commercialised by P&V and their contribution to the total gross inflow of P&V for the years ended 31 December 2016 and 31 December 2017:





Non-life insurance products

Motor

The motor insurance policies offered by P&V provide coverage to individual, business (including fleet) and public sector for third party liability (including property damage and bodily injury), as well as legal protection, road assistance, material damage of the vehicle (in case of theft, fire, broken glass and collision). Belgian law requires that coverage for third party liability be maintained with respect to each licensed motor vehicle. All other types of coverage are optional.

Worker's compensation

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

Fire

P&V's fire insurance policies provide coverage to each of individual, business, public and non-profit sector customers for buildings and facilities in Belgium, and includes ordinary and commercial risks. Fire policies generally provide coverage for a variety of losses, including fires, storms, burglary and other perils. The policies provide coverage for loss or damage to buildings, damage to personal goods and liability to third parties.

Liability

The main product offered is private third-party liability insurance, which protects all family members against damage caused to third parties in private life situations.

P&V also offers liability cover for business, public and non-profit sector, including professional liability and D&O (directors and officers) liability coverage for board members and executive management.

Assistance

This product offers vehicle assistance (including, among others, replacement vehicle), assistance in case of accident or illness in a foreign country, health care coverage in a foreign country etc.

Life insurance products

P&V offers a broad range of life insurance products throughout the three pension types of products including coverage in case of death, accident, and disability (guaranteed income) with guaranteed and non-guaranteed interest rates. Most of these products offer profit sharing (a contractual right to receive, as a supplement to guaranteed benefits, additional benefits depending on the performance of the insurance company). Products are offered to individual retail and professional clients and a specific range of products are offered to companies, including employee benefits.

Individual customers

Pension products & savings

In individual life insurance, P&V offers a broad product range throughout the three pension products[4] and saving plans.

Within the 2nd pillar, P&V offers a PSPSE (private supplementary pension for the self-employed), Social PSPSE and (as of 2018) SIPP's (self-invested personal pension) for self-employed clients not exercising their activities through a company, and an IPC (Individual Pension Commitment) for professional clients exercising their activities through a company. For medical professions, P&V offers a Social PSPSE RIZIV (National Institute for Sickness and Disability Insurance).

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

Within the 3rd pillar P&V offers pension saving insurance and long term insurance. Both products can benefit from a fiscal advantage.

Within the 4th pillar, P&V offers non-fiscal saving options, including a child savings plan.

For most of the pension savings products, the client can choose to invest either in branch 21[5] or branch 23[6] or in both. Within branch 23, P&V currently offers six investment funds in varied risk profiles. It is the ambition of P&V to expand the offer in branch 23 funds.

Guaranteed income

Both professional and retail clients can underwrite a guaranteed income insurance to cover disability risk or a complementary premium exemption cover which foresees the return of paid premiums in case of disability.

Death

P&V offers several forms of life insurance, the most common one being the temporary life insurance (including mortgage cover). P&V also offers an accident insurance or lifelong insurance.

Insurances for companies

P&V also offers the following insurances specific for companies:

- turnover insurance, which foresees in the compensation of the loss of turnover caused by disability of the manager;
- non-stop plan insurance, which guarantees the continuance of a company in case of disability of the manager. The insurance allows an enterprise to insure a coverage of maximum 80% of the fixed costs of the company during a maximum of two years;
- key-man insurance, which foresees the payment of a capital to the company in case of death of the company key-person;
- IPT pension plan (also mentioned under 'pension products & savings').

Employee benefits

P&V offers employee benefits products in life wholesale (branch 21 and branch 23) such as pension schemes (2nd pillar in addition to 1st pillar legal pension) and protection covers such as death and health insurance (premium waver and guaranteed income) for workers, with a focus on midsized and small employers. The main characteristics of P&V's pension schemes are:

- defined benefit and defined contribution plans with a minimum interest rate guaranteed on the reserves (open product) or with a minimum interest rate guaranteed on the premium and the reserves (closed

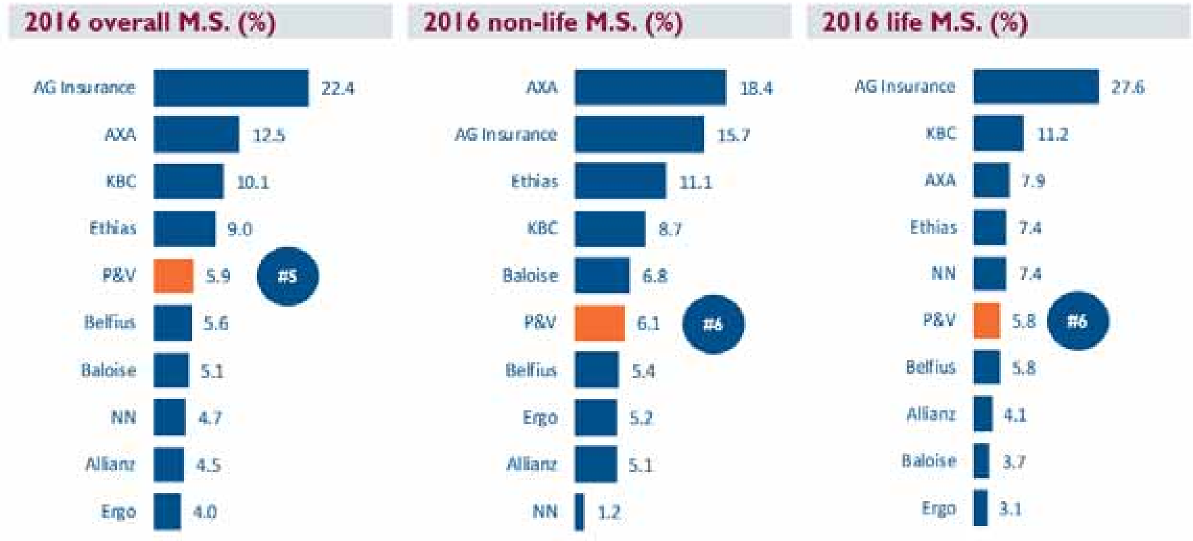
[5] Branch 21 insurances are medium or long-term savings products in the form of life insurance contracts that offer a capital guarantee and a guaranteed minimum return with possible participation in profits against payment of premiums.

[6] Branch 23 insurances are medium or long-term investment products in the form of life insurance contracts, where the premiums are invested in one or several investment funds and the return on investment is linked to the return generated by these investment funds. There is no guaranteed minimum return, nor a capital guarantee. .

product). The annual return is based on the guaranteed interest rate possibly increased with a discretionary profit sharing;

- Different financing methods such as individual versus collective funding; capitalisation/(pure) endowment, etc.;
- Different products depending on the insured population such as general plans for a specified category of employees, bonus plans or IPT (individual pension plans).

6 Market position



P&V is a leading insurer in the Belgian market, with, in terms of GWP, a 5.8% market share in life insurance and a 6.1% market share in non-life insurance at the end of December 2016[7].

P&V focuses exclusively on the Belgian market.

P&V counts more than 1 million clients, of which around 88% are individual customers.

Life insurance market[8]

Life insurance market distribution is dominated by brokers, which had a market share of 38.6% in 2016. Bank-insurance companies are the second largest distribution channel (32.7%), followed by insurance companies offering life products directly (21.5%). Assurfinance and agents have the lowest market share.

[7] Calculated based on internal figures and market data available in Assuralia's study "Key figures and main results of Belgian insurance in 2016", 9 November 2017, available in French and Dutch on http://www.assuralia.be. Assuralia is the professional organisation of insurance companies in Belgium.

[8] Assuralia; "Insurance distribution channels – 2016 Figures"; "Assurinfo" of 25 January 2018.

Non-life insurance market[9]

Within the non-life insurance market, brokers remained the dominant force in 2016 with a distribution share of 61.3%. Despite this dominant position, brokers are gradually losing market share to direct channels (19.1%), agents (11.4%), Bank-insurance (8.1%), and Assurfinance.

7 Key financial figures

Gross Inflows

Full-Year

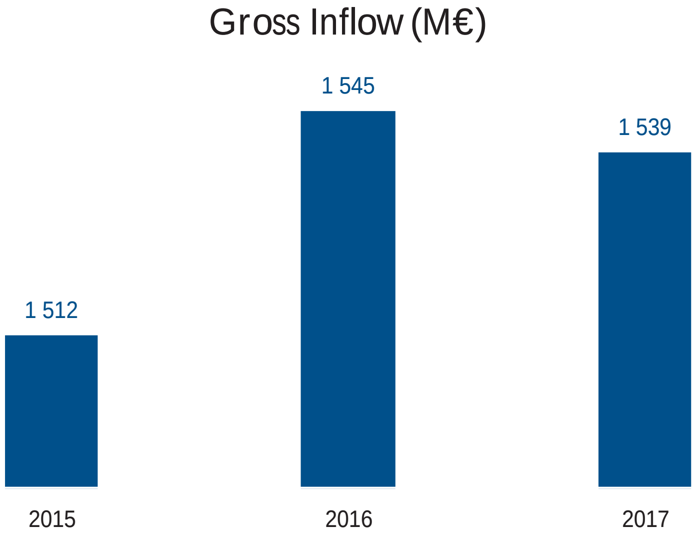
P&V's gross inflows for the year ended 31 December 2017 amounted to EUR 1.539 billion, stable compared to EUR 1.545 billion for the year ended 31 December 2016.

Life inflows amounted to EUR 845 million for the year ended 31 December 2017, compared to EUR 820 million for the year ended 31 December 2016.

Non-life inflows represented EUR 694 million as at 31 December 2017, compared to EUR 725 million as at 31 December 2016. In light of the strategic effort on profitability, some activities have recently been discontinued, in particular a significant intermediary contract and third-party transport insurance activity.

First Quarter 2018

P&V's gross inflows for the three-month period ended 31 March 2018 amounted to EUR 469 million, of which EUR 247 million in life and EUR 222 million in non-life. As at 31 March 2017, P&V's gross inflows for the three-month period then ended amounted to EUR 466 million, of which EUR 243 million in life and EUR 223 million in non-life.



[9] Assuralia; "Insurance distribution channels – 2016 Figures"; "Assurinfo" of 25 January 2018.

* The amount for 2015 has been restated to take into account the deposit accounting for branch 26 products.

Net and adjusted net result

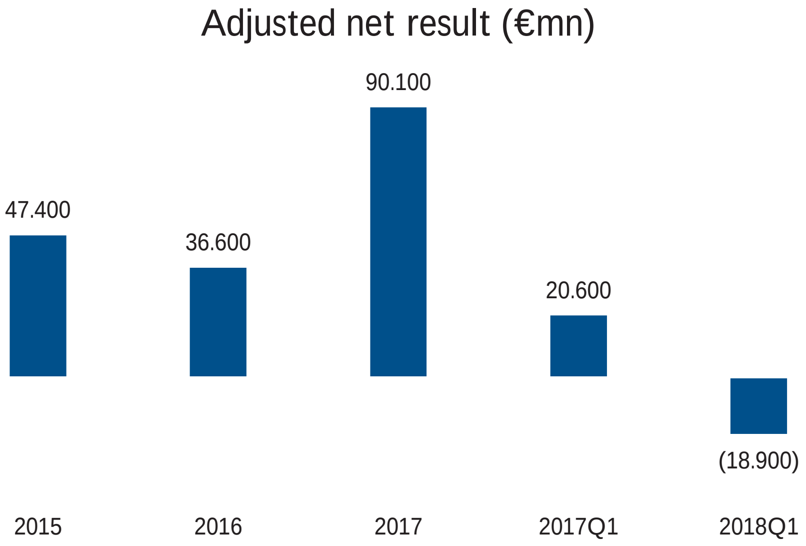
The net result for the year ended 31 December 2017 amounted to EUR 172 million (in comparison to EUR 120 million for the year ended 31 December 2016). The increase of the net result is mainly driven by:

- an improvement of the technical result (+ EUR 60,9 million (of which EUR 5 million in life and EUR 56 million in non-life));
- a decrease of the financial result (- EUR 21.7 million); and
- a decrease of the overhead costs, which leads to a positive impact on the result of EUR 45.9 million. The decrease in the overhead is an effect of restructuring charges booked in 2016 for an amount of EUR 40 million with a partial release in 2017 for EUR 13 million. Without this exceptional effect, the overhead would have increased with EUR 7 million in 2017 regarding 2016 essentially due to investment in transformation programs;
- an exceptional charge in relation to the stake in Multipar (- EUR 67 million in 2017)[(*)];
- other variations in other revenue (EUR -5.7 million);
- the reduction of taxes (EUR 40 million) due to the evolution of tax rates provided by the Belgian tax legislation as from the year 2018 onwards.

** Following an impairment test in the accounts of the consolidated company (trough equity consolidation method). Such decision was made by Multipharma further to a comparison of expected future cash flows (in light of a durable profitably erosion of the pharmacies network (primarily driven by the negative evolutions of the reimbursed specialties market further to regulatory budget changes) and para-pharmacies network (primarily driven by increasing competition in such market)) of the operation without improvement measures over the value of invested capital for such activity, consistent with IFRS accounting rules.*

The net result ended 31 March 2018 amounted to EUR -6.4 million (in comparison to EUR 14.4 million in March 2017). The decrease in the net result is explained by the decrease in the technical result of EUR -26.3 million, mitigated by the increase in the financial result of EUR 9.2 million. The other items of the result decreased by EUR -3.8 million.

The table below shows the evolution of the adjusted net result from 31 December 2015 to 31 December 2017 (in millions EUR) and at 31 March 2017 and 31 March 2018 (in millions EUR).



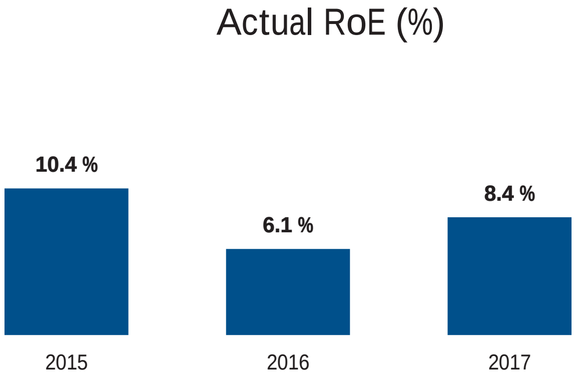
The 2016 adjusted net result was mainly in diminution regarding 2015 due to an increase in the administrative and operating cost further to a restructuring cost (EUR 40 million). However, the technical result in non-life improved in 2016 (+ EUR 10.5 million).

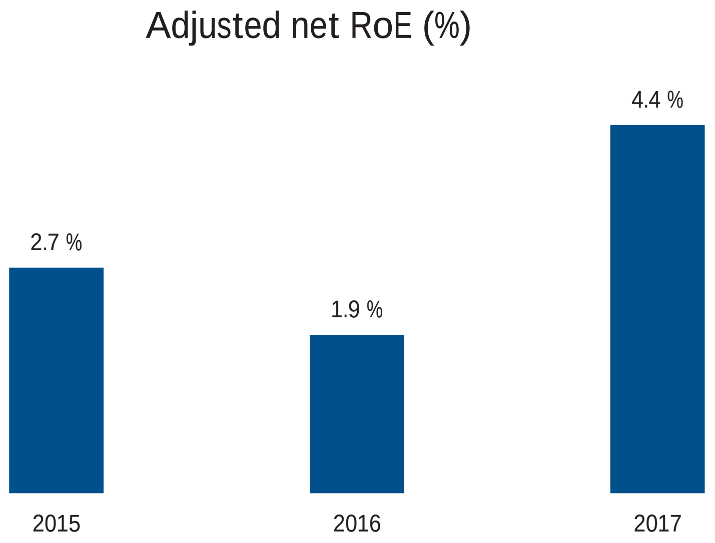
The adjusted net result 2017 was mainly driven by an increase in the technical result in non-life business (+ EUR 56.1 million).

The adjusted net result for the three-month period ended 31 March 2018 amounted to EUR -18.9 million in comparison with EUR 20.6 million in March 2017. The technical result of early 2018 is impacted in non-life by storms and some significant claims in motor insurance.

Return on equity

The table below provides adjusted net results and actual ROE (as defined in the APM section) for the financial years 2015, 2016 and 2017.

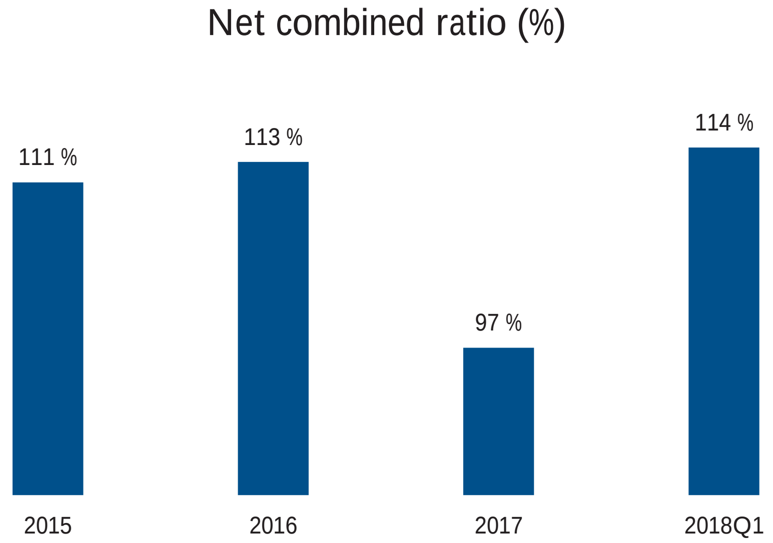




Net combined ratio

The net combined ratio for the year ended 31 December 2017 was 97.4% and at 31 March 2018 was 114.1%, compared to 112.9% for the year ended 31 December 2016.

The table below provides an overview of the evolution of P&V's net combined ratio for the financial years 2015 to 31 December 2017[10]:



[10] Based on internal calculations by the Issuer following international recognised methodology.

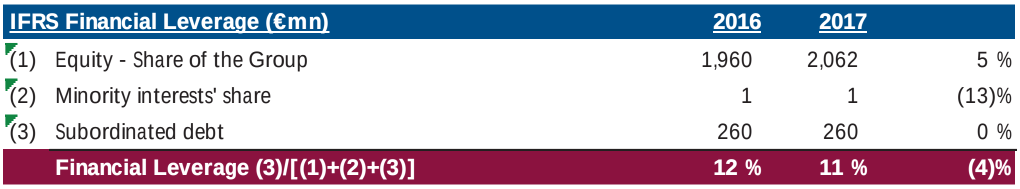
New technologies in which the group has invested (including the new claims platform) and various initiatives undertaken (such as claims close file review, etc.) have had a positive impact on the above net combined ratio.

However, the 114.1% figure at 31 March 2018 is mainly driven by the impact of storms occurred in early 2018 and two significant auto claims and fire claims, which have increased the net insurance pay-out by EUR 29.5 million.

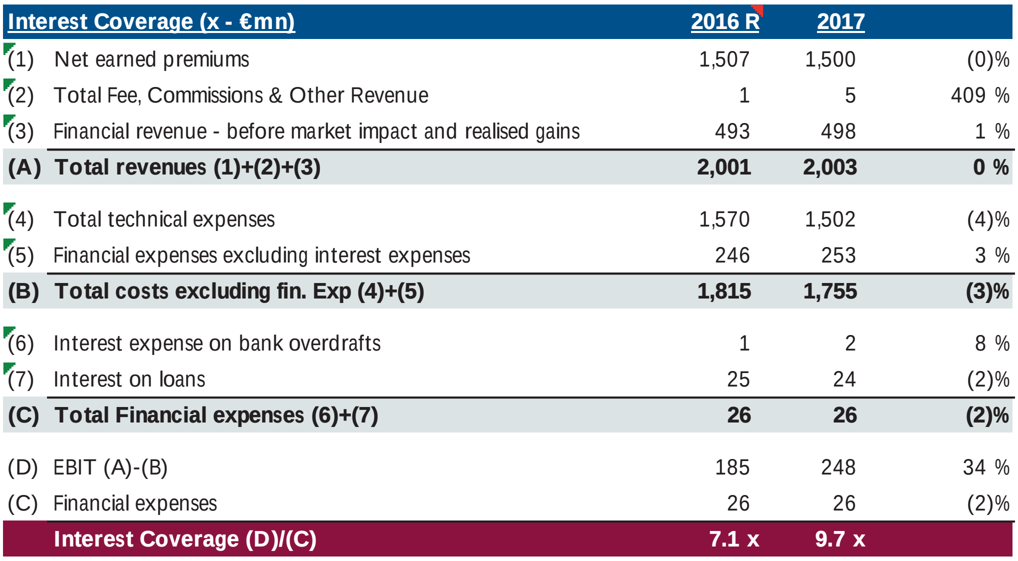
Ongoing costs reduction with a reduction of the full time equivalent (FTE) combined with IT investments such as a new policy centre technology are conducted in order to reduce the expense ratio and therefore stabilise the net combined ratio below 100%.

Financial flexibility

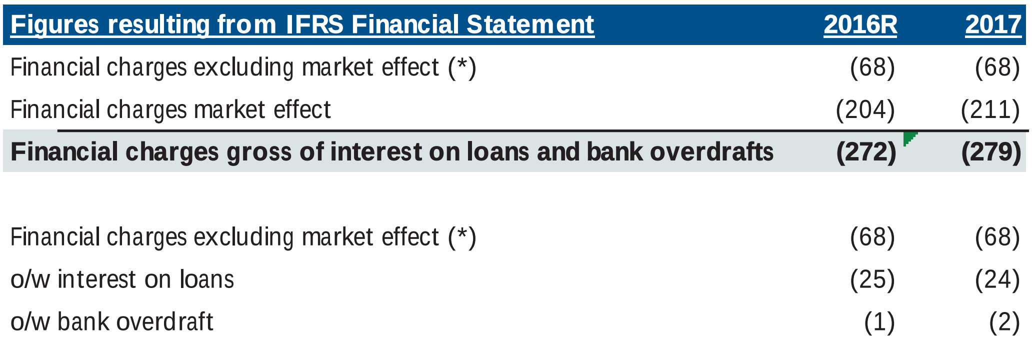
P&V's financial flexibility is commensurate with its expected capital needs with a Financial Leverage of 11% at the end of 2017 and a Fixed-Charge Coverage of 9.7x.



IFRS Financial Leverage (€mn)		2016	2017	
(1)	Equity - Share of the Group	1,960	2,062	5 %
(2)	Minority interests' share	1	1	(13)%
(3)	Subordinated debt	260	260	0 %
	Financial Leverage (3)/[(1)+(2)+(3)]	**12 %**	**11 %**	**(4)%**



Interest Coverage (x - €mn)		2016 R	2017	
(1)	Net earned premiums	1,507	1,500	(0)%
(2)	Total Fee, Commissions & Other Revenue	1	5	409 %
(3)	Financial revenue - before market impact and realised gains	493	498	1 %
(A)	**Total revenues (1)+(2)+(3)**	**2,001**	**2,003**	**0 %**
(4)	Total technical expenses	1,570	1,502	(4)%
(5)	Financial expenses excluding interest expenses	246	253	3 %
(B)	**Total costs excluding fin. Exp (4)+(5)**	**1,815**	**1,755**	**(3)%**
(6)	Interest expense on bank overdrafts	1	2	8 %
(7)	Interest on loans	25	24	(2)%
(C)	**Total Financial expenses (6)+(7)**	**26**	**26**	**(2)%**
(D)	EBIT (A)-(B)	185	248	34 %
(C)	Financial expenses	26	26	(2)%
	Interest Coverage (D)/(C)	**7.1 x**	**9.7 x**	



Figures resulting from IFRS Financial Statement	2016R	2017
Financial charges excluding market effect (*)	(68)	(68)
Financial charges market effect	(204)	(211)
Financial charges gross of interest on loans and bank overdrafts	**(272)**	**(279)**
Financial charges excluding market effect (*)	(68)	(68)
o/w interest on loans	(25)	(24)
o/w bank overdraft	(1)	(2)

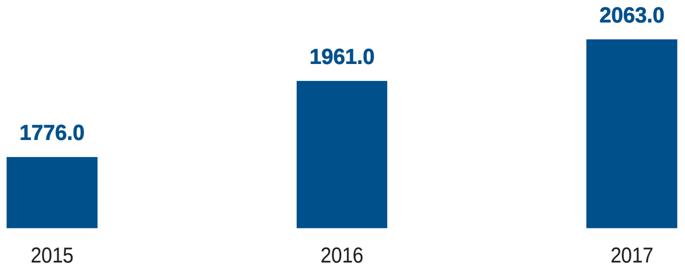
EBIT means Earnings Before Financial Interest and Taxes.

Shareholders' Equity

Shareholders' Equity (in IFRS) for the year ended 31 December 2017 amounted to EUR 2,063 million, compared to EUR 1,960 million for the year ended 31 December 2016. The increase in Shareholders' equity mainly resulted from the net result generated in 2017. The Shareholders' Equity as of 31 March 2018 amounted to EUR 2,020 million. The variation compared to the position as 31 December 2017 is mainly due to:

- the net result in the relevant period (EUR -6.5million); and
- the variation in other comprehensive income.

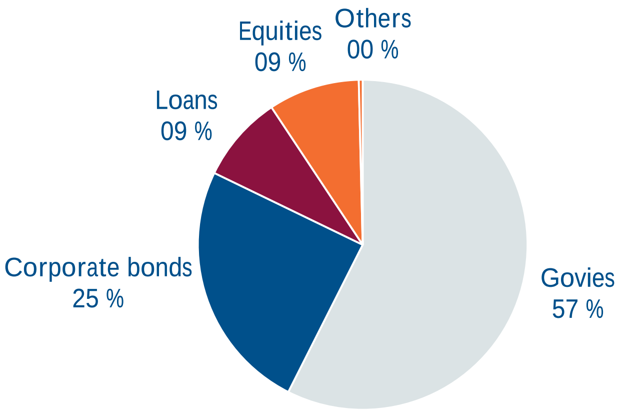
The table below shows the evolution of the Shareholders' Equity over the past three years (in thousand EUR).



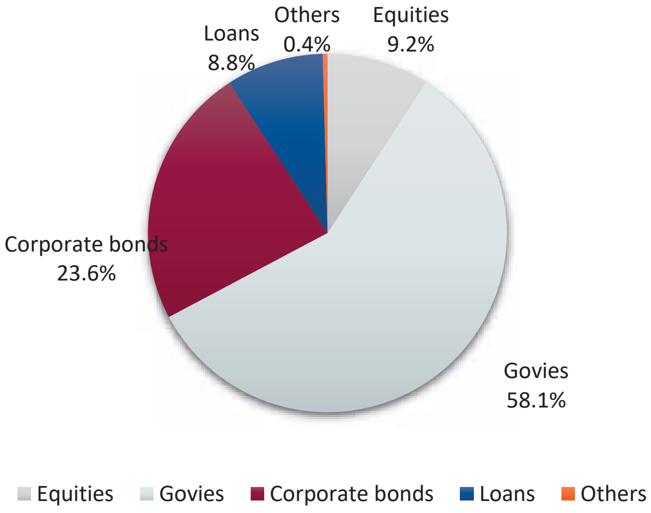
Investments

As at 31 December 2017, the total fair value of P&V's financial investments amounted to EUR 17.6 billion (EUR 17.4 billion as at 31 March 2018).

*Total financial investments portfolio by assets as at 31 December 2017**



*Total financial investments portfolio by assets as at 31 March 2018**



* Corporate bonds including EUR 275.7 million of Dutch mortgages notes as at 31 December 2017 and EUR 275.0 million as at 31 March 2018.

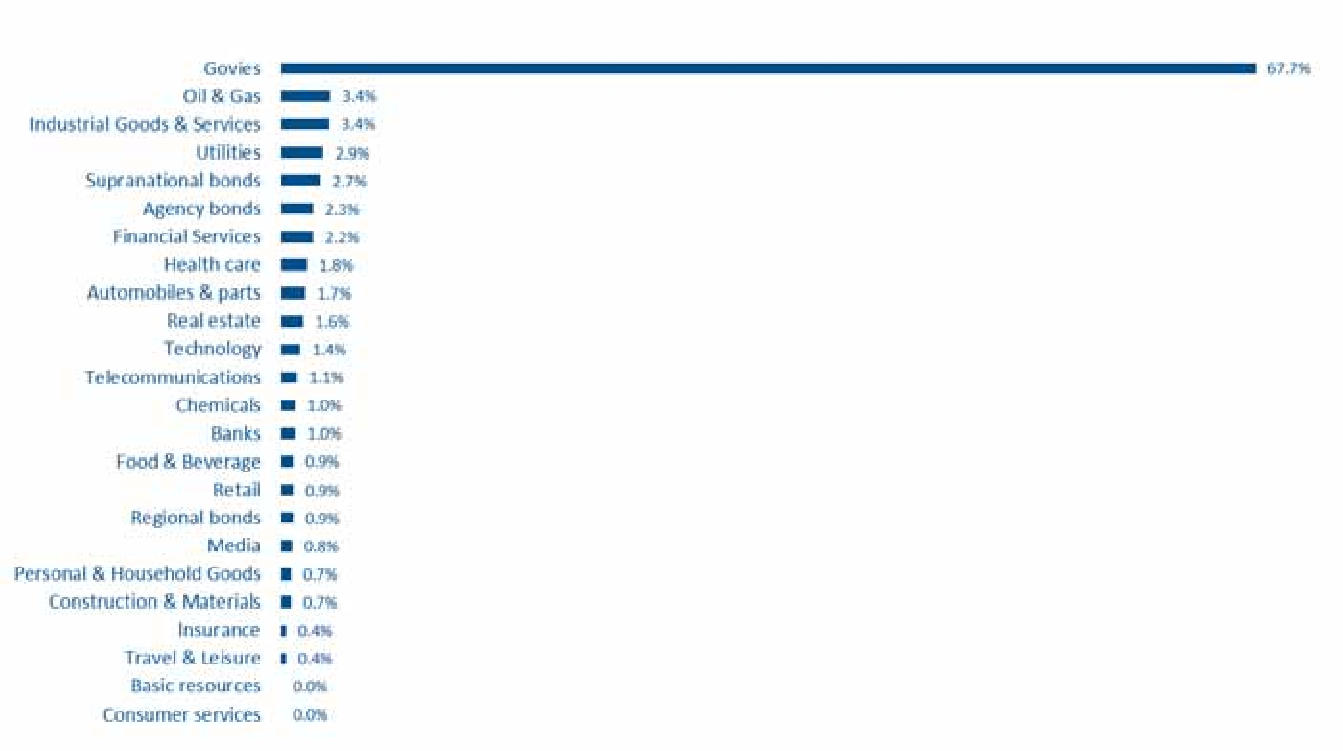
Bonds portfolio

As at 31 December 2017, the total fair value of P&V's bonds portfolio (Dutch mortgages notes not included) amounted to EUR 14.2 billion (EUR 13.9 billion as at 31 March 2018).

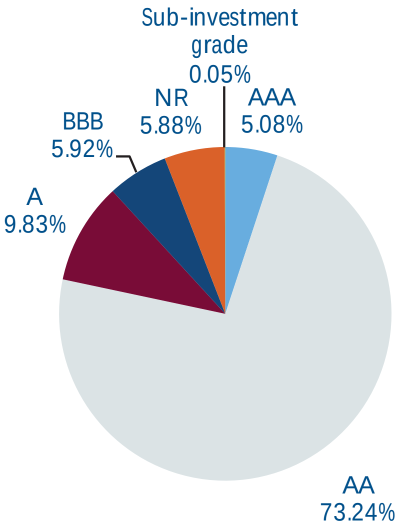
P&V holds a significant portfolio of government bonds[11] (57.4% of its total investment portfolio (fair value) as at 31 December 2017 and 58.0% as at 31 March 2018), primarily for the reinvestment of insurance reserves into fixed instruments.

The Belgian government bonds portfolio represents an amount of EUR 7.5 billion at 31 December 2017 and EUR 7.3 billion at 31 March 2018.

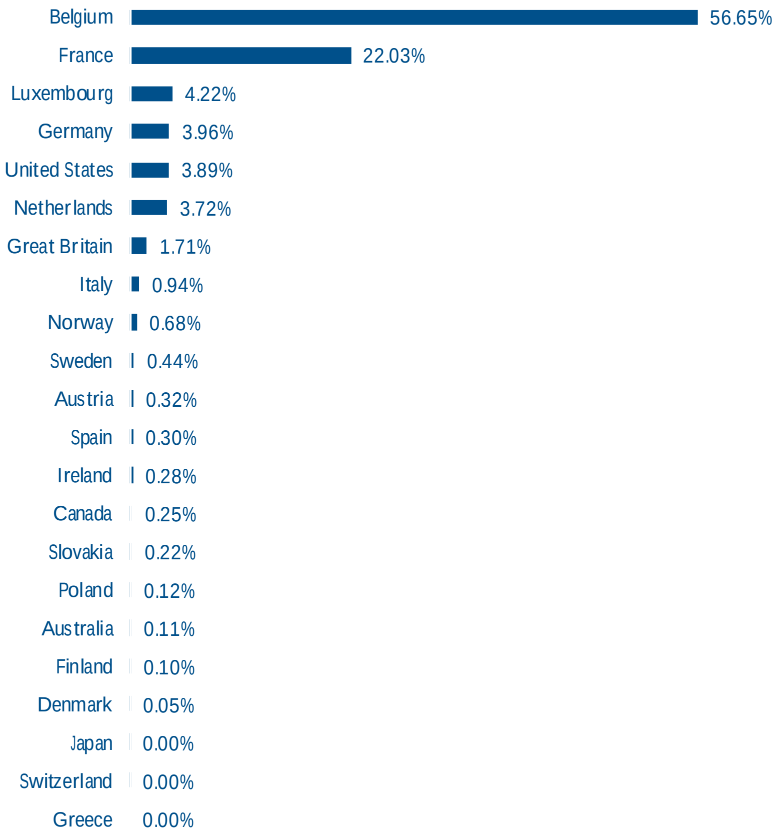
The below tables provide a further breakdown of P&V's bond investment portfolio by sector, rating and country as at 31 December 2017*:



[11] "Sovereign bonds" include only bonds issued by a national government while "Government bonds" include Sovereign bonds, Supranational bonds, and regional bonds issued with a state guarantee.

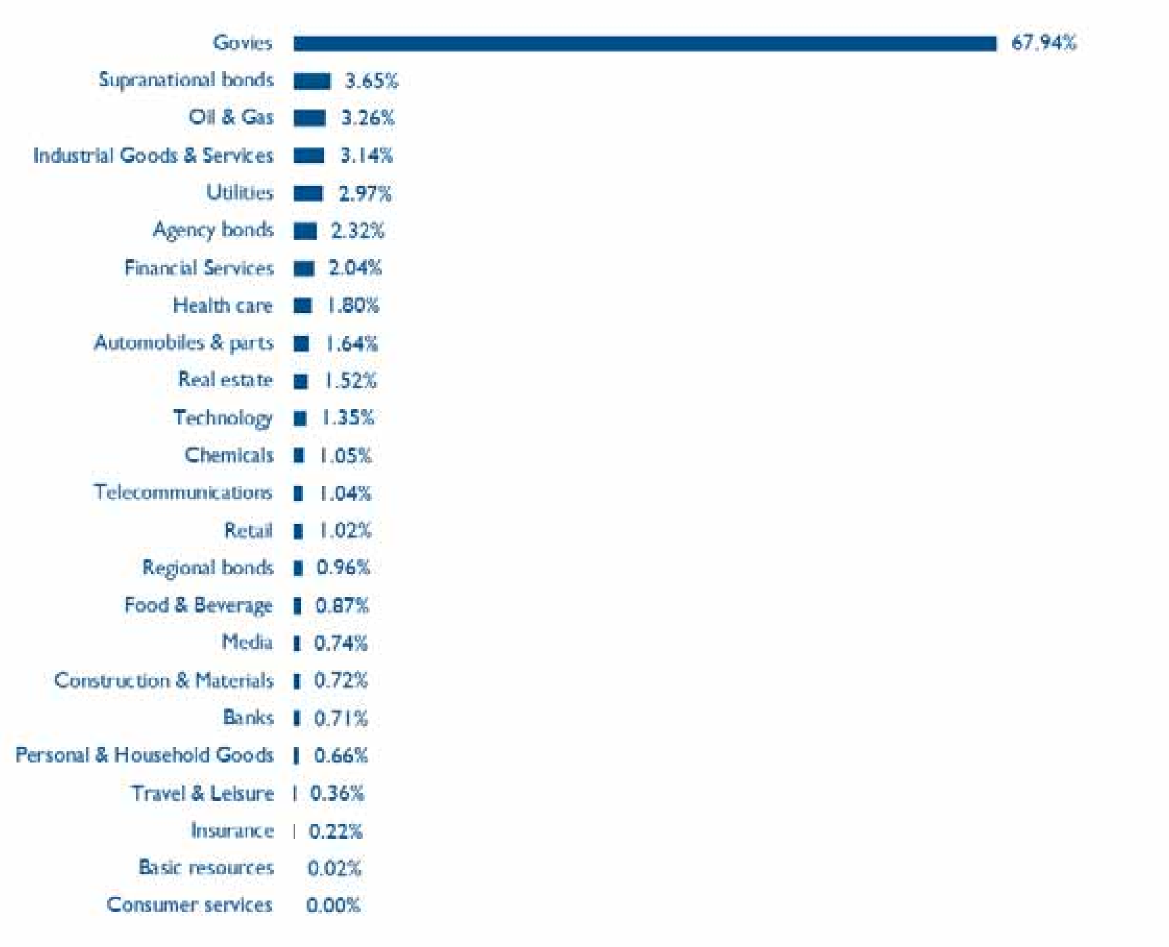


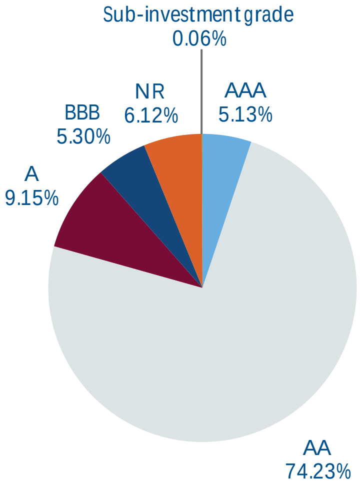
Belgian Sovereign bonds have AA-rating.

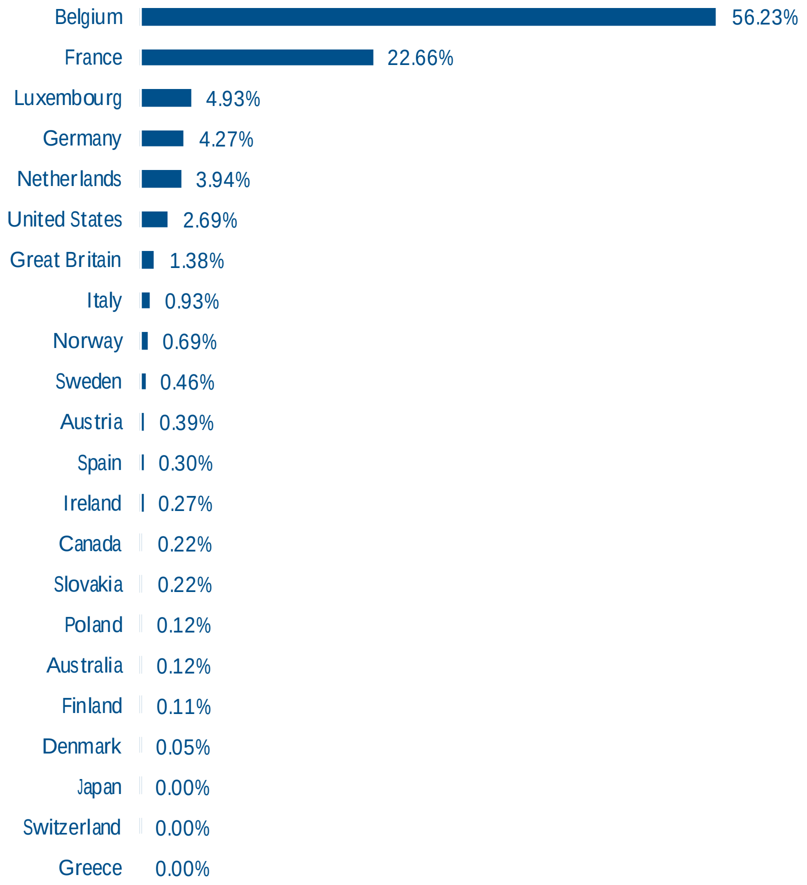


* Excluding EUR 275.7 million of Dutch mortgages notes

The below tables provide a further breakdown of P&V's bond investment portfolio by sector, rating and country as at 31 March 2018:



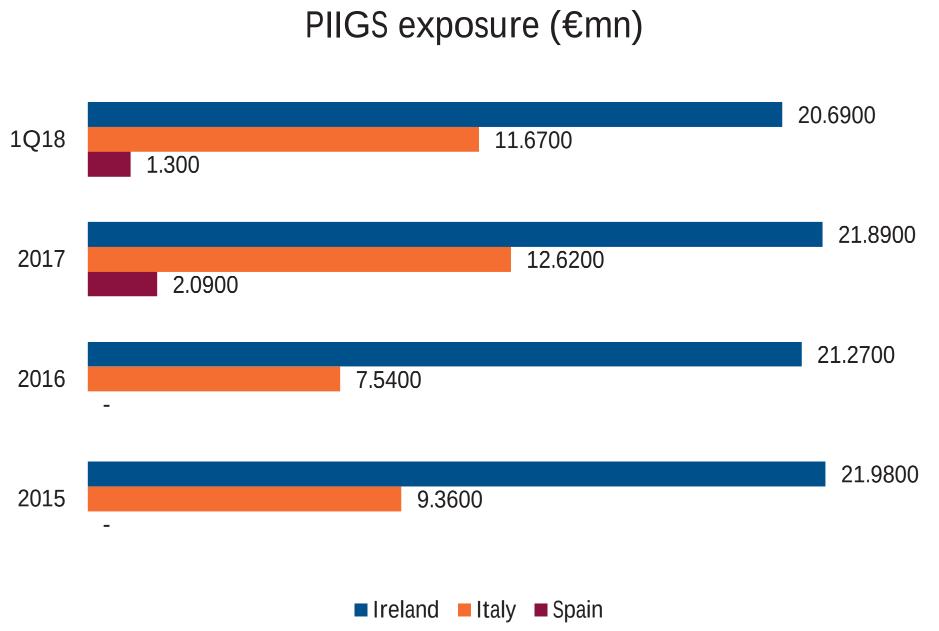




At 31 December 2017, P&V's PIIGS[12] government exposure amounted to EUR 36.6 million, representing 0.36% of its total portfolio of government bonds or 0.26% of its total investment bond portfolio. At 31 March 2018, P&V's PIIGS government exposure amounted to EUR 33.7 million, representing 0.33% of its total portfolio of government bonds or 0.24% of its total investment bond portfolio.

[12] PIIGS is an acronym that refers to Portugal, Italy, Ireland, Greece and Spain.

The table below sets out the P&V's PIIGS government exposure as at 31 December 2015, 2016 and 2017 and as at 31 March 2018:



Loans and receivables

As at 31 December 2017, the total fair value of P&V's loans and receivables portfolio amounted to EUR 1.5 billion (EUR 1.5 billion as at 31 March 2018).

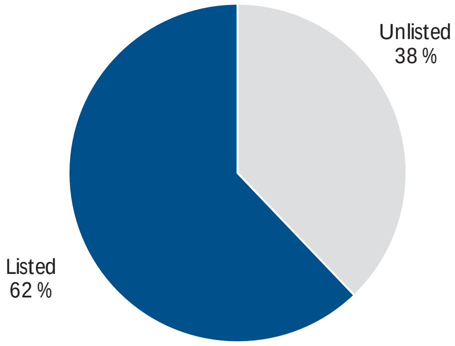
The loans and receivables portfolio mainly comprises mortgages loans. The mortgage loans portfolio consists nearly exclusively of Belgian residential property loans secured by a first or second ranking mortgage. Virtually all of the loans have an original LTV below 100% and qualify as residential mortgages under Solvency II guidelines, hence benefitting from a very low SCR consumption. The low SCR charge in combination with the relatively long weighted average life make residential mortgages an attractive investment product, both from a net yield and a liabilities' cash flow matching perspective.

Shares, funds and participations

As at 31 December 2017, the total fair value of P&V's shares, funds and participations portfolio amounted to EUR 1.6 billion (EUR 1.6 billion as at 31 March 2018).

The investment in shares, funds and participations at P&V consolidated level is mainly aimed at diversifying the global investment portfolio according to the strategic asset allocation determined.

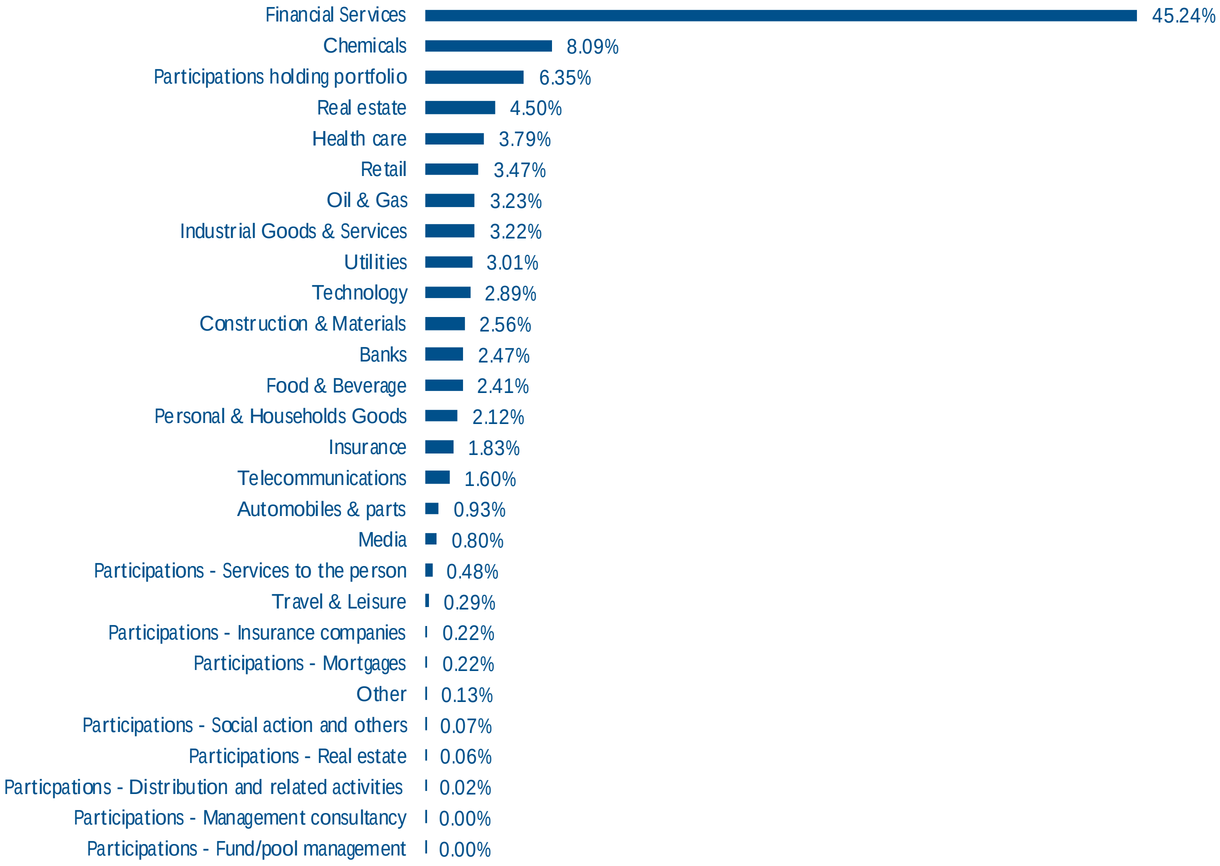
In thousand €		Market Value
Shares, funds and participations	Unlisted	597.415
Shares, funds and participations	Listed	980.744
Total		**1.578.158**



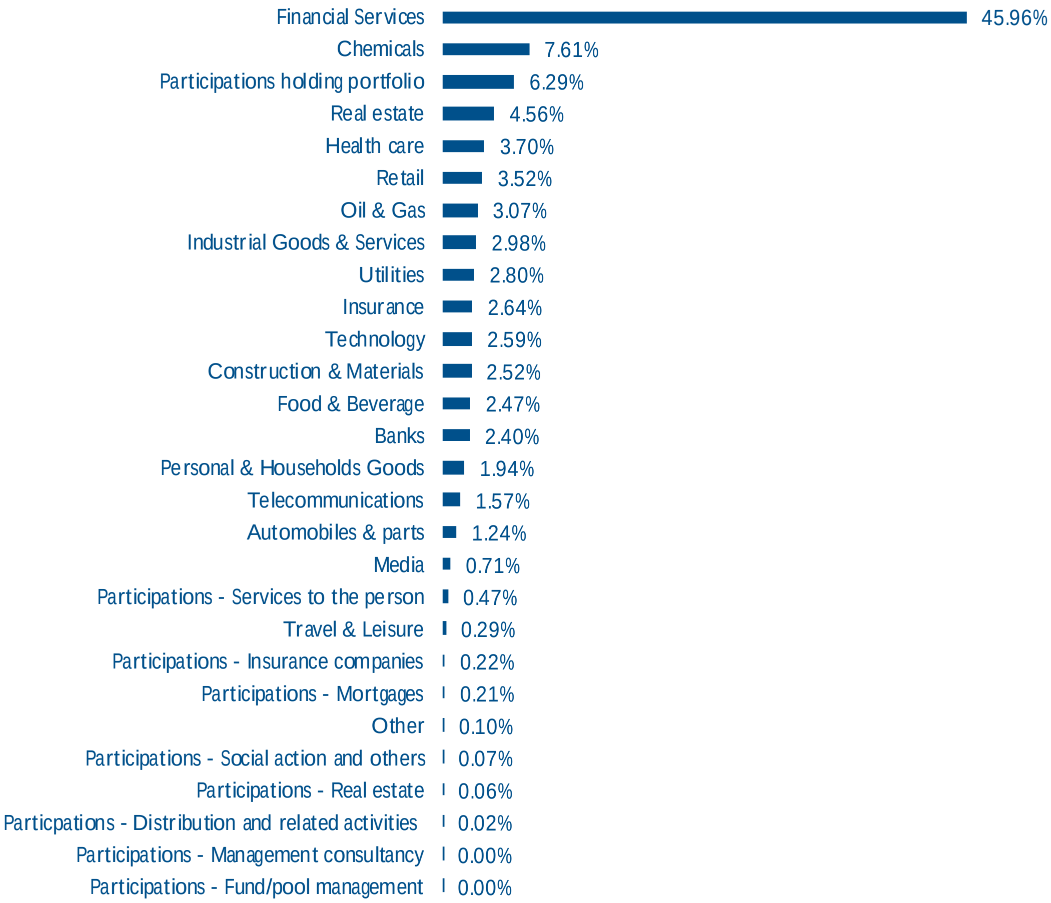
The unlisted « shares, funds and participations » portfolio is made of 77.5% of unlisted funds, 19.6% of participations and 2.9% of equities. The underlyings of the funds are multiple: shares, bonds, but also real estate debt, buildings, infrastructure, high yield, etc. The portfolio of participations consists in financial holdings for 86% and holdings in various sectors, such as assistance cover services, mortgages companies, insurance companies.

The below tables provide a further breakdown of P&V's shares, funds & participations' investment portfolio by sector as at 31 December 2017 and as at 31 March 2018:

As at 31 December 2017

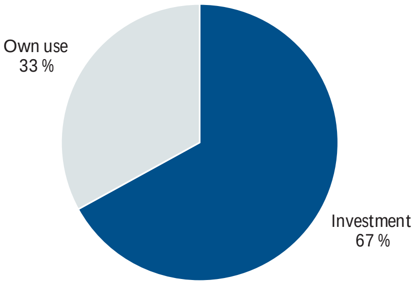


As at 31 March 2018

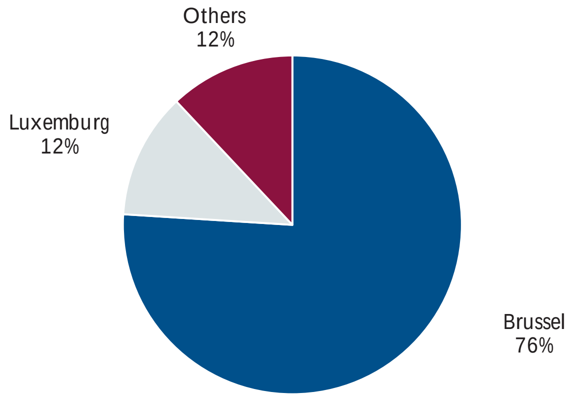


Real estate portfolio

The real estate portfolio of the Group in mainly invested in offices of which 33% for own use.



The investment properties are mainly located in the region of Brussel and in Luxemburg. The vast majority of offices is rented on a global building basis, limiting the risk of counterparty and vacation. Furthermore, about 15% of the portfolio is rented long term to the European Union.



Guaranteed rate life portfolio

In respect of its portfolio of life products with guaranteed interest rates, the average guaranteed interest rate on such products, as at 31 December 2017, is 3.02%.

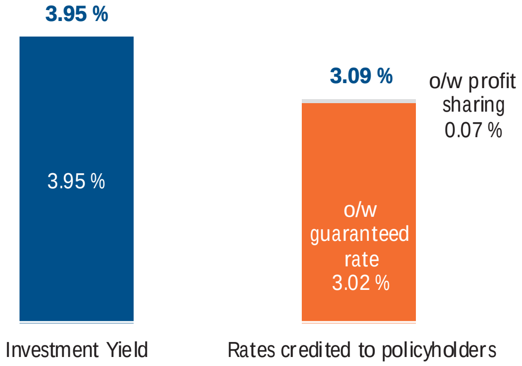
Such average guaranteed level corresponds to the contractual guaranteed rates weighted by the level of corresponding technical provisions.

As at 31 December 2017, the aggregate level of technical provisions on such portfolio is EUR 10.8 billion and 49% of such technical provisions relates to products with guaranteed interest rates above 3% (such guarantee relating also to future premiums).

Asset and liability management

The Group's investment strategy is built in a way to be consistent with its asset and liability management in order to ensure that the Group can meet its customer guarantees, even if the low interest rate environment remains over the long term.

The Group's average return on life investment portfolio was 3.95% for the full-year 2017, significantly above the average guarantee on its liabilities that stood at 3.09% (3.02% guaranteed interest and 0.07% profit sharing) at 31 December 2017. The spread between the return on investments and the average guarantees on liabilities is closely monitored by the Group to ensure that the interest margin and costs of operations are protected.



The duration GAP is a measure of the sensitivity of the portfolio's value to interest rate movements. In order to protect against interest rate fluctuations, P&V has reduced its duration GAP in recent years by investing in long-term assets and setting up several hedges. The duration GAP has thus decreased from the end of 2013 to the end of 2017. The current GAP is within the limits approved by the board of directors (from 0.2 to 2.2 years).

The asset allocation strategy determines for each of the asset classes included in the overall investment strategy, (lower / upper) tolerance limits that relate to:

(i) the relative weight of the asset class relative to the total market value of the portfolio (excluding derivatives);

(ii) the duration GAP.

The ALM department carries out a quarterly monitoring of the duration GAP, that is presented to the investment committee for action if necessary.

The duration GAP has positively evolved over the last three years (from 1.04 year in 2015 to 0.7 in 2017).

The table below gives the detail of the evolution :

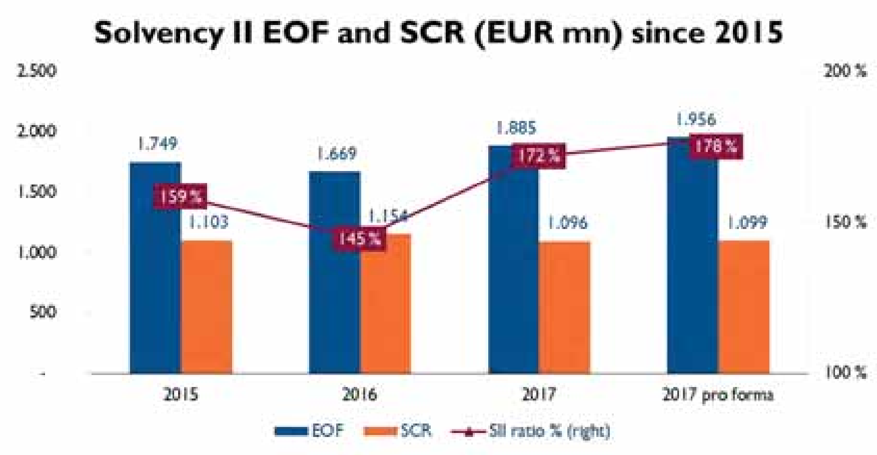
	Duration Gap - Company level	Employee Benefit	Non Life
2017	0.74	1.08	(0.99)
2016	1.12	1.46	(0.48)
2015	1.04	1.49	(0.86)

8 Solvency II position

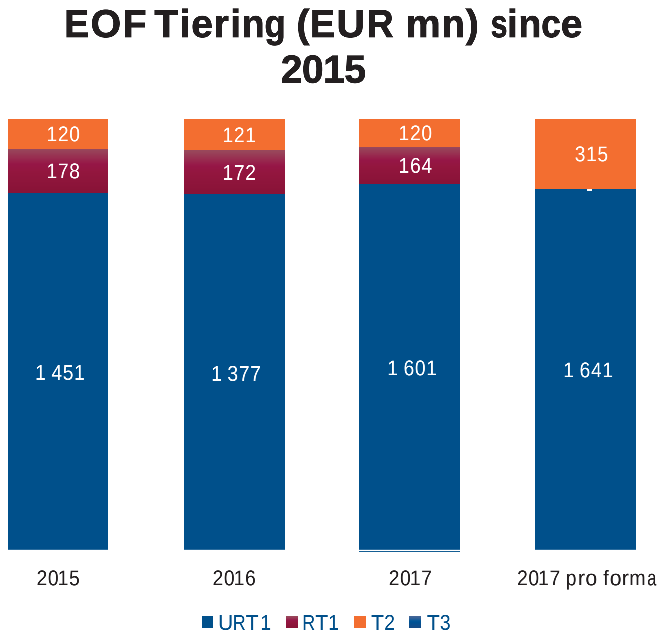
SCR/MCR ratios

The following tables shows P&V's coverage ratio for the solvency capital requirement (SCR) and minimum capital requirement (MCR), including also the breakdown of eligible own funds (EOF) and SCR and MCR as well as the capital tiering, as at 31 December 2015, 2016 and 2017.

These are P&V SCRL solo figures. P&V is currently not required by the NBB to prepare and report on consolidated P&V figures.



The 145% figure for 2016 is different from the 142% figure reflected in the 2016 Annual Report of P&V as the latter figure was restated in order to create a basis for comparison to the 2017 Annual Report, due to changes to models and parameters made in the course of the 2017 financial year.



URT1 means unrestricted tier one capital, RT1 means restricted tier one capital, T2 and T3 means respectively tier two or tier three capital (see “Solvency II”).

P&V uses the standard formula while using the following transitional measures: the transitional measures on equities (linear reduction over the next 5 years) and the grandfathering of subordinated debt (expiring on the 1st of January 2026). The impact of the transitional measures on equities can be estimated, pro forma on 2017, to a decrease of the SCR ratio from 172% to 161%; however, such impact will be spread over the next five years.

P&V also uses, in agreement with the NBB, the volatility adjuster (VA) in the calculation of the best estimate. This element has been introduced in Solvency II to better reflect the specificities of long-term liability portfolios. It contributes to mitigate the impact of bond spread variations on the own funds for bonds that are held in a long-term perspective. The negative impact of bond spreads increases on the asset side of the balance sheet (decrease in the value of the bonds) is partially mitigated by a decrease of the liabilities of the balance sheet (decrease in value of the best estimate of the liabilities resulting from an increase of the VA). As at 31 December 2017, the VA represented a 0.04% percentage on the actuarial rates used for actualisation of the liabilities and a SCR ratio impact of less than 10%.

The pro forma figures reflects the impact of the regulatory capital restructuring (see “Regulatory capital restructuring”).

The evolutions in terms of the SCR ratio at 31 December 2015, 2016 and 2017 are essentially explained by the following factors.

Between 2015 ratio and 2016 ratio

The evolution of SCR (+ 51m) is primarily due to the increase of the market risk (+ 32m) and the loss of the capacity to absorb differed taxes.

The increase of the market risk is due to the following evolutions:

- Interest risk: the increase is principally influenced by the reduction of the actualisation curve and the VA (linked to the increase of the duration gap);
- equities risk: the application of the transitional measures on equities (as from Q1 2016) and the increase of the symmetrical adjustment have significantly contributed to the increase;
- spreads risks: the increase is due to the evolution of financial markets (reduction of the actualisation curve and of corporate spreads) and the net production in corporate bonds.

Models effects (change of models) influenced in a minor way the evolution of the figures.

The EOF have decreased, essentially due to the decrease of the reconciliation reserve, which has been significantly driven by the reduction of the actualisation curve and the VA, partially counter-balanced by the reduction of spreads of sovereign and corporate bonds.

Models effects (change of models) influenced in a minor way the evolution of the figures.

Between 2016 ratio and 2017 ratio

The evolution of SCR (-58m) is primarily due to the increase of the capacity to absorb differed taxes (-35m) and to absorb technical provisions (-87m), counter-balanced by the increase of the market risk (+ 66m) and of the counterparty risk (+28m).

The increase of the market risk is due primarily to the increase of the equities risk (+ 68m) via the application of the transitional measures on equities (as from Q1 2016) and the increase of the symmetrical adjustment, as well as the evolution of the interest risk (+37m).

The increase of the counterparty risk is significantly influenced by the production of Belgian and Dutch mortgage loans.

The EOF have increased, essentially due to the increase of the reconciliation reserve, which has been significantly driven by the increase of the assets (+ 397m), influenced by the reduction of sovereign and corporate bonds spreads.

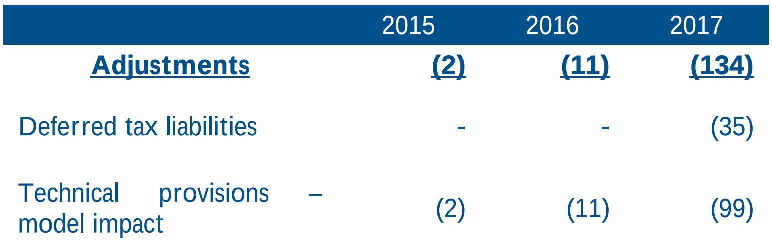
The increase of liabilities (-192m) has been driven by the increase of technical provisions (-50m), the unfavourable evolution of the VA and by the increase of other liabilities items (-142m), including deferred taxes (-45m) and other debt items (-96m).

Models changes have impacted the new costs calibration. The technical reserves in the balance sheet has been impacted notably via an increase of the amount of the share of the participating interests and therefore also on the amount of the SCR adjustment relating to the technical provisions.

As to deferred taxes liabilities:

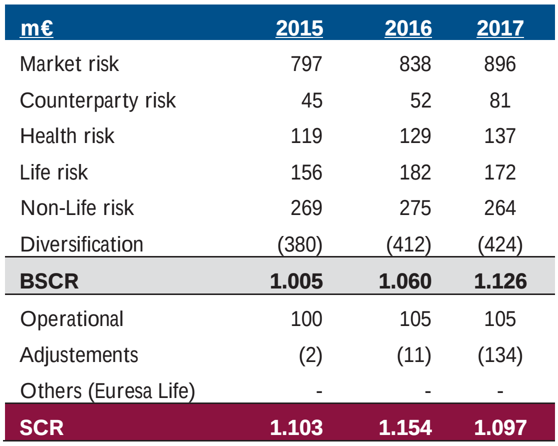
- in 2015, P&V did not apply the SCR adjustment (but could have deducted an amount of deferred tax liabilities of EUR 64 m);
- in 2016, the amount of deferred tax liabilities was 0 (and the NBB regulations in this respect were applied);
- in 2017, an amount of deferred tax liabilities of EUR 35m was recorded in application of the NBB regulations.

The following table shows amounts (in mio EUR) of the deferred tax liabilities and model adjustments and their breakdown from 31 December 2015 to 31 December 2017.



	2015	2016	2017
Adjustments	**(2)**	**(11)**	**(134)**
Deferred tax liabilities	-	-	(35)
Technical provisions – model impact	(2)	(11)	(99)

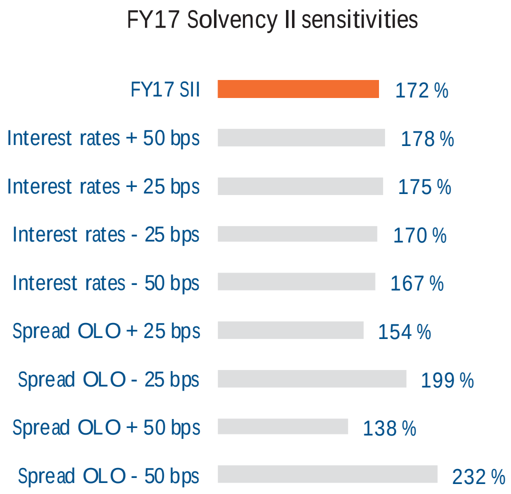
The following table shows the breakdown of the SCR by risk driver, from 31 December 2015 to 31 December 2017.



m€	2015	2016	2017
Market risk	797	838	896
Counterparty risk	45	52	81
Health risk	119	129	137
Life risk	156	182	172
Non-Life risk	269	275	264
Diversification	(380)	(412)	(424)
BSCR	**1.005**	**1.060**	**1.126**
Operational	100	105	105
Adjustements	(2)	(11)	(134)
Others (Euresa Life)	-	-	-
SCR	**1.103**	**1.154**	**1.097**

Capital sensitivity

In the framework of its yearly ORSA exercise, P&V realises an SCR coverage ratio sensitivity analysis with respect to the main risk factors to which P&V is exposed to, such as market risks and, in particular, interest rate and spread risks related to Belgian OLOs (OLO spread risk). The table below reflects the impact of interest rate risk and OLO spread risk sensitivities on the SCR coverage ratio as at 31 December 2017.



A sensitivity analysis is also carried out in terms of the impact of a reduction of real estate property values backing up the mortgage credit portfolio. It has been determined that a decrease of such real estate values by 25 % would lead to a reduced ratio of 2 %.

9 Recent developments

On 9 March 2018, P&V received a new binding offer for the acquisition of 100% of the shares of Euresa Life. This offer, along with other options, is being considered. If this offer were to be accepted, it could lead, subject to a favourable outcome and the authorisation of the Luxembourg Insurance Commission, to the sale of such shares.

At the beginning of 2018, P&V terminated all contractual relations with a major intermediary in branch 26 insurances[13], in compliance with the termination rules specific to each contract. Should this contract have been terminated at the beginning of 2017, this would have had a negative GWP impact of around EUR 52 million and a negative impact of 0.48% on P&V's consolidated net result as at 31 December 2017.

10 Regulatory capital restructuring

P&V, as borrower, had entered into various bilateral (dated or undated) subordinated loans as follows:

- in 2004 for an aggregate principal amount of EUR 12.5 million (maturing in 2024), bearing interest ranging from 6.08% to 6.23% (and grandfathered as Tier 2 capital until 2025);
- in 2008/2009 for a remaining aggregate principal amount of EUR 146.7 million (undated), bearing interest of 9% (and grandfathered as restricted Tier 1 capital until 2025);

[13] Branch 26 insurances are investment products in the form of capitalization contracts whereby a guaranteed return, potentially increased by a beneficial interest, is capitalized.

- in 2012 for an aggregate principal amount of EUR 100 million (of which EUR 50 million maturing in 2022 and EUR 50 million undated), bearing interest of 9.47% (subject to a maximum step up of 2%) (and grandfathered as Tier 2 capital until 2025).

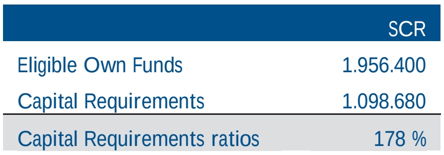
On 14 June 2018, an aggregate principal amount of EUR 30,900,000 of such loans were contributed in kind by the respective lenders to a capital increase of P&V in exchange for 309 newly issued B shares having a nominal value of EUR 100,000 per share. Furthermore, as part of the same capital increase, P&V raised EUR 14,000,000 in cash through the issuance of 140 B shares to some of the above lenders or other institutional investors.

Also, P&V currently expects that (based on orders received from them) respective lenders holding the entire remaining aggregate outstanding principal amount of such loans (i.e. EUR 228,200,000), will, in conjunction with the issuance of the Notes, tender such receivables to P&V in exchange for the issuance to such lenders of an aggregate amount of EUR 228,200,000 of Notes.

In conjunction with the above contribution in kind to the B shares capital increase of loans or tendering of loans to the issuance of Notes, an aggregate conversion premium will be paid to the respective lenders, expected to be an aggregate amount ranging from EUR 30 to 40 million.

As a result of the above transactions, P&V expects that, post issuance of the Notes, no principal amount of such bilateral loans will remain outstanding.

As a result of the above capital restructuring, P&V currently expects that its SCR ratio will reach 178% (pro forma as at 31 December 2017), as reflected in the table below.



	SCR
Eligible Own Funds	1.956.400
Capital Requirements	1.098.680
Capital Requirements ratios	178 %

See the table in “SCR/MCR ratios” for the pro forma 2017 tiering.

Furthermore, P&V expects, in the future, subject to carrying out all necessary regulatory steps, to offer to its clients, staff and agents to subscribe to C shares (having a nominal value of not more than EUR 1,000 per share, with a cap of 5 shares per investor). However, such C shares placement will be primarily aimed at reinforcing the cooperative nature of P&V and may result in no significant amount of new capital being attracted by P&V.

11 Risk management

As an insurance company, P&V is exposed to various risks (see “Risk factors that may affect the Issuer’s ability to fulfil its obligations under or in connection with the Securities”).

Such exposure is mitigated by a culture and system of risks management.

Principles

In order to guide the implementation of consistent and harmonised risk management practices and well define its risk approach, P&V has defined the following principles:

- risk awareness: promoting a corporate culture aimed at understanding the risks inherent in the insurance industry, based on the competence of its staff, the control of activities and the use of appropriate tools;

- risk taking: adopting a risk-conscious attitude based on the search for an optimal risk-return balance given its risk appetite;

- risk management: implementing good market practices in terms of risk management and control and monitoring techniques, while considering the materiality of the risks taken or foreseen;

- independence of the risk management function: separating the operational activities including the activities related to the first-level risk management ("first line of defence") from the activities related to risk management controlling, by means of adapted functional partitions;

- consistent methods: applying risk measures as well as methods for monitoring and mitigating risks through a consistent approach to risk management within the various lines of business of the Group;

- regular reviews: regularly reviewing its risk management policies based on the results of the annual ORSA process.

These principles prevail both with regard to existing activities and procedures and with regard to any new development within the Group (development of new products, introduction of new procedures, strategic development, etc.).

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

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

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

Governance

The risk governance system implemented within the Group aims at integrating the risk management system into organisational and decision-making processes at all levels of decision-making.

Therefore, the governance system is based on:

- an organisational structure which separates the control functions and therefore the risk management function, from the departments where the risky activities take place and which also endows these functions with an independent character including vis-à-vis the board of directors;

- a committee structure that aligns the decision-making process across the organisation;

- a functional structure that leads to a strong and permanent involvement in risk management of the board of directors, through its risk committee and the executive committee.

Within P&V, the risk management is structured so as to put in place three lines of defence.

The first line of defence is ensured by the operational lines and the support functions, such as accounting, IT, human resources, management control, etc. This line of defence is constituted by the individuals guaranteeing the control of risks as they integrate, on a daily basis, in any task they perform, the principles of efficient risk management. Also, a number of such individuals are contact points entrusted with the task of channelling, to the office of the member of the executive committee in charge of risk management (the "**CRO**"), information necessary for the good organisation of risk management. These individuals functionally report to the CRO. The actuarial expertise is also represented in the first line of defence.

The second line of defence is the supervision of risks. It is ensured by the entities which report to the CRO: compliance, risk management and actuarial control. As the CRO is a member of the executive committee and of the board of directors, this allows a direct communication of risks issues to the main decision bodies of P&V. The CRO is entrusted with the task of ensuring that the risks management structure of P&V is operational and of improving its efficiency. The entities that report to the CRO assist him in his assessment of the risk profile of P&V, of its alignment on the risk strategy and risk appetite and in the identification of future risks. This line of defence, independent from the first line of defence, maintains methodologies and processes that allow to control and supervise the structure of risks management. In case the risk profile sought by P&V is exceeded, the second line of defence steps up, at an operational level, to initiate changes and provide support to the first line of defence in problems' resolution.

In order to reinforce the governance of risks, the board of directors of P&V has set up, in addition to the audit committee, a committee dedicated to risk management: the risk committee.

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

The following decision-making bodies and committees are the main actors in risk management:

- board of directors;
- risk committee (board's specialised committee);
- audit committee (board's specialised committee);
- executive committee;
- investments & ALM committee (specialised committee of the executive committee);
- participation committee (specialised committee of the executive committee);
- model and reporting committee;
- reinsurance committee.

The roles and tasks of the various decision-making bodies and their specialised committees are described in a Memorandum of Governance and for the committees in the corresponding policies.

The strong and ongoing involvement of the board of directors in risk management, as organised by the Memorandum of Governance, is supported by regular information / training by the risk management function to the members of the board of directors, on the evolution of the regulatory framework for risk management as well as the risk profile.

The executive committee oversees the successful implementation of the risk management framework through the member of the executive committee in charge of the risk management, the actuarial function and the compliance department, the participation of its members in its committees as well as through regular reports.

Risk mitigation

Risk management and risk assessment at the Group is done both quantitatively and qualitatively.

The qualitative assessment is based primarily on a process of evaluating the risks and the quality of the operational controls by the operational teams themselves (internal control / risk and control self-assessment).

In terms of quantitative risk assessment, P&V, in the framework of Pillar I relating to Solvency II, opted for the standard approach while checking within the framework of the ORSA the relevance for the Group of the assumptions under the standard formula.

Risk assessment approaches, both qualitative and quantitative are described in P&V's internal risk management policies, such as the ORSA policy.

The ORSA report includes a more detailed description of the significant risks to which the Group is subject as well as the mitigation measures already taken and those in the process of being implemented.

P&V conducts an ORSA process on a regular basis, at least once a year (ordinary ORSA). It may also, from time to time, conduct an *ad hoc* ORSA, in case of express request by the regulator or occurrence of a major development that may significantly change the risk capacity or profile of P&V. The objective of the ORSA process is to allow P&V to review and monitor its risk profile (and risk appetite) and the capital and other means needed to address these risks.

Derivatives

On the basis of the Solvency II reports as well as the QRT reports and simulations carried out for the determination of the strategic asset allocations, it appears that the main financial risks to which P&V is subject are spread risk, interest rate risk and equity risk.

The management of these risks is not always achievable by traditional financial instruments (equities, bonds, cash, etc.), which is why P&V makes use of derivative products, in particular, in order to optimise and effectively manage its risks.

Reinsurance

The board of directors determines the Group's risk appetite. Given this and the Group's risk profile, the purpose of reinsurance is to help optimise the risk-return profile.

The focus of external ceded reinsurance is placed on protecting the Group's long-term viability and solvency, as well as on the annual stability of the results of the various business lines. Reinsurance also increases the underwriting capacity and technical know-how for certain insurance products.

The risk committee establishes, essentially on the basis of solvency criteria, a security list of reinsurers with whom the Group agrees to work. This list may be different depending on the branch covered, and may also mention the maximum shares that reinsurers can subscribe.

Credit risk management

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

P&V’s credit exposure exists primarily in the investment portfolio and towards reinsurance companies. In order to mitigate these risks, P&V aims at holding a well-diversified and conservative investment portfolio.

12 Insurance supervision and regulation

Introduction

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

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

The prudential supervision of insurance companies is the responsibility of the NBB. P&V is monitored by the NBB as an insurance company. In addition, PSH (the holding company controlling P&V) is also monitored by the NBB in its capacity as an insurance holding.

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

Insurance supervision and regulation in Belgium

The insurance regime in Belgium is governed by the act of 13 March 2016 on the legal status and supervision of insurance and reinsurance undertakings, as amended (the "**Insurance Supervision Act**") and the act of 4 April 2014 on insurances, as amended (the "**Insurance Act**").

The Insurance Supervision Act, among other things, implements Solvency II Directive. It sets forth the conditions under which insurance companies may operate in Belgium and defines the regulatory and supervisory powers of the NBB.

The Insurance Act of 4 April 2014, among other things, implements European legislation such as the consumer related aspects provided in Solvency II. It sets forth the conditions under which insurance companies may operate on the Belgian insurance market and defines the regulatory and supervisory powers of the FSMA.

Supervision of insurance companies

All Belgian insurance companies must obtain a licence from the NBB before they may commence operations. In order to obtain a licence and maintain it, each insurance company must fulfil numerous conditions, including certain minimum capital requirements. This requires the calculation of best estimate cash flows, raised with a risk margin, corresponding to what was previously known as "technical reserves". In addition, a Solvency Capital Requirement ("**SCR**") and a Minimal Capital Requirement ("**MCR**") should be calculated and respected. The SCR is the capital an insurer needs to limit the default risk to less than 0.5% in the next twelve months.

In addition, any shareholders' holding (directly or indirectly, acting alone or in concert with third parties) a substantial stake in the company (in general, this means 10% or more of the capital or the voting rights) must be of "fit and proper" character to ensure proper and prudent management of the insurance company. Moreover, any shareholder wishing to increase such substantial stake to a 20%, 33% or 50% capital or voting interest or to any stake that allows him to exercise control over the company, must disclose this to the NBB. If the NBB considers that the influence of such a shareholder in an insurance company jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation. Furthermore, a shareholder who wishes to sell his participation or a part thereof, which sale would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the NBB thereof one month in advance. The Belgian insurance company itself is obliged to notify the NBB of any such transfer when it becomes aware of it.

The Insurance Supervision Act requires insurance companies to provide detailed periodic financial information to the NBB and to the public (on an annual basis through the Solvency and Financial Conditions Reporting and on a quarterly basis through the Regular Supervisory Reporting). The NBB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to insurance companies.

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

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

Insurance governance

The Insurance Supervision Act puts a lot of emphasis on the solid and efficient organisation of insurance companies and introduces to that effect *inter alios* a dual governance structure at management level, specialised advisory committees within the board of directors (audit committee, risk committee and remuneration committee), independent control functions, and sound remuneration policies.

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

Pursuant to the Insurance Supervision Act, the members of the executive committee and of the board of directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The NBB's circular of 5 July 2016 regarding prudential expectations with respect to corporate governance contains recommendations to assure the autonomy of the insurance function, the organisation of the independent control functions, the fit and proper standards and the proper governance of the insurance company.

Solvency II

Solvency II is the EU-wide regime for the prudential regulation of insurance and reinsurance undertakings. Originally adopted by the European Parliament and Council in 2009, Solvency II became effective on 1 January 2016. Solvency II is a framework directive; most of the details of the rules are set out in the Solvency II Regulations. EIOPA has issued supervisory standards, recommendations and guidelines intended to enhance convergent and effective application of Solvency II and to facilitate cooperation between national supervisors. EIOPA guidance is not binding on supervisory authorities although there is a ‘comply or explain’ requirement in relation to the guidance. The NBB has confirmed that it intends to comply with the EIOPA guidelines.

One of the key aims of Solvency II is to introduce a harmonised prudential framework for insurers promoting transparency, comparability and competitiveness amongst European insurers.

Solvency II has three pillars that have impacted how P&V manages risk and how it reports to regulators, policyholders and shareholders:

- Pillar I relates to the quantitative requirements and introduces a risk based methodology to calculating P&V’s SCR, MCR and corresponding coverage ratios. Insurers are required to calculate the level of capital required based on their unique risk profile.
- Pillar II incorporates qualitative governance requirements, including the way the risk management function operates within the business and how key systems and controls are documented and reviewed.
- Pillar III relates to enhanced and standardised disclosure requirements, including increased transparency of the risk strategy and risk appetite of the business.

Solvency II classifies different forms of capital into three ‘tiers’ which distinguish between forms of capital based on its ability to absorb losses. Tier 1 capital, such as common equity and retained earnings, is the highest quality of capital and must be able to absorb losses on a day-to-day, ‘going-concern’ basis. Tier 1 capital may be restricted (i.e. subject to certain restrictions in terms of capital benefit) or unrestricted. Tier 2 capital, such as subordinated debt, is of a lower quality and only needs to absorb losses on insolvency. Tier 3 capital is the lowest quality of capital permitted and has only limited loss-absorbing capacity.

As well as calculating the SCR, insurers must also calculate the MCR. The MCR is the quantity of capital below which policyholders would be exposed to an unacceptable level of risk which would result in withdrawal of the insurer’s authorisation by the regulator. Together, the SCR and MCR act as trigger points in the ‘supervisory ladder of intervention’ introduced by Solvency II.

In the coming years Solvency II will continue to develop and inform the way P&V manages risk and capital. In 2017 PSH has, for the first time, prepared and published its SFCR, which provides a standardised disclosure of performance, risk management and capital position.

Money laundering

Belgium has implemented Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing by the act of 11 January 1993 (as amended from time to time). This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism.

13 Material contracts

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

14 Management of P&V

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

The board of directors also sets up an audit committee, a risk committee, a nomination committee and a remuneration committee. Furthermore, currently four members of the Board are independent directors within the meaning of Article 526*ter* of the Belgian Companies Code.

No conflicts of interests of the board members or of the members of the executive committee exist between any duties to P&V and their private interests or other duties. For completeness, some of the directors are representatives of lenders having converted their loan receivables into B shares (and/or subscribing in cash to such B shares) and/or intending to convert their loan receivables into the Notes (and/or to subscribe in cash to such Notes) (see "*Capital restructuring*") and, where applicable, the functional conflict policies of P&V have been triggered in this respect.

Board of directors

Name	**Mandate**
LABILLE Jean-Pascal	Chairman of the board of directors
VANDERVOORT Philip	Independent director
ROUMIEUX Anne-Marie	Independent director
VAN DEN SPIEGEL Freddy	Independent director
PHILIPPOT Jean-Paul	Independent director
BEAUJEAN Marc	Director
BERTHOUX Eric	Director
CALLEWAERT Paul	Director
COLARIS Francis*	Director
DE LONGUEVILLE Philippe	Director
FABRY Victor	Director
FOURNIER Hugues	Director
GALANTE Alfonso	Director
GODIN Yves	Director
MAGNEE Martine	Director
MARNEF Patrick	Director
THIRION Alain	Director

VERERTBRUGGEN Patrick	Director
VERNAILLEN Hilde	Director
WYCKAERT Nico	Director

* Mr. Colaris' mandate as an executive director is due to end on 1 July 2018 provided P&V has successfully identified and appointed a successor by then and, otherwise, Mr. Colaris' mandate will continue until P&V so succeeds.

Each of the directors has its business address at rue Royale 151-153, 1210 Brussels, Belgium.

Audit committee

Name	Mandate
PHILIPPOT Jean-Paul	Chairman
ROUMIEUX Anne-Marie	Member
VAN DEN SPIEGEL Freddy	Member
VANDERVOORT Philip	Member

Risk committee

Name	Mandate
VAN DEN SPIEGEL Freddy	Chairman
ROUMIEUX Anne-Marie	Member
PHILIPPOT Jean-Paul	Member
VANDERVOORT Philip	Member

Nomination committee

Name	Mandate
LABILLE Jean-Pascal	Chairman
CALLEWAERT Paul	Member
MARNEF Patrick	Member
THIRION Alain	Member
VAN DEN SPIEGEL Freddy	Member
WYCKAERT Nico	Member

Remuneration committee

Name	Mandate
LABILLE Jean-Pascal	Chairman
VAN DEN SPIEGEL Freddy	Member
FABRY Victor	Member

Executive committee

Name	Mandate
VERNAILLEN Hilde	Chief Executive Officer (and Chairman of the Executive Committee)
MAGNEE Martine	Chief Financial Officer
BEAUJEAN Marc	Chief Non-Life Officer and Transformation Officer
COLARIS Francis*	Chief Commercial Officer and Chief Life Officer
DE LONGUEVILLE Philippe	Chief Risk Officer
DEKENS Johan	Chief Personnel Change officer
DE CHARRY Eymard	Chief Distribution Officer

* Mr. Colaris' mandate as an executive director is due to end on 1 July 2018 provided P&V has successfully identified and appointed a successor by then and, otherwise, Mr. Colaris' mandate will continue until P&V so succeeds.

Outside mandates of board members

Name	Company	Mandate
LABILLE Jean-Pascal	Solidaris	Secretary General
	Union Nationale des Mutualités Socialistes	Director
	Action Francophone pour la Santé et la Solidarité ASBL	Chairman of the Board of Directors
	Fête des Solidarités ASBL	Chairman of the Board of Directors
	La Maison de la Solidarité ASBL	Director
	Autonomis - Réseau Solidaris ASBL	Director
	Solidaris Energie Travaux Marchés Publics ASBL	Director
	Société Mutualiste Mutualis Mut	Chairman of the Board of Directors
	Société Régionale d'Investissement de Wallonie SA	Chairman of the Board of Directors
	Fiwapac SA	Director
	Synergies Wallonie SA	Director
	PSH SCRL	Director
	Procoop SCRL	Director

Name	Company	Mandate
	Mnema ASBL	Director
	Egmont-Institut Royal des Relations Internationales Ion	Director
	Ceci N'est Pas Une Crise	Chairman of the Board of Directors
VANDERVOORT Philip	Van De Velde NV	Director
ROUMIEUX Anne-Marie	Demca Training & Consulting BVBA	Manager
	Compagnie belge d'Assurances Aviation - Belgi SA	Director
	Demoucelle Parkinson Charity VZW	Chairman of the Board of Directors
	Fondation Roi Baudouin	Member of the Finance Committee
	Aon Belgium SPRL	Member of the Advisory Board
VAN DEN SPIEGEL Freddy	La Faculté d'Economie de la VUB	Professor
	Finacons Comm.V	Manager
	Vesalius College VZW	Chairman of the Board of Directors
	SPMT - Arista ASBL	Director
	Union Nationale des Mutualités Socialistes OVM	Director
BEAUJEAN Marc	Barsis	Director
	Euresa Geie	Member of the Management Board
	HEC-ULG	Director
	Hotel Spa Resort	Chairman of the Board of Directors
	La Fondation P&V	Director
	Société Régionale d'Investissement de Bruxelles SRIB	Director
	Vilvo Invest	Chairman of the Board of Directors
BERTHOUX Eric	La Maif Société d'Assurances Mutuelles	Deputy General Director - Administrative and Financial management
	Filia Maif	General Manager
	Maif Horizon	Chairman of the Board of Directors
	Immo Pan Europe	Representative La Maif
	Delta Immo	Chairman of the Board of Directors
	Delta Parc	Representative Filia Maif
	Ofivalmo Partenaires	Director
	Ofi Holding	Representative Maif - censor
	Socram Banque	Director
	Parnasse Maif	Director
	Maif Avenir	Director
	Delta Loisirs Evasion	Representative La Maif
	Maif Interface	General Manager
CALLEWAERT Paul	Het Nationaal Verbond van Socialistische Mutualiteiten	General Secretary
	Union Nationale des Mutualités Socialistes OVM	General Secretary

Name	Company	Mandate
	Viva-Socialistische Vrouwen Vereniging VZW	Director
	Thuishulp VZW	Chairman of the Board of Directors
	VFG - Vereniging personen met een handicap VZW	Director
	Socialistische Vereniging van Vlaamse Gezondheidsvoorzieningen VZW	Director
	Vlaams Socialistisch Gezondheidsfonds VZW	Chairman of the Board of Directors
	SVV - Centrum voor Jeugd- en Gezinsproblematiek VZW	Chairman of the Board of Directors
	Mutualistische Alarmcentrale Mutas VZW	Director
	S-Sport Federatie VZW	Director
	Belle Vue VZW	Chairman of the Board of Directors
	Vlaams Socialistisch Vormings- en Rekreatiefonds VZW	Chairman of the Board of Directors
	Zorgkas van de Socialistische Mutualiteiten OVM	Vice-Chairman of the Board of Directors
	Joetz VZW	Director
	Sociale Hospitalisatieverzekeringen Mut	Director
	S-Hulp VZW	Treasurer
	Intermutualistisch Agentschap VZW	Director
	La maison de la Solidarité ASBL	Secretary
	Procoop SCRL	Director
	PSH SCRL	Director
	Section belge du Centre International de Recherche ASBL	Director
	Mob Solidariteit Mut	Vice-Chairman of the Board of Directors
COLARIS Francis	Coverdis Insure (previously Specific insurance & risk)	Chairman of the Board of Directors
	CLU Invest SA;	Director
	Euresa-Life	Chairman of the Board of Directors
	Ima Benelux	Director
	La Fondation P&V	Director
	Partena Assurances Sociales Pour Indépendants	Director
	Partena Caisse De Compensation Pour Allocations Familiales	Director
	Partena Business Services	Director
	Partena Business Solutions	Director
	Partena Secrétariat Social Entreprises	Director
	Attentia Allocations Familiales	Director
	Piette & Partners	Chairman of the Board of Directors
	Section belge du Centre International de Recherche (CIRIEC)	Director

Name	Company	Mandate
	SPMT - Arista	Member of the General Meeting Director
	Union des Associations d'Assurances Mutuelles (UAAM)	Director
DE LONGUEVILLE Philippe	Assuraccess	Managing director
	Barsis	Managing director
	Financière Botanique (previously HDP & Arista Services)	Managing director
	Ima Benelux	Director
	P&V Previdis(ex P&V Réassurance P&V Herverzekering)	Chairman of the Board of Directors
	Piette & Partners	Director
	Vilvo Invest	Managing Director
FABRY Victor	MWB-FGTB	CFO
	Sofitra SA	Managing director
	Castel de Pont-à-Lesse sa	Director
	MWB-Finance SA	Managing director
	Fonds de pension métal - Pensioenfonds metaal OFP	Director
	Fonds et Services Sociaux-Réseau Solidaris ASBL	Director
	Agence locale pour l'Emploi de Thimister-Clermont ASBL	Treasurer
	Procoop SCRL	Director
	Coopérative d'organisation des prestations et des salaires SCRL	Chairman of the Board of Directors
	PSH SCRL	Director
	Difrenotech SCRL	Director
FOURNIER Hugues	Macif Société d'assurances mutuelles	CFO and Chief Participations Officer
	Coopest	Director
	Macif participations	Chairman of the Board of Directors
	Macif Mutavie Finance	General director
	Macif Innovation	Member of the Investment Committee and Vice-Chairman of the Board of Directors
	Macif Zycie Tuw	Member of the Supervisory Board
	Ofi advisers	Director
	HDP4	Chairman of the Board of Directors
	HDP5	Chairman of the Board of Directors
	HDP6	Chairman of the Board of Directors
	Equiconvictions	Director
	Equigest	Director

Name	Company	Mandate
	Esfin	Director
	Esfin participations	Director
	Libertés & solidarités	Director
	Tell me plus	Censor
	OFI Investment Solutions (OIS)	Member of the Supervisory Board
	S2IEM	Director
GALANTE ALFONSO	Gruppo Unipol	Head of Strategic Planning, Investor Relations and M&A - Member of the Group Management Committee
GODIN Yves	Florealgroup (Joie et Vacances ASBL / Ontspanning en Vakantie VZW)	General director - Director
	Organisation International du Tourisme Social ASBL	Secretary general
	Le Domaine des Sources SPRL	Manager
	Vacances et Santé - Communauté française Région wallonne ASBL	CEO
	Le Festival SA	Director
	Ecalypso ASBL	Vice-Chairman of the Board of Directors
MAGNEE Martine	Barsis	Chairman of the Board of Directors
	Euresa-Life	Director
	Financière Botanique (previously HDP & Arista Services)	Director
	Hotel Spa Resort	Managing Director
	Iu	Director
	La Fondation P&V	Director
	Multipar	Director
	Multipharma	Director
	Multipharma Group	Director Member of the Audit Committee
	PSH	Member of the Direction Committee
	SPMT-Arista	Director Member of the General Meeting
	Syneteristiki Insurance Cy	Director
MARNEF Patrick	Algemene Centrale ABVV	Director of Administration, Finance and Management
	Woonkrediet Antwerpen-Kempen-Limburg NV	Director
	Autonoom Gemeentebedrijf Boom Plus	Chairman of the Board of Directors
PHILIPPOT Jean-Paul	RTBF	General Director
	Régie Media Belge SA	Chairman of the Board of Directors
	Sonuma SA	Chairman of the Board of Directors
	Association pour l'Autorégulation de la Déontologie Journalistique ASBL	Director

Name	Company	Mandate
	Keywall SA	Chairman of the Board of Directors
	Festival de Wallonie - Musiq'3 - Bruxelles ASBL	Chairman of the Board of Directors
	Financière d'entreprise et de Renovation Immobilière SA (Feri Sa)	CEO
	Radio Bruxelles International ASBL	Director
	Casa Kafka Pictures SA	CEO
	Dreamwall SA	Chairman of the Board of Directors
	The Content Company SA	Chairman of the Board of Directors
	Belgian Media Ventures SA	Chairman of the Board of Directors
	Financière Reyers SA (Frey Sa)	CEO
	ASBL Association d'aide à la recherche médicale André Vesale	Director
	ASBL Comité de Développement du Sport belge	Director
	ASBL Institut DECROLY	Director
	European Broadcasting Union (EBU-UER) ASBL	Chairman of the Board of Directors
	SA Immo-Digue	General Director
	SCRL Ma Radio	Director
	ASBL Image & 3D Europe	Director
THIRION Alain	L'Union Nationale des Mutualités Socialistes	Treasury Administrator
	Ctre Hosp Univ Tivoli-Inst Med Mutualités Soc ASBL	Director
	L'ouvroir ASBL	Chairman of the Board of Directors
	Partena - Secrétariat Social d'Employeurs ASBL	Director
	Partena Business Services SA	Director
	Partena - Sociaal Audit - Partena Audit Social VZW	Director
	Partena - Allocations Familiales -Kinderbijslag ASBL	Director
	Partena Assurances Sociales pour Indépendants ASBL	Director
	C.L.U. Invest SA	Director
	Partena Guichet d'Entreprise	Consultant
	La Maison de la Solidarité ASBL	Treasurer
	SPMT - Arista ASBL	Director
	Société Mutualiste Mutualis	Treasury Administrator
	Solidaris Assurances	Chairman of the Executive Committee
	Union Nationale des Mutualités Socialistes OVM	Treasurer
	Action Francophone pour la Formation ASBL	Treasury Administrator
	Action Francophone pour La Santé et la Solidarité ASBL	Treasury Administrator
	ASS Socialiste de la Personne Handicapée ASBL	Treasury Administrator
	Les Riezes et les Sarts ASBL	Director

Name	Company	Mandate
	Centre Médical Pédiatrique "Clairs Vallons" ASBL	Director
	Drive Mut ASBL	Treasury Administrator
	Espace Seniors ASBL	Treasury Administrator
	ASBL Fédération des Centres de Planning Familial des FPS	Director
	Femmes Prévoyantes Socialistes ASBL	Director
	Formation, Action, Militantisme, Mouvement de ASBL	Director
	Latitude Jeunes ASBL	Director
	Vacances et Santé - Communauté Française Région wallonne ASBL	Director
	Solidarité Etudiants du Monde - Solidariteit Wereldstudenten ASBL	Director
	ASBL Service Social de Solidarité Socialiste	Director
	Experconsult ASBL	Director
	Boa	Director
	ASBL Attentia Caisse d'allocations Familiales	Director
	Fête des Solidarités ASBL	Director, Secretary, Treasurer
	Castel Pont-a-Lesse SA	Director
	Multipharma Group	Director
	Autonomis – Réseau Solidaris ASBL	Director
	ASBL Solidaris ETP	Director
	Mutualistische Alarmcentrale Mutas VZW	Director
	Institut Belle-Vue ASBL	Director
	Mutassur BERV	Vice-Chairman of the Board of Directors
	Sécurité Sociale Imap	Director
	Comité Technique de L'office de Contrôle des Mutualités	Chairman of the Board of Directors
VERERTBRUGGEN Patrick	Het Nationaal Verbond Van Socialistische Mutualiteiten	Deputy General Secretary
	Union Nationale des Mutualités Socialistes OVM	Secretary
	Kruispuntbank Van De Sociale Zekerheid Oi	Director
	Multipharma Group CVBA	Director
	SPMT - Arista ASBL	Chairman of the Board of Directors
	Thuishulp VZW	Director
	Socialistische Vereniging van Vlaamse Gezondheidsvoorzieningen VZW	Director
	Vlaams Socialistisch Gezondheidsfonds VZW	Secretary
	Fonds voor Ontwikkelingssamenwerking - Socialistische Solidariteit VZW	Director
	De Branding VZW	Director

Name	Company	Mandate
	Experconsult ASBL	Chairman of the Board of Directors
	Belle Vue VZW	Secretary
	Vlaams Socialistisch Vormings- en Rekreatiefonds VZW	Director
	De Zorgkas van De Socialistische Mutualiteiten OVM	Secretary
	I.M. VZW	Secretary
	Intermutualistisch Agentschap VZW	Secretary
	Sociale Hospitalisatieverzekeringen Mut	Director
	S-Hulp VZW	Vice-Chairman of the Board of Directors
	La Maison de la Solidarité ASBL	Secretary
	Federaal Kenniscentrum voor de Gezondheidszorg OI	Director
	BAO SCRL	Director
	Solidariteit MUT	Secretary
VERNAILLEN Hilde	AMICE Association of Mutual Insurers and Insurance Cooperatives in Europe	Board observer
	Assuraccess	Chairman of the Board of Directors
	Ceci N'est Pas Une Crise	Director
	Clu Invest	Director
	Euresa Geie	Member of the Management Board and Secretary to the Board
	Febecoop	Chairman of the Board of Directors
	Febecoop Adviesbureau Vlaanderen VZW	Director
	Febecoop Agence Conseil Bruxelles	Director
	Febecoop Agence Conseil Wallonie	Director
	Financière Botanique (previously HDP&Arista Services)	Chairman of the Board of Directors
	Ima Benelux	Vice-Chairman of the Board of Directors Chairman of the Audit Committee
	IMA SA	Member of the Supervisory Board
	International Cooperative and Mutual Insurance Federation (ICMIF)	Chairman of the Board of Directors Chairman of the Executive Committee
	IU	Chairman of the Board of Directors
	Koninklijke Vlaamse Schouwburg (KVS)	Chairman of the Board of Directors
	LA Fondation P&V	Director
	Medconsult	Director
	Multipar	Chairman of the Board of Directors
	Multipharma	Chairman of the Board of Directors
	Multipharma Group	Chairman of the Board of Directors
	Partena	Director

Name	Company	Mandate
	Assurances Sociales pour Indépendants	
	Partena Caisse de Compensation pour Allocations Familiales	Director
	Partena Business Services	Director
	Partena Business Solutions	Director
	Partena Secretariat Social Entreprises	Director
	Parentia Wallonie	Director
	Procoop	Managing Director
	PSH	Chairman of the Board of Directors
	Section belge du Centre International de Recherche (CIRIEC)	Director
	Service Social de Solidarité Socialiste	Member of the General Meeting
	SPMT-Arista	Member of the General Meeting
	Union Professionnelle des Entreprises d'Assurances (Assuralia)	Vice-Chairman of the Board of Directors and the Executive Committee)
WYCKAERT Nico	ABVV Metaal	CFO
	MVL-Finance SA	CEO
	Bremberg VZW	Secretary-treasurer
	Huis Der Metaalbewerkers van Vlaanderen VZW	Secretary-treasurer

Outside mandates of members of the executive committee

Name	Company	Mandate
VERNAILLEN Hilde	See “Outside mandates of board members”	
MAGNEE Martine	See “Outside mandates of board members”	
BEAUJEAN Marc	See “Outside mandates of board members”	
COLARIS Francis	See “Outside mandates of board members”	
DE LONGUEVILLE Philippe	See “Outside mandates of board members”	
DEKENS Johan	Exaris Interim	Director
	IU cvba	Director
	La Fondation P&V	Director
	Multipharma cvba	Director
	Multipharma Group cvba	Director
	Multipar cvba	Director
	Portima	Director
DE CHARRY Eymard	Portima	Director
	La Fondation P&V	Director

15 Legal proceedings

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

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

16 PSH

The below information is provided on PSH in consideration of the features of the Notes that may be triggered as a result of the solvency position of the PSH Group or other regulatory capital circumstances affecting the latter.

Overview

PSH is a holding company controlling P&V, which is held by the historical reference shareholders of P&V, which are also referred to as co-operators (see "Shareholding structure").

PSH is aimed at guaranteeing P&V's continued belonging to the social economy as an insurance cooperative.

As a holding company, it is aimed at ensuring the consistency and complementarity of the strategies and general policies developed in the various areas of activities of the P&V Group.

PSH does not conduct insurance or other operational activities.

P&V is a cooperative company with limited liability (*société coopérative à responsabilité limitée/coöperatieve vennootschap met beperkte aannsprakelijkheid*), existing under the laws of Belgium for an unlimited duration, with its registered office at rue Royale 151-153, 1210 Brussels, Belgium and registered with the Crossroads Bank for Enterprises under number 0405.994.750.

The sole material asset of PSH consists of its 91.7% stake in P&V. Any other asset, or liability, of PSH is immaterial.

PSH is monitored by the NBB in its capacity as an insurance holding.

In 2017 PSH has, for the first time, prepared and published its SFCR, which provides a standardised disclosure of performance, risk management and capital position.

Governance

PSH has a two-tier management structure composed of a board of directors (*conseil d'administration/raad van bestuur*) and of an executive committee (*comité de direction/directiecomité*). Some of the members of the executive committee are also members of the board of directors.

Board of directors

Name	**Mandate**
PEETERS GUY	Chairman of the board of directors
CALLEWAERT Paul	Director

CEULEMANS Estelle	Director
FABRY Victor	Director
LABILLE Jean-Pascal	Director
MAGNEE Martine	Director
VAN HEETVELDE Werner	Director
WILLEMS Martin*	Director
VERNAILLEN Hilde	Director

Executive committee

Name	**Mandate**
VERNAILLEN Hilde	Chairman
MAGNEE Martine	Member
WILLEMS Martin*	Member

Will be replaced by DE LONGUEVILLE Philippe further to the annual shareholders' meeting of PSH to be held in June 2018.

Statutory auditor

The statutory auditor of PSH is KPMG Réviseurs d'Entreprises/Bedrijfsrevisoren SC SCRL/BV CVBA (*réviseur agréé/erkende revisor*), represented by K. Tanghe, with offices at Luchthaven Brussel Nationaal 1K, 1930 Zaventem, België. The auditor of PSH is a member of the *Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren*.

Solvency II position

The following table shows, in terms of the SCR coverage of PSH consolidated, the delta vs the SCR coverage of P&V solo, as at 31 December 2017.

€m	P&V	PSH	Difference
SCR	1095,8	1097,0	1,2
EOF	1885,1	1889,0	3,9
SCR Coverage	172,0 %	172,2 %	0,2 %

Further to the regulatory capital restructuring of P&V (see "Regulatory capital restructuring"), it is expected that the SCR coverage will reach 178.2% (pro forma as at 31 December 2017).

The capital sensitivity is identical to that reported for P&V through the table contained in "Capital sensitivity".

TAXATION

Belgium

The following summary describes the principal Belgian tax considerations of acquiring, holding and selling the Notes. This information is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Notes. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, or collective investment undertaking others than Organisations for Financing Pensions. In some cases, different rules can be applicable. Furthermore, this description is based on current legislation, published case law and other published guidelines and regulations as in force at the date of this document and remains subject to any future amendments, which may or may not have retroactive effect.

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

Belgian withholding tax

Interest payments in respect of the Notes will be subject to Belgian withholding tax, currently at a rate of 30% on the gross amount of the interest, subject to such relief as may be available under applicable domestic law or applicable tax treaties.

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

However, the holding of the Notes in the NBB Securities Settlement System permits investors to collect interest on their Notes free of Belgian withholding tax if and as long as at the moment of payment or attribution of interest the Notes are held by certain investors (the "**Eligible Investors**", see below) in an exempt securities account (an "**X-account**") that has been opened with a financial institution that is a direct or indirect participant (a "**Participant**") in the NBB Securities Settlement System. Euroclear, Clearstream, Luxembourg, SIX SIS and Monte Titoli are directly or indirectly Participants for this purpose.

Holding the Notes through the NBB Securities Settlement System enables Eligible Investors to receive the gross interest income on their Notes and to transfer the Notes on a gross basis.

Eligible Investors are those entities referred to in article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (*koninklijk besluit van 26 mei 1994 over de inhouding en de vergoeding van de roerende voorheffing/arrêté royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier*), which includes *inter alia*:

(i) Belgian resident companies referred to in article 2, §1, 5°, b) of the Belgian Income Tax Code of 1992 (*wetboek van inkomstenbelastingen 1992/code des impôts sur les revenus 1992*) ("**BITC**");

(ii) Without prejudice to article 262, 1° and 5° of the BITC, the institutions, associations or companies referred to in article 2, §3 of the law of 9 July 1975 with respect to the supervision of insurance companies other than those referred to in (i) and (iii);

(iii) Semi-governmental institutions (*parastatale instellingen/organismes parastatales*) for social security or institutions equated therewith referred to in article 105, 2° of the Royal Decree of 27 August 1993 implementing the BITC ("**RD/BITC**");

(iv) Non-resident investors referred to in article 105, 5° of the RD/BITC who do not hold the Notes in connection with a professional activity conducted in Belgium;

(v) Investment funds referred to in article 115 of the RD/BITC;

(vi) Investors referred to in article 227, 2° of the BITC, subject to non-resident income tax (*belasting van niet inwoners/impôt des non-résidents*) in accordance with article 233 of the BITC and which have used the income generating capital for the conduct of their professional activities in Belgium;

(vii) The Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 of the BITC;

(viii) Investment funds governed by foreign law (such as *beleggingsfondsen/fonds de placement*) that are an undivided estate managed by a management company for the account of the participants, provided the funds units are not publicly issued in Belgium and are not traded in Belgium; and

(ix) Belgian resident companies not referred to under (i), whose activity exclusively or principally consists of granting credits and loans.

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

Participants to the NBB Securities Settlement System must keep the Notes which they hold on behalf of Eligible Investors on an X-account, and those which they hold on behalf of non-Eligible Investors in an N-account.

Transfers of Notes between an X-account and an N-account give rise to certain adjustment payments on account of withholding tax:

- A transfer from an N-account (to an X-account or N-account) gives rise to the payment by the transferor non-Eligible Investor to the NBB of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.

- A transfer to an N-account (from an X-account or an N-account) gives rise to the refund by the NBB to the transferee non-Eligible Investor of withholding tax on the accrued fraction of interest calculated from the last interest payment date up to the transfer date.

- Transfers of Notes between two X-accounts do not give rise to any adjustment on account of withholding tax.

Upon opening an X-account for the holding of Notes, an Eligible Investor will be required to certify its eligible status on a standard form claimed by the Belgian Minister of Finance and send it to the Participant to the NBB Securities Settlement System where this account is kept. This statement needs not be periodically reissued (although Eligible Investors must update their certification should their eligible status change). Participants to the NBB Securities Settlement System are however required to make declarations to the NBB as to the eligible status of each investor for whom they hold Notes in an X-account during the preceding calendar year.

An X-account may be opened with a Participant by an intermediary (an "**Intermediary**") in respect of Notes that the Intermediary holds for the account of its clients (the "**Beneficial Owners**"), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that (i) the Intermediary is itself an Eligible Investor and (ii) the Beneficial Owners holding their Notes through it are also Eligible Investors. A Beneficial Owner is also required to deliver a statement of its eligible status to the intermediary.

These identification requirements do not apply to Notes held in central securities depositaries as defined in Article 2, 1st paragraph, (1) of the Regulation (EU) N° 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 ("CSD") as Participants to the NBB Securities Settlement System (each, a "**NBB-CSD**"), provided that the relevant NBB-CSD only holds X-accounts and that they are able to identify the Holders for whom they hold Notes in such X-accounts. For the identification requirements not to apply, it is furthermore required that the contracts which were concluded by the relevant NBB-CSD as Participants include the commitment that all their clients, holder of an account, are Eligible Investors.

Belgian income tax and capital gains

Belgian resident individuals

For individuals who are Belgian residents for tax purposes, i.e. who are subject to the Belgian personal income tax (*Personenbelasting/Impôt des personnes physiques*) and who hold the Notes as a private investment, payment of the 30% withholding tax fully discharges them from their personal income tax liability with respect to these interest payments (*bevrijdende roerende voorheffing/précompte mobilier libératoire*). This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided withholding tax was effectively levied on these interest payments.

Belgian resident individuals may nevertheless elect to declare the interest payment (as defined above in the Section "Belgian withholding tax") in their personal income tax return. Where the beneficiary opts to declare them, interest payments will normally be taxed at the interest withholding tax rate of 30% (or at the progressive personal tax rate taking into account the taxpayer's other declared income, should it result in a lower taxation). The Belgian withholding tax levied may be credited against the income tax liability and is refundable.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the normal management of one's private estate or unless the capital gains qualify as interest (as defined above in the Section "*Belgian withholding tax*"). Capital losses realised upon the disposal of the Notes held as a non-professional investment are in principle not tax deductible.

Specific tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

Belgian resident companies

Interest on the Notes derived by Belgian corporate investors who are Belgian residents for tax purposes, i.e. who are subject to Belgian Corporate Income Tax (*Vennootschapsbelasting/Impôt des sociétés*) and capital gains realised on the Notes will be subject to Belgian corporate income tax at a rate of in principle 29.58% Furthermore, small companies are taxable subject to conditions at the reduced corporate income tax rate of 20.4% for the first EUR 100,000 of their taxable base. As of assessment year 2021 linked to a taxable period starting at the earliest on 1 January 2020, the ordinary corporate income tax rate will be 25%, and the reduced corporate income tax rate 20%.

The withholding tax retained by or on behalf of the Issuer will, subject to certain conditions, be creditable against any corporate income tax due and any excess amount will in principle be refundable. Capital losses realised upon the sale of the Notes are in principle tax deductible.

Belgian legal entities

Legal entities that are Belgian residents for tax purposes, i.e. that are subject to Belgian legal entities tax (*rechtspersonenbelasting*/*impôts des personnes morales*) and that do not qualify as Eligible Investors (as defined above) will not be subject to any further taxation on interest in respect of the Notes over and above the withholding tax of 30%. The withholding tax constitutes the final taxation.

Belgian legal entities which qualify as Eligible Investors (as defined above) and which consequently have received gross interest income are required (if such entities cannot invoke a final withholding tax exemption) to declare and pay the 30% withholding tax themselves to the Belgian tax authorities (which withholding tax then generally also constitutes the final taxation in the hands of the relevant investors).

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above in the Section "*Belgian withholding tax*"). Capital losses are in principle not tax deductible.

Organisation for Financing Pensions

Interest and capital gains derived by Organisations for Financing Pensions in the meaning of the Law of 27 October 2006 on the supervision of institutions for occupational retirement provision, are in principle exempt from Belgian corporate income tax (Organisations for Financing Pensions are indeed subject to corporate income tax in Belgium but on a limited basis which does not include interest and capital gains on the Notes). Capital losses are in principle not tax deductible. Subject to certain conditions, the Belgian withholding tax that has been levied can be credited against any corporate income tax due and any excess amount is in principle refundable.

Belgian non-residents

Holders who are non-residents of Belgium for Belgian tax purposes and are not holding the Notes through a Belgian establishment and do not allot the Notes to the conduct of their Belgian professional activity will not incur or become liable for any Belgian tax on income or capital gains solely by virtue of the acquisition, ownership or disposal of the Notes, provided that they qualify as Eligible Investors and that they hold their Notes in an X-account.

If the Notes are not entered into an X-account by the Eligible Investor, withholding tax on the interest is in principle applicable at the current rate of 30%, possibly reduced pursuant to a tax treaty, on the gross amount of the interest.

Tax on stock exchange transactions

No tax on stock exchange transactions tax (*taks op beursverrichtingen / taxe sur les operations de bourse*) will be due on the issuance of the Notes (primary market transaction).

The purchase and the sale and any other acquisition or transfer for consideration of existing Notes (secondary market transactions) in Belgium through a professional intermediary is subject to the tax on stock exchange transactions at a rate of 0.12% of the purchase price, capped at EUR 1,300 per transaction and per party. The tax is due separately by each party to any such transaction, i.e. both by the seller (transferor) and the purchaser (transferee).

Pursuant to the Law of 25 December 2016, the scope of application of the tax on the stock exchange transactions has been extended as of 1 January 2017 to secondary market transactions when the order is, directly or indirectly, given to a professional intermediary established outside of Belgium by (i) an individual with habitual residence in Belgium or (ii) a legal entity on behalf of its seat or establishment in Belgium (both referred to as a "**Belgian Investor**"). In such a scenario, the tax on stock exchange transactions is due by the Belgian Investor, unless the Belgian Investor can demonstrate that the tax on the stock exchange transactions due has already been paid by the professional intermediary established outside of Belgium. In the latter case, the foreign professional intermediary also has to provide each client (which gives such intermediary an order) with a qualifying order statement (*bordereau/borderel*), at the latest on the business day after the day the transaction concerned was realised. Alternatively, professional intermediaries established outside of Belgium could appoint a stock exchange tax representative in Belgium, subject to certain conditions and formalities ("**Stock Exchange Tax Representative**"). Such Stock Exchange Tax Representative will then be jointly liable towards the Belgian Treasury for the tax on stock exchange transactions due and for complying with reporting obligations and the obligations relating to the order statement in that respect. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the statutory debtor of the tax on stock exchange transactions.

No tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2,9° and 10° of the Belgian Law of 2 August 2002 on the supervision of the financial sector and financial services; (ii) insurance companies described in Article 2, § 1 of the Belgian Law of 9 July 1975 on the supervision of insurance companies; (iii) pension institutions referred to in Article 2,1° of the Belgian Law of 27 October 2006 concerning the supervision of pension institutions; (iv) collective investment institutions; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

As stated in the section entitled "Risk Factors" (in particular see "*Financial Transaction Tax ("FTT")*"), on 14 February 2013 the EU Commission adopted the proposed FTT. The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in an FTT Participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. The FTT Commission Proposal currently provides that once the FTT enters into effect, the Participating Member States shall not maintain or introduce any taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into effect. The FTT Commission Proposal is still subject to negotiation between the Participating Member States and may, therefore, be further amended at any time.

Annual tax on securities accounts

The law of 7 February 2018 (published in the Belgian State Gazette on 9 March 2018) introduces a tax on securities accounts (*taks op de effectenrekeningen/taxe sur les comptes-titres*). Pursuant to this law, Belgian resident and non-resident individuals would be taxed at a rate of 0.15% on their share in the average value of qualifying financial instruments (such as shares, bonds, certain other type of debt instruments, units of undertakings for collective investment, warrants) held on one or more securities accounts with one or more financial intermediaries during a reference period of 12 consecutive months starting on 1 October and ending on 30 September of the subsequent year. However, the first reference period would start as of the day following the publication of the law in the Belgian State Gazette (10 March 2018) and end on 30 September 2018 ("**Tax on Securities Accounts**").

No Tax on Securities Accounts would be due provided the holder's share in the average value of the qualifying financial instruments on those accounts amounts to less than EUR 500,000. If, however, the holder's share in the average value of the qualifying financial instruments on those accounts amounts to EUR 500,000 or more, the Tax on Securities Accounts would be due on the entire share of the holder in the average value of the qualifying financial instruments on those accounts (and hence, not only on the part which exceeds the EUR 500,000 threshold).

Qualifying financial instruments held by non-resident individuals would only fall within the scope of the Tax on Securities Accounts provided they are held on securities accounts with a financial intermediary established or located in Belgium. Note that pursuant to certain double tax treaties, Belgium has no right to tax capital. Hence, to the extent the Tax on Securities Accounts is viewed as a tax on capital within the meaning of these double tax treaties, treaty protection may, subject to certain conditions, be claimed.

A financial intermediary would be defined as (i) a credit institution or a stockbroking firm as defined by Article 1, §2 and §3 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and (ii) the investment companies as defined by Article 3, §1 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, which are pursuant to national law admitted to hold financial instruments for the account of customers.

The Tax on Securities Accounts would in principle be due by the financial intermediary established or located in Belgium if (i) the holder's share in the average value of the qualifying financial instruments held on one or more securities accounts with said intermediary amounts to EUR 500,000 or more or (ii) the holder instructed the financial intermediary to levy the Tax on Securities Accounts due (e.g. in case such holder holds qualifying financial instruments on several securities accounts held with multiple intermediaries of which the average value of each of these accounts does not amount to EUR 500,000 or more but of which the holder's share in the total average value of these accounts exceeds EUR 500,000 EUR). Otherwise, the Tax on Securities Accounts would have to be declared and would be due by the holder itself, unless the holder provides evidence that the Tax on Securities Accounts has already been withheld, declared and paid by an intermediary which is not established or located in Belgium. In that respect, intermediaries located or established outside of Belgium could appoint a Tax on the Securities Accounts representative in Belgium, subject to certain conditions and formalities ("**Tax on the Securities Accounts Representative**"). Such a Tax on the Securities Accounts Representative would then be liable towards the Belgian Treasury for the Tax on the Securities Accounts due and for complying with certain reporting obligations in that respect.

In addition to the declaration of the Tax on Securities Accounts, Belgian resident individuals would have to report in their annual income tax return their various securities accounts held with one or more financial intermediaries of which they are considered as a holder within the meaning of the Tax on Securities Accounts. Non-resident individuals would have to report in their annual Belgian non-resident income tax return their various securities accounts held with one or more financial intermediaries established or located in Belgium of which they are considered as a holder within the meaning of the Tax on Securities Accounts.

Prospective Investors are strongly advised to seek their own professional advice in relation to the Tax on Securities Accounts.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Belgium) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

USE OF PROCEEDS

Part of the Notes will be issued in exchange for 2004/2008/2009/2012 bilateral loan indebtedness and part in exchange for cash (see also “Regulatory capital restructuring”).

The Issuer expects that, based on orders received from them, respective lenders holding an aggregate amount of EUR 228,200,000 in 2004/2008/2009/2012 bilateral loan indebtedness will, in conjunction with the issuance of the Notes, tender such receivables to P&V in exchange for the issuance to such lenders of an aggregate amount of EUR 228,200,000 of Notes.

As a result, the net proceeds of the issue are expected to amount to EUR 160,100,000. The net proceeds from the issue of the Notes are expected to be used by the Issuer for general corporate purposes and to strengthen the Issuer’s capital base.

The further objectives of the issuance of the Notes are to (i) replace the 2004/2008/2009/2012 bilateral loan indebtedness (which is grandfathered as Tier 2 capital or restricted Tier 1 capital until 2025), (ii) strengthen the solvency capital ratios of P&V, (iii) diversify the Issuer’s investors basis and (iv) benefit of current attractive issuance conditions (see also “Regulatory capital restructuring”).

The expenses in connection with the admission to trading of the Notes are expected to amount to EUR 9,000.

SUBSCRIPTION AND SALE

The Sole Lead Manager has, pursuant to a Subscription Agreement dated 4 July 2018 (the "**Subscription Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes (other than Notes subscribed by the relevant investors in exchange for 2004/2008/2009/2012 bilateral loan indebtedness) at 100% of their principal amount (the "**Issue Price**") less certain fees and commissions.

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

The Sole Lead Manager is entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Issuer.

General

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

United States

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements under the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Sole Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**Financial Services and Markets Act**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services and Markets Act does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**Retail Investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Belgium

The Sole Lead Manager has represented and agreed that it will not sell, offer or otherwise make the Notes available to "consumers" (*consumenten/ consommateurs*) within the meaning of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) dated 28 February 2013, as amended from time to time (the "**Belgian Code of Economic Law**") within the territory of Belgium.

ALTERNATIVE PERFORMANCE MEASURES

The following metrics, which are consistently used to analyse financial performance of the Group, are considered to be Alternative Performance Measures ("**APMs**") as defined in the European Securities and Markets Authority's Guidelines on Alternative Performance Measures.

These APMs are used by P&V in addition to the figures which are prepared in accordance with the International Financial Reporting Standards (IFRS). These measures are useful information to investors and enhance the understanding of P&V's results.

The APMs should be viewed as complementary to, rather than substitute for, the figures determined according to IFRS.

In accordance with the guidelines of the European Securities and Markets Authority (ESMA), the following information is given in regards to the alternative performance measures:

- Definition of the APM and reason for use;
- Reconciliation of the APM to the most directly reconcilable line item, subtotal or total presented in the financial statements.

Definition and reason for use

Metric	**Definition**	**Reason for use**
Technical result	The result before return on investment, other income, costs and taxes, only attributable to life and non-life.	It shows the result attributable to insurance activities (life and non-life).
Adjusted net result	Adjusted net result includes net earned premiums, fees and allocated investment income, 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 adjusted net result and result before taxation consists of all results due to gains or losses on sales of financial instruments and market value variations passing through profit and loss account. One off items like restructuring costs in result and impairments coming from participation in associates are also deducted.	The presentation of adjusted net result is useful in so far as it enhances the understanding of P&V's result based on all its activities but under deduction on some elements that cannot be viewed as a trend over time. It gives a view on the stable and adjusted net result contributing to the goals of the company before tax impact. It allows to better visualise the contribution of financial markets impacts on the result of the company.
Net Combined Ratio (NetCoR)	The net claims incurred and operating expenses divided by the net earned premiums in non-life: $\text{NetCoR} = \frac{-(\text{Net Claims + Operating expenses})}{\text{Net earned premiums}}$	It measures the underwriting profitability in non-life. A ratio of below 100% indicates that the underwriting result is profitable,

	The net combined ratio is typically expressed as a percentage. The net claims is based on the technical result with results of the reinsurance on claims. The ceded premiums (cost of the reinsurance program) are also deducted to produce the net claims results.	whereas a ratio of above 100% indicates an underwriting loss.
Adjusted return on equity (Adjusted ROE)	The adjusted net result divided by Shareholders' equity $\text{Adjustet RoE} = \frac{\text{Adjusted net results}}{\text{Shareholders' equity}}$	It combines the view on core business profitability and capital efficiency based on the Adjusted net result.
Return on equity (ROE)	The net result divided by the Shareholders' equity. $\text{ROE} = \frac{\text{Net results}}{\text{Shareholders' equity}}$	It combines the view on profitability and capital efficiency.
Result on investments (ROI)	The ROI measures the financial performance based on investments in various assets. It compares the financial result with the total amount of investments in real estate, investments portfolio, cash & cash equivalent. The figures resulting in the ROI percentages are considered at group level for all activities.	This provides a useful comparison of the financial result against the invested assets in market value. It helps to understand, beside the impact of the financial result on the total result of the company, the percentage it represents with regard to the amount of assets allowing to see in which measure the result is influenced by the volume (size) of the assets.
Financial leverage	The financial leverage sub-factor addresses the degree of an insurer's indebtedness relative to its total capitalization and is computed as : Subordinated Debt / (Subordinated Debt + Shareholders 'equity)	This ratio is one of the key credit metrics used by rating agencies and measures the amount of a company's capital base that is financed through borrowed money.
Interest coverage	Interest coverage is defined as : EBIT/ Interest Expense	This ratio is one of the key credit metrics used by rating agencies and measures the affordability of interest payments.
EBIT	EBIT is defined as earnings before financial interest and taxes.	This ratio is used in order to determine the Interest coverage ratio.

Reconciliation

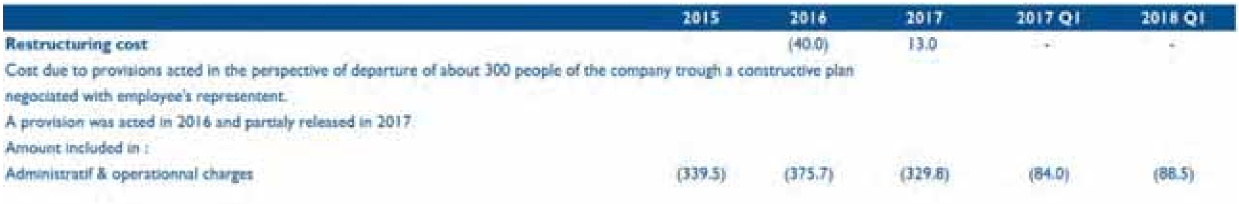
Technical and non- technical result

Technical and non-technical result		2015	2016	2017	2017 Q1	2018 Q1
IFRS Result		**184.3**	**120.1**	**172.4**	**14.4**	**(6.5)**
Technical result		(71.8)	(63.0)	(2.1)	2.4	(23.8)
	o/w life	(259.2)	(260.7)	(255.9)	(63.9)	(64.4)
	o/w non life	187.2	197.7	253.8	66.4	39.9
Other results		350.9	217.5	168.8	10.8	14.2
Taxes		(94.8)	(34.4)	5.7	1.2	3.1

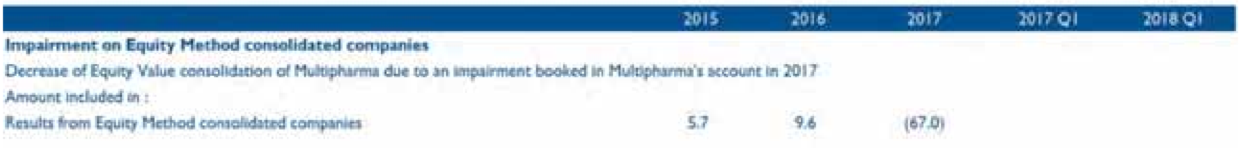
Adjusted net result

Adjusted net result					
	2015	2016	2017	2017 Q1	2018 Q1
IFRS Result (A)	184.3	120.1	172.4	14.4	(6.5)
Financial - market effects and realized gains/losses	231.8	157.9	130.6	(7.4)	9.3
Restructuring cost		(40.0)	13.0	-	-
Impairment on Equity Method consolidated companies			(67.0)	-	-
Taxes	(94.8)	(34.4)	5.7	1.2	3.1
Total deducted components (B)	136.9	83.5	82.3	(6.2)	12.4
Result (A-B)	**47.4**	**36.6**	**90.1**	**20.6**	**(18.9)**

Financial - market effects and realized gains/losses and Taxes : component of the IFRS Result in the financial statements



	2015	2016	2017	2017 Q1	2018 Q1
Restructuring cost		(40.0)	13.0	-	-
Cost due to provisions acted in the perspective of departure of about 300 people of the company trough a constructive plan					
negociated with employee's representent.					
A provision was acted in 2016 and partialy released in 2017					
Amount included in :					
Administratif & operationnal charges	(339.5)	(375.7)	(329.8)	(84.0)	(88.5)



	2015	2016	2017	2017 Q1	2018 Q1
Impairment on Equity Method consolidated companies					
Decrease of Equity Value consolidation of Multipharma due to an impairment booked in Multipharma's account in 2017					
Amount included in :					
Results from Equity Method consolidated companies	5.7	9.6	(67.0)		

Net Combined Ratio

Net Combined Ratio					
		2015	2016	2017	2018 Q1
Earned premium		1,576.8	1,592.1	1,539.0	423.3
	o/w non life (A)	726.7	725.5	693.6	176.2
Ceeded premium		(38.2)	(38.8)	(35.8)	(10.2)
	o/w non life (B)	(35.8)	(36.7)	39.0	(10.2)
Technical charges		(1,610.4)	(1,569.7)	(1,502.0)	(437.6)
	o/w non life net claims (C)	(534.5)	(521.1)	(402.7)	(126.7)
Operating expenses		(339.5)	(375.7)	329.8	(88.5)
	o/w non life related (D)	(237.7)	(261.5)	(233.9)	(64.1)
NetCor -(B+C+D)/(A)		111.2 %	112.9 %	97.4 %	114.1 %

Adjusted RoE

Adjusted RoE	2015	2016	2017
IFRS Equity & reserves	1,776	1,961	2,063
Adjusted net result	47	37	90
Adjusted RoE	2.7 %	1.9 %	4.4 %

Actual RoE

Actual RoE	2015	2016	2017
IFRS Equity	184	120	172
IFRS Equity & reserves	1,776	1,961	2,063
RoE	10.4 %	6.1 %	8.4 %

*Return on investments**

Return on investements	2015	2016	2017
Real estate	194	168	165
Investments	16,221	17,363	17,802
Cash & Cash equivalent	300	295	261
Investments	**16,716**	**17,826**	**18,228**
Financial results	**678**	**583**	**562**
Return On Investments (ROI) %	4.1 %	3.3 %	3.1 %

* Relates to both life and non-life (3.95% figure for 2017 in “Asset and Liability Management” relates to life only)

GENERAL INFORMATION

Authorisation

The creation and issue of Notes have been duly authorised by resolutions of the Issuer's board of directors dated 24 May 2018.

Listing and admission to trading of Notes on Euronext Brussels

Application has been made to Euronext Brussels for the Notes to be listed and admitted to trading, as of the Issue Date, on the regulated market of Euronext Brussels. Euronext Brussels is a regulated market for the purposes of MiFID II.

Documents Available

For the period of 12 months starting on the date of this Prospectus, copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:

(a) the articles of association (*statuts/statuten*) of the Issuer, in French; and

(b) a copy of this Prospectus together with any supplement to this Prospectus;

(c) the consolidated annual financial statements of the Issuer prepared in accordance with IFRS, for the financial year ended 31 December 2016 and 31 December 2017 and the related auditors' reports thereon; and

(d) the consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the three month periods ended 31 March 2018 and the related auditors' review report thereon.

Clearing Systems

The Notes have been accepted for clearance through the NBB Securities Settlement System, which has links to Euroclear, Clearstream Luxembourg, SIX SIS and Monte Titoli. The appropriate ISIN is BE0002603810 and the common code is 185600688.

The address of the NBB is De Berlaimontlaan 14, 1000 Brussels, Belgium, the address of Euroclear is 3 Boulevard du Roi Albert III, B.1210 Brussels, Belgium, the address of Clearstream Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg, the address of SIX SIS is Baslerstrasse 100, 4601 Olten, Switzerland and the address of Monte Titoli is Piazza degli Affari, 6, 20123 Milano MI, Italy.

Significant or Material Change

There has been:

(a) no significant change in the financial or trading position of the Issuer since 31 March 2018; and

(b) no material adverse change in the prospects of the Issuer since 31 December 2017.

Litigation

Each of the Issuer and its subsidiaries is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of P&V.

Statutory Auditor

The statutory auditor of the Issuer is KPMG Réviseurs d'Entreprises/Bedrijfsrevisoren SC SCRL/BV CVBA (*réviseur agréé/erkende revisor*), represented by K. Tanghe, with offices at Luchthaven Brussel Nationaal 1K, 1930 Zaventem, België. The auditor of the Issuer is a member of the *Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren*. The IFRS consolidated financial statements and the stand alone financial statements of the Issuer the years ended 31 December 2016 and 31 December 2017 have been audited in accordance with the International Standards of Auditing and the audits resulted, in each case, in an unqualified opinion. The IFRS consolidated interim financial statements of the Issuer for the three month periods ended 31 March 2018 have been reviewed in accordance with the International Standard on Review Engagements (ISRE) 2410, "*Review of interim financial information performed by the independent auditor of the entity*" and the review resulted, in an unqualified opinion.

Sole Lead Manager transacting with the Issuer

So far as the Issuer is aware, no person involved in the offer has any interest, including conflicting ones, that is material to the offer. The Sole Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or its affiliates in the ordinary course of business.

Yield

The yield of the Notes will be 5.5% per annum. The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

ENGLISH TRANSLATION OF THE FINANCIAL STATEMENTS IN RELATION TO THE ISSUER

The following section contains an English translation of:

- the consolidated annual financial statements of the Issuer, prepared in accordance with IFRS for the financial year ended 31 December 2016 and the related auditors' report thereon;
- the consolidated annual financial statements of the Issuer, prepared in accordance with IFRS for the financial year ended 31 December 2017 and the related auditors' report thereon; and
- the consolidated interim financial statements of the Issuer, prepared in accordance with IFRS for the three month period ended 31 March 2018 and the related auditors' review report thereon.

The Issuer confirms that this is a translation into English of the financial statements (and where relevant of the statutory auditors' report) issued in French and is provided solely for the convenience of English speaking users and that the translations thereof are accurate. In case of a discrepancy between the original document and the English translation thereof, the original document will prevail.

Consolidated financial statement at 31th of december 2016

2016
The board of directors report on IFRS consolidated financial statement.

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I. Abbreviations

Abbreviations

GAAP	Generally Accepted Accounting Principles/ Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretation Committee (ex IFRIC) Interpretations
IFRS	International Financial Reporting Standard
Interpretations	IFRS Interpretations Committee (ex – International Financial Reporting Interpretations Committee (IFRIC))
Shadow accounting	Shadow accounting link to IFRS4
SIC	Standard Interpretations Committee
NAV	Net Asset Value

II. Consolidated financial statements at 31th of December 2016

On the 27th of April 2017, the Board of Directors authorised the publication of the consolidated financial statements of P&V Assurances and its subsidiaries (forming P&V Group) for the fiscal year ending on the 31th of December 2016. P&V Assurances is a limited liability company based in Belgium (enterprise number BE 0402.236.531 ; FSMA code 0058). The registered office is situated at 151 rue Royale, 1210 Brussels in Belgium.

The core activities of P&V Group are life and non-life insurances.

The consolidated financial statements of P&V Group have been established in accordance with the international financial reporting standards (IFRS) which have been published by the International Accounting Standards Board (IASB) and which are in effect in the European Union from the 1st of January 2016. The consolidated financial statements include the financial statements of P&V Group and its subsidiaries on the 31th of December of each year. These financial statements have been prepared on the same base period and accounting principles than the parent company.

The consolidated financial statements of P&V Group have been established in line with the continuity principle and aims at providing a fair view of the consolidated financial statements, the consolidated profit and loss statements and the consolidated cash flow statements.

The non-controlling interest represents the share of the profit or loss and the net assets that are not owned by P&V Group. These are disclosed separately in the profit and loss statement and in equity on the consolidated balance sheet.

The consolidated financial statements have been disclosed in euro, which is the functional currency of P&V Group. Unless otherwise specified, the tables are disclosed in thousands of euros.

I.A Consolidated Balance Sheet

In thousands €	Notes	2016	2015
Assets			
Intangible assets	*III.E*	31,602	17,094
Operating buildings and tangible assets	*III.F*	88,742	93,478
Investment property	*III.G*	167,666	194,413
Investment in associates	*III.A*	93,741	81,076
Deferred taxes	*III.P*	610	547
Financial instruments	*III.H*	17,362,885	16,220,745
Financial investment "Unit Link"	*III.I*	201,359	196,425
Reinsurance assets	*III.J*	324,829	337,488
Insurance receivables	*III.J*	83,080	87,927
Other receivables	*III.J*	148,543	118,928
Accrued income	*III.J*	7,138	11,834
Non current assets held for sale	*III.L*	399,789	431,555
Cash and cash equivalents	*III.M*	295,315	300,380
Total assets		**19,205,301**	**18,091,889**

In thousands €	Notes	2016	2015
Equity and liabilities			
Issued capital	*III.N*	511	511
Reserves	*III.N*	1,959,372	1,752,894
Equity - share of the Group		***1,959,883***	***1,753,405***
Minority interests' share	*III.N*	934	22,940
Total equity		**1,960,818**	**1,776,346**
Subordinated debt	*III.R*	260,017	268,517
Liabilities related to insurance contracts	*III.O*	13,032,205	12,403,564
Financial liabilities - investment contracts with participation features	*III.O*	1,973,164	1,797,103
Financial liabilities - investment contracts without participation features	*III.O*	308,941	274,738
Pensions and other liabilities	*III.P*	317,024	315,226
Deferred taxes	*III.Q*	280,694	218,767
Insurance liabilities	*III.O*	372,806	374,830
Financial liabilities	*III.R*	103,973	94,369
Liabilities related to non current assets held for sale	*III.L*	390,388	426,715
Other liabilities	*III.R*	205,271	141,714
Total liabilities		**17,244,483**	**16,315,543**
Total equity and liabilities		**19,205,301**	**18,091,889**

* In accordance with IAS 1, P&V Group discloses its assets and liabilities in order of liquidity.

I.B Consolidated Income Statement

In thousands €	Notes	2016	2015
Gross premiums		1,584,626	1,573,470
Changes in unearned premiums		7,450	3,361
Premiums ceded to reinsurers		(38,780)	(38,201)
Net earned premiums	*IV.A*	**1,553,296**	**1,538,631**
Insurance expenses - net		(1,013,016)	(1,001,277)
Provision for claims - net		(71,385)	(16,549)
Provision for insurance life		(501,425)	(559,567)
Beneficiary participation		(5,981)	(10,566)
Other technical provision		1,738	8,485
Other technical charges		(26,226)	(30,929)
Total technical charges	*IV.B*	**(1,616,293)**	**(1,610,404)**
Technical result		**(62,997)**	**(71,773)**
Current financial products	*IV.C*	492,973	515,385
Current financial charges	*IV.D*	(67,628)	(69,512)
Financial current income		**425,346**	**445,873**
Non current financial products	*IV.C*	362,018	423,142
Non current financial charges	*IV.D*	(204,165)	(191,370)
Financial non - current income		**157,853**	**231,772**
Total financial income		**583,199**	**677,645**
Technical and financial income		**520,202**	**605,872**
Total Fee, Commissions & Other Income		994	6,112
Administrative & Operating Expenses	*IV.E*	(375,714)	(339,505)
Other charges		(593)	913
Income Tax	*IV.F*	(34,364)	(94,836)
Result from associates		9,565	5,732
Net result of the year		**120,090**	**184,288**
Attributable to:			
Equity holders of the parent		119,900	171,784
Non-controlling interests		191	12,504

*In accordance with IAS 1, P&V Group discloses its expenses by function in its profit and loss statement.

I.C Consolidated Comprehensive Income

In thousands €	Notes	2016	2015
Net income		**120,090**	**184,288**
Other comprehensive income that can be reclassified in profit of future periods of the group			
Net gains (losses) on cash flow hedging instruments	*III.H*	38,958	2,501
Net gains (losses) on asset available for sale net from shadow accounting	*III.H*	44,464	7,565
Other comprehensive income from companies under equity method	*III.A*	14	44
Other comprehensive income reclassified as income during the period	*I.D*	(109)	939
Other comprehensive income that cannot be reclassified in profit of future periods of the group			
Other comprehensive income from employee benefits	*III.P*	3,517	17,682
Other components of other comprehensive income		(163,437)	(474)
Net other comprehensive income	***III.N***	**(76,593)**	**28,258**
Total net other comprehensive income		**43,497**	**212,546**
Attributable to :			
the group		51,240	201,705
non-controlling interests		(7,743)	10,841
		43,497	**212,546**

In accordance with IAS 1, P&V Group discloses its net profit and other comprehensive income, including the non-controlling interest, in two separate sections. The other comprehensive income includes other elements of income and expenses net of tax (including reclassification adjustments) that are not included in net profit as imposed or permitted by other IFRS:

- Variations in revaluation surplus
- Revaluations of defined benefits
- Gains and losses from assets available for sale
- The effective portion of gains and losses on cash flow hedging instruments

I.D Statement of changes in equity

In thousands €	Notes	Issued capital and capital reserves	Retained earnings	Reserve of assets available for sale	Shadow accounting	Cash flow hedge reserve	IFRS 5 reserve	IAS 19 reserve	Reserve for revalued assets	Total Group share	Non-controlling interest	Total equity
At 31 December 2014	**-**	**555,203**	**627,851**	**1,912,117**	**(1,376,332)**	**(9,981)**	**-**	**(125,629)**	**(29,790)**	**1,553,438**	**117,628**	**1,671,067**
Net income		-	171,784	-	-	-	-	-	-	171,784	12,504	184,288
Other comprehensive income	*III.N*	-	788	(302,624)	310,639	2,501	939	17,957	(280)	29,921	(1,662)	28,259
Total comprehensive income for the period		***-***	***172,572***	***(302,624)***	***310,639***	***2,501***	***939***	***17,957***	***(280)***	***201,705***	***10,841***	***212,546***
Dividends paid during the period	*IV.G*	-	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation		-	60	-	-	-	-	-	-	60	(105,530)	(105,470)
Transfer of reserves		23,155	(23,155)	-	-	-	-	-	-	-	-	-
Others		27	-	-	-	-	-	-	(1,824)	(1,796)	-	(1,796)
At 31 December 2015		**578,386**	**777,327**	**1,609,492**	**(1,065,693)**	**(7,480)**	**939**	**(107,672)**	**(31,893)**	**1,753,407**	**22,940**	**1,776,346**
Net income		-	119,900	-	-	-	-	-	-	119,900	191	120,090
Other comprehensive income	*III.N*	-	(167,398)	264,011	(209,508)	38,958	(109)	3,267	2,119	(68,660)	(7,934)	(76,593)
Total comprehensive income for the period		***-***	***(47,498)***	***264,011***	***(209,508)***	***38,958***	***(109)***	***3,267***	***2,119***	***51,240***	***(7,743)***	***43,497***
Dividends paid during the period	*IV.G*	-	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation		-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves		(7,293)	163,178	-	-	-	-	-	-	155,885	(14,263)	141,623
Others		-	(196,061)	191,142	(106,716)	(895)	-	36,536	75,346	(648)	-	(648)
At 31 December 2016	***III.N***	**571,093**	**696,946**	**2,064,645**	**(1,381,917)**	**30,582**	**830**	**(67,869)**	**45,572**	**1,959,884**	**934**	**1,960,818**

I.E Consolidated Cash Flow Statement

In thousands €	Notes	2016	2015
I. Opening balance	***III.M***	**300,380**	**273,549**
II. Net cash flows from operating activities		**212,034**	**22,703**
1. Cash flows from operating activities		**201,859**	**88,832**
1.1. Operating income		***100,393***	***(6,731)***
1.1.1. Net income		120,090	184,288
1.1.2. Financial result in the investing activities	*IV.C and D*	(568,262)	(707,367)
1.1.3. Income taxes	*IV.F*	34,364	94,836
1.1.4. Value adjustments on investments without impact on cash flows		(1,991)	40,674
1.1.5. Technical provisions for insurance and other adjustments		430,510	422,040
1.1.6. Part of reinsurance in technical provisions		13,916	(6,896)
1.1.7. Other income		71,765	(34,307)
1.2. Changes in operating assets and liabilities		***101,466***	***95,563***
1.2.1. Change in receivables		(26,476)	(1,982)
1.2.2. Change in receivables from reinsurance operations		1,781	12,293
1.2.3. Change in other investments		31,508	117,829
1.2.4. Change in insurance liabilities		(5,594)	(19,038)
1.2.5. Change in other operating liabilities		60,376	(44,130)
1.2.6. Other changes		39,871	30,592
2. Cash flows from current and deferred taxes		**10,174**	**(66,129)**
2.1. Current income tax		***10,174***	***(66,129)***
III. Net cash flows from investment activities		**12,154**	**112,211**
1. Acquisitions		**(2,173,661)**	**(2,099,533)**
1.1. Acquisition of shares and funds		(265,685)	(432,142)
1.2. Acquisition of bonds		(1,811,483)	(1,510,835)
1.3. Acquisition of subsidiaries, associates or joint ventures		-	(98,021)
1.4. Acquisition/issue of loans, other assets and capital assets		(96,493)	(58,534)
2. Sales		**1,649,549**	**1,499,149**
2.1. Income from sale of shares and funds		130,684	203,075
2.2. Income from sale of bonds		1,516,148	1,293,556
2.3. Income from sale of subsidiaries, associates or joint ventures		311	1,222
2.4. Income from sale of other assets (financial and capital assets)		2,406	1,296
3. Interest, dividends and net result on investments (paid)		**537,454**	**708,858**
4. Other cash flows from investment activities		**(1,187)**	**3,737**
IV. Net cash flows from financing activities		**(229,253)**	**(108,111)**
1. Cash flows from financing activities		**(251,203)**	**(116,472)**
1.1. Income/(reimbursement) related to finance lease contracts		4,052	8,362
1.2. Income/ (reimbursement) related to the issue of other financial liabilities		(8,500)	817
1.3. Income/ (reimbursement) related to REPO transactions		-	(11,184)
1.4. Income/ (reimbursement) related to other financial assets		(246,755)	(114,467)
2. Interest		**21,950**	**8,361**
2.1. Paid interest related to financing activities	*IV.C and D*	(18,743)	(30,110)
2.2. Received interest related to financing activities	*IV.C and D*	40,693	38,471
3. Dividends paid		**-**	**-**
V. Increase of paid-up capital		**-**	**27**
VI. Net change in cash and cash equivalents	***III.M***	**(5,064)**	**26,831**
VII. Closing balance	***III.M***	**295,315**	**300,380**

The statement of cash flows has been established in accordance with IAS 7, following the indirect method. The statement discloses cash flows from operating activities, investing activities and financing activities separately.

The cash flows from operating activities are those which generate revenues and which do not fulfil criteria to be classified under investing or financing cash flows. In this category, P&V Group classifies its net revenue, adjusted by elements of the profit and loss statement, which do not have any effect on the cash flows or variations of the working capital need.

This allows P&V Group to present a fair view of its cash flows arising from operating activities.

Cash flows arising from operational activities have been increasing compared to last year, from EUR +22.7 million to EUR +212.3 million. The key elements are the following:

- The operating income is influenced by the financial result from the investing activities, which can be explained by decreased unrealised gains from obligations in 2016 (EUR -133.1 million) compared to 2015 (EUR -266.2 million).
- Fluctuations of other investments linked to operating activities can be explained by the run off of the activities linked to Euresa Life, which are recorded on the balance sheet under assets available for sale. This section has decreased from +83.7 million in 2015 to +32.7 million in 2016.
- Changes in other operating liabilities can be explained by the fact that a provision was booked for the social plan Horizon 2020, compared to 2015, where a reduction of these liabilities took place when a provision reversal was undertaken for potential early retirements.
- Changes in tax liabilities are explained by a large decrease of net revenue, which is mainly due to gains from obligations realised in 2015, but also due to the merger of Vivium with P&V Assurance, which did not have deferred tax liabilities compared to P&V Assurance.

In 2016, the cash flows from investing activities decreased from EUR +112.2 million to EUR +12.2 million, this is due to the acquisition of obligations.

In 2016, the group massively invested in Treasury bonds while decreasing its investments in stocks and investment funds compared to 2015.

In 2015, payments for the acquisition of subsidiaries, joint ventures or associates can be explained by the purchase of residual non-controlling interest of Vivium in order to carry out the merger by acquisition on the 1st of January 2016.

Payments for the acquisition/issue of loans, other asset and fixed assets relate to collateral deposited on derivatives, the implementation of an IT project, advanced payments made to policyholders on their reserves, and the payments on short bonds forwards following their maturity in 2016.

There is a large fluctuation in net cash flows from investing activities when comparing 2016 to 2015, decreasing from EUR -108.1 million in 2015 to EUR -251.2 million in 2016. This is mainly due to the increase of mortgage loans.

The closing balance is similar in 2016 compared to 2015.

I.F Solvency ratio

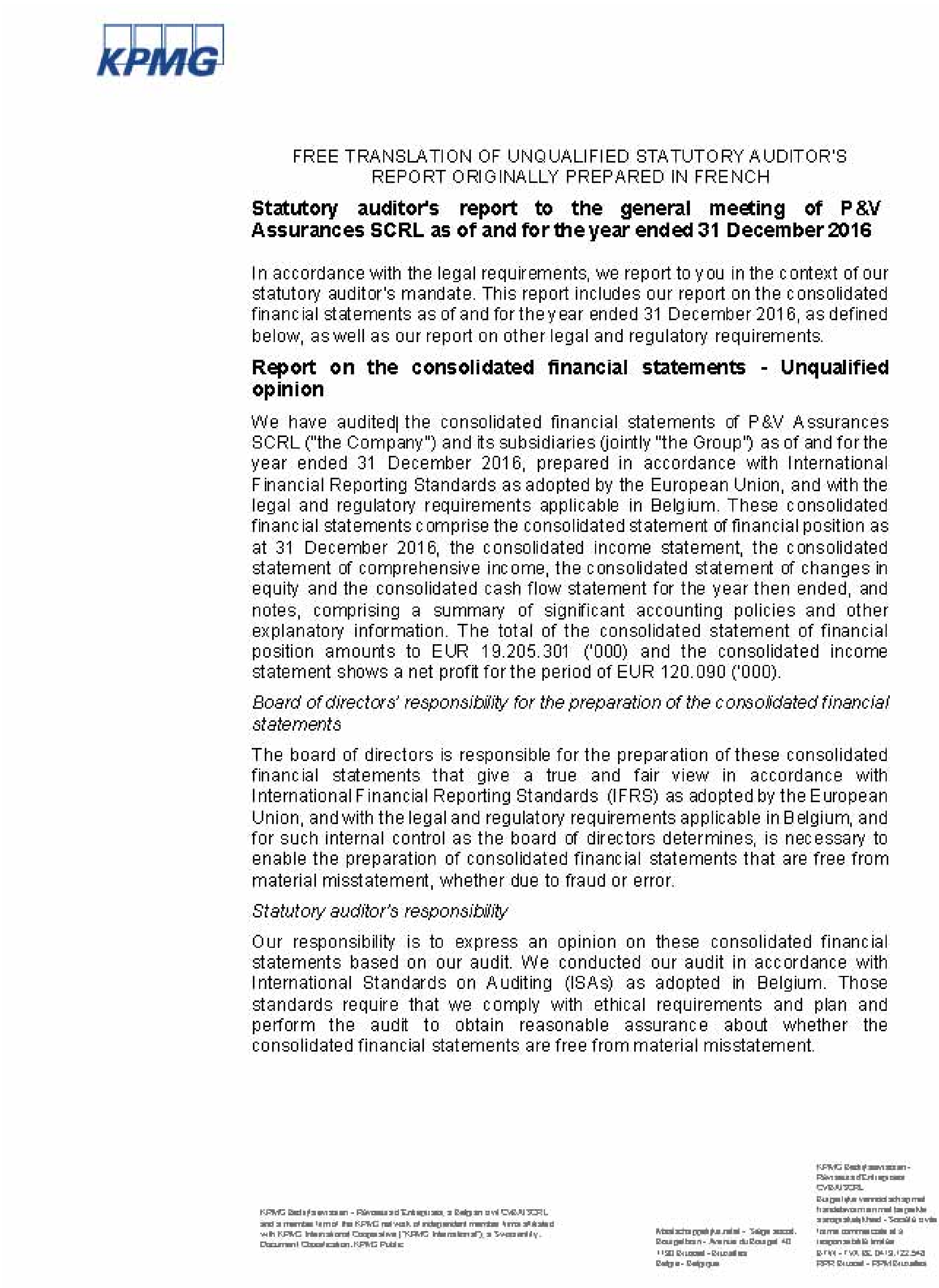
During the past years, P&V Group successfully implemented its compliance program regarding the new Solvency II standards, which became effective on the 1st of January 2016.

This program has allowed P&V Group to strengthen its risk management framework.

On the 31st of December 2016, the Solvency II ratio (eligible equity/minimum capital requirement) stands at the level of 141.4%. This ratio remains at the targeted ratio level. The required solvency capital is EUR 1.157 billion and the equity amounts to EUR 1.637 billion. Furthermore, P&V Group has high quality equity as Tier I represents 92.6% of the equity and Tier II 7.4%.

Detailed information related to Solvency II is available in the SFCR report in the PSH section.

II Report of the statutory auditors on the consolidated financial statements



KPMG

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN FRENCH

Statutory auditor's report to the general meeting of P&V Assurances SCRL as of and for the year ended 31 December 2016

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended 31 December 2016, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements - Unqualified opinion

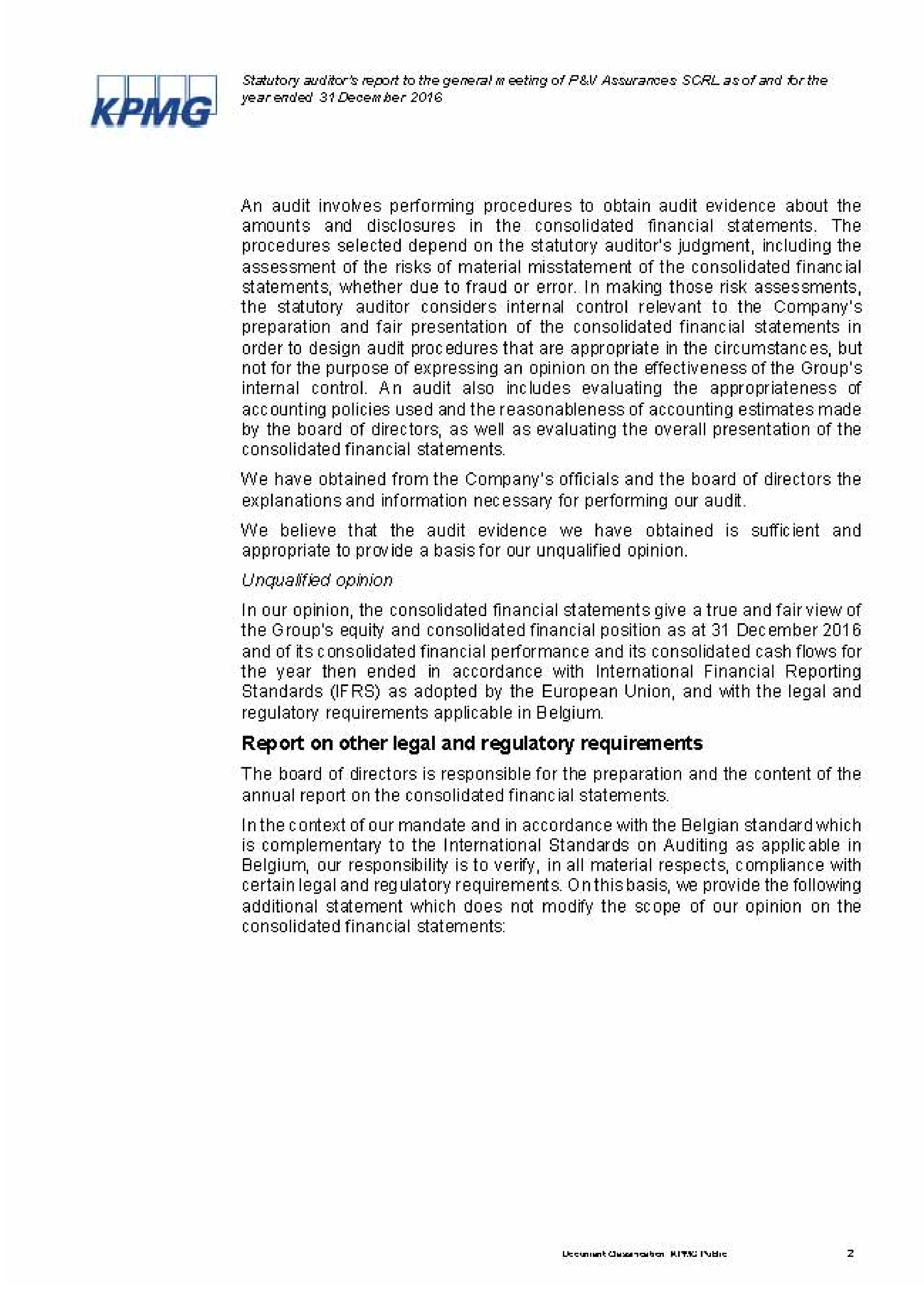
We have audited| the consolidated financial statements of P&V Assurances SCRL ("the Company") and its subsidiaries (jointly "the Group") as of and for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 19.205.301 ('000) and the consolidated income statement shows a net profit for the period of EUR 120.090 ('000).

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the consolidated financial statements:

— The annual report on the consolidated financial statements, which has been prepared in accordance with article 119 of the Companies' Code, includes, with respect to form and content, the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 24 May 2017

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Karel Tanghe
Réviseur d'Entreprises / Bedrijfsrevisor

III Activity Report

III.A 2016 Results

Result of the P & V Group

The consolidated net income of the P & V Group in 2016 amounted to EUR 120.1 million (2015: EUR 184.3 million). The P & V Group's share is EUR 119.9 million while EUR 0.2 million is allocated to minority interests.

The decrease in the net result is explained by the decrease in the financial result of EUR 94.4 million partly offset by the increase in the technical result of EUR 8.8 million. Other items of the result increased by EUR 21.5 million.

Technical Result

The increase in the technical result of EUR 8.8 million is due to an increase in acquired premiums (net of reinsurance) of EUR 14.7 million, offsetting the increase in technical expenses by EUR 5.9 million.

The increase in gross life premiums (+ EUR 16.5 million) is mainly due to the increase in Group insurance premiums. In branch 21, the increase in recurring premiums is + 4% and single premiums + 15%. The premiums for branch 23 amount to EUR 3.6 million, representing an increase of EUR 0.2 million. On the other hand, there is a status quo of individual life cashing compared to 2015 (see note VII.A).

The decrease in non-life gross premiums (- EUR 5.3 million) is mainly due to direct business which decreased by 1.5% following the termination of the collaboration with Aedes and the termination activities in the Transportation for Others segment. However, this decrease is slightly offset by a growth in the business in acceptance explained by the regularization of premiums in 2016 of a portfolio in Terminated Disease in 2015.

Financial Result

The financial result decreased by EUR 94.4 million to EUR 583.2 million in 2016 compared to EUR 677.6 million in 2015. There is a decrease of the non-current financial result (EUR -73.9 million) and current financial result (EUR -20.5 million). This variation can be explained mainly by a decrease in bond yields compared to 2015 due to the renewal of the bond portfolio, on the one hand by the valuation of derivatives having a negative impact on the financial result and, finally, by strong realized on the bond portfolio during 2015. (see note VII.C and note VII.D)

Other Result

There is a decrease of EUR 21.5 million or EUR -400.1 million in 2016 against EUR -421.6 million in 2015. The most important variations of these other results are:

- Commissions and other income decreased by EUR 5.1 million. This decrease is mainly due to the impact of the distribution of the profit sharing to the former co-operators of the Caisse Commune;
- Other income (expense) decreased by EUR 1.5 million due to the reversal of a provision for financial risks in 2015 of EUR 1.3 million;
- The administrative and operating costs increased by EUR 36.2 million, mainly due to the provision for restructuring provisions under the Horizon 2020 plan.
- Taxes decreased by EUR 60.4 million (from EUR 94.8 million in 2015 to EUR 34.4 million in 2016). The decrease in tax is mainly due to the decrease in profit before tax from EUR 279.1 million in 2015 to EUR 154.5 million in 2016.

III.B 2016 Financial Situation

Balance Sheet

The balance sheet total rose from EUR 18.09 billion in 2015 to EUR 19.21 billion in 2016, an increase of EUR 1,131.4 million.

The most important fluctuations in assets are:

- The increase in intangible assets of EUR 14.5 million, mainly due to the activation of projects such as the new non-life claims management platform, inbound / outbound digitalisation and future platforms for subscription, management and billing of non-life and life business (including depreciation) (see note VI.E);

- The decrease in investment property for an amount of EUR 26.7 million is explained by the exit from the value of the Cours Saint Michel building following the lease agreement concluded at the end of 2016, by the reclassification of the Frankrijklei buildings , Ostend and Bruges as capital assets held for sale (IFRS 5) and the revaluation of certain properties (see note VI.G);

- The increase in other receivables EUR 29.4 million is explained by the increase in the recovrable amount provision in claims, the transfer of funds to be applied to Dutch mortgages, the increase in the Triamant loan and the receivable VAT following the conclusion of an emphyteutic contract (see note VI.J);

- The increase in Financial Instruments for an amount of EUR 1,142.1 million. This increase can be explained partly by the change in the market value of the bond portfolio between December 2015 and December 2016, and partly by the acquisitions made in 2016. It should also be noted that the volume of loans increased mortgages (EUR 246 million) and the USD bond portfolio investment (see note VI.H);

- The financial assets of branch 23 increased by EUR 4.9 million, mainly due to the financial result in class 23 (see note VI.I);

The item 'Non-current assets available for sale' decreases by EUR 31.8 million. This change is mainly explained by the decrease in the assets of Euresa Life (run-off company) partially offset by the reclassification of the Frankrijklei, Ostend and Bruges buildings as capital assets held for sale for a value of EUR 5.8 million (IFRS 5) (see note VI.L).

The most important fluctuations in liabilities are:

- An increase in technical reserves of EUR 628.6 million, mainly due to an increase in mathematical reserves in Life and an increase in shadow accounting due to the increase of the AFS reserve on bonds;
- An increase in financial obligations for profit-sharing investment contracts for EUR 176.1 million. This increase is mainly related to individual pension life insurance contracts and the effect of changes in shadow accounting;
- Other debts increased by EUR 63.5 million. This increase is related to the provision of the Horizon 2020 social plan provision, as well as the increase in tax debts and commercial debts (see note VI.R);
- The item "Non-current liabilities available for sale" decreases by an amount of EUR 36.3 million following the decrease in the value of the liabilities of Euresa Life (company in run-off) (see note VI.L).

IV Objectives and risk management policies

IV.A Risk management framework.

P&V Group established a risk management framework that includes the entire set of strategies, processes and necessary procedures in order to identify, follow, manage and declare, on a permanent basis, the risks to which the Group could be exposed as well as the interdependencies of these risks on a consolidated and individual level. The framework includes following aspects :

Strategy and risk policy

The risk management framework includes a structured set of policies regarding strategic, tactical and operational risks. These policies cover the risks to which P&V Group is exposed.

The policies focuses on the link between the objectives of P&V Group and the adopted risk management strategy.

Regarding the management structure, P&V Assurances has separated the activities assigned to the Executive Committee from the definition of overall strategy by the Board of Directors.

- The Executive Committee is in charge of the operational management, the elaboration of the risk management system and the implementation of an appropriate organisational and operational structure, within the limits of the overall strategy defined by the Board of Directors. This operational management leads to the transfer of competencies from the Board of Directors to the Executive Committee and covers the entire set of competencies of the Boards of Directors, except from those which are assigned to the Board of Directors by law.
- The Board of Directors defines the general strategy as well as the risk management framework and monitors the activities of the Group. Its competencies include all those that arise from the Company Code.

Several specialised committees from the Board of Directors have been established :

- The audit committee which ensures that the internal control measures, implemented in the company, contribute to efficient risk management.
- The risk committee which assesses the risk management strategy and ensures good functioning of the risk management function
- The remuneration committee which assists the Boards of Directors with the definition and execution of the remuneration policy for Directors and members the Executive Committee.
- The nomination committee which assists the Board of Directors with the definition and execution of the Fit & Proper policy for Directors and members of the Board of Directors.

The audit committee and the risk committee are exclusively composed of independent directors that fulfil the criteria imposed by article 526ter of the Company Code.

Together, the members of the audit committee have a general competency regarding the company's activities that relate to accounting and audit. At least one of the members of the committee has an individual competency regarding the accounting and audit activities.

The members of the risk committee each have the necessary knowledge, competencies, experiences and skills to allow them to understand and apprehend the risk strategy and the company's tolerance level to risk.

To ensure its optimal functioning, the Board of Directors proceeds to assessments of its members, its composition and functioning every year. During these assessments, the Board of Directors evaluates its needs as well as those of the specialised committees in terms of knowledge, experience and specialisation with a view on the defined collective competencies of the Boards of Directors. The Boards also ensures that its members allocate enough time to the exercise of their mandate and that they are able to justify the professional honourability required for the function.

The applicable principles regarding the remuneration policy of the directors and members of the Executive Committee are the following :

- The remuneration of directors and members of the Executive Committee is determined by the Board of Directors, based on the opinion of the remuneration committee.

- The remuneration of non-executive directors (including independent directors) consists of a fixed remuneration and attendance fees for each Board meeting they are assisting. Members of the specialised committees have a fixed remuneration, but they also benefit from additional attendance fees. The amount of attendance fees depends on the committees to which they belong. These remunerations can be revalued with market movements or changes in responsibilities of the members. These are not linked to the company's performance.

- Remuneration of Executive Committee members is based on collegiality and with a view on an efficient and transparent risk management. Remuneration is composed of :

    - A fixed amount depending on the market situation. This part is identical for each member, except for the Chairman who benefits from a higher remuneration;
    - A variable amount, based on an evaluation of the company's situation and the quality of management. The variable remuneration may not exceed 25% of the fixed amount;
- The remuneration of directors is calculated globally for all the mandates exercised at P&V Group.

As per 31 December 2016, P&V Group's bodies are composed as follows:

Board of Directors (*) Independent director

Non-executive directors

- Jean-Pascal LABILLE, Chairman
- Eric BERTHOUX
- Paul CALLEWAERT
- Victor FABRY
- Hugues FOURNIER
- Alfonso GALANTE
- Max HOOGSTOEL (*)
- Yves GODIN
- Herwig JORISSEN
- Patrick MARNEF
- Jean-Paul PHILIPPOT (*)
- Anne-Marie ROUMIEUX (*)
- Alain THIRION
- Freddy VAN DEN SPIEGEL (*)
- Patrick VERERTBRUGGEN

Executive directors

- Marc BEAUJEAN
- Francis COLARIS
- Isabelle COUNE
- Philippe DE LONGUEVILLE
- Martine MAGNEE
- Hilde VERNAILLEN

Audit committee

- Jean-Paul PHILIPPOT (*), Chairman
- Max HOOGSTOEL (*)
- Anne-Marie ROUMIEUX (*)

- Freddy VAN DEN SPIEGEL (*)

Risk committee

- Freddy VAN DEN SPIEGEL (*), Chairman
- Max HOOGSTOEL (*)
- Jean-Paul PHILIPPOT (*)
- Anne-Marie ROUMIEUX (*)

Remuneration committee

- Jean-Pascal LABILLE, Chairman
- Victor FABRY
- Freddy VAN DEN SPIEGEL (*)

Nomination committee

- Jean-Pascal LABILLE, Chairman
- Paul CALLEWAERT
- Herwig JORISSEN
- Patrick MARNEF
- Alain THIRION
- Freddy VAN DEN SPIEGEL (*)
- Hilde VERNAILLEN

Executive committee

- Hilde VERNAILLEN, Chairman
- Marc BEAUJEAN, Member
- Francis COLARIS, Member
- Isabelle COUNE, Member (until 31/03/2017)
- Philippe DE LONGUEVILLE, Member

- Martine MAGNEE, Member

Auditor

KPMG Réviseurs d’entreprise is represented by Karel TANGHE

Risk Governance

Charters and policies specify the risk governance that is in place at P&V Group. This governance has been defined in a way that it is consistent with the risk management strategy and its practical implementation. This is done with the Risk Management Framework that organises risk governance for organisational and decisional processes at every decision-making level.

Méthodologies

The charters and policies describe the methods used for the quantitative and qualitative evaluation and management of risks.

In accordance with the Non Financial Risk Management policy, the qualitative valuation of risks is mainly based on an evaluation of the risks and the quality of the operational controls, which is done by the operational teams (“Internal Control / Risk and Control Self-Assessment”). This process is a major component of the ORSA process, which is described in the ORSA policy.

For the quantitative evaluation of risks, P&V Group opted for the standard approach, which is provided in the first pilar of Solvency II. The relevance of the underlying hypotheses of the standard formula with ORSA has been verified by P&V Group and this approach is described in the ORSA policy.

Implementation and operations

Charters, policies, guidelines, other instruction notes and procedures describe how the Risk Management Framework is applied in the company.

The implementation and application of the Risk Management Framework on the level of operating activities is done with respect of the roles and responsibilities of the three defense lines.

Reporting

The different policies describe the reports that are put in place in order to ensure the active, consistent and transparent management of concerned risks as well as the recipient of these reports.

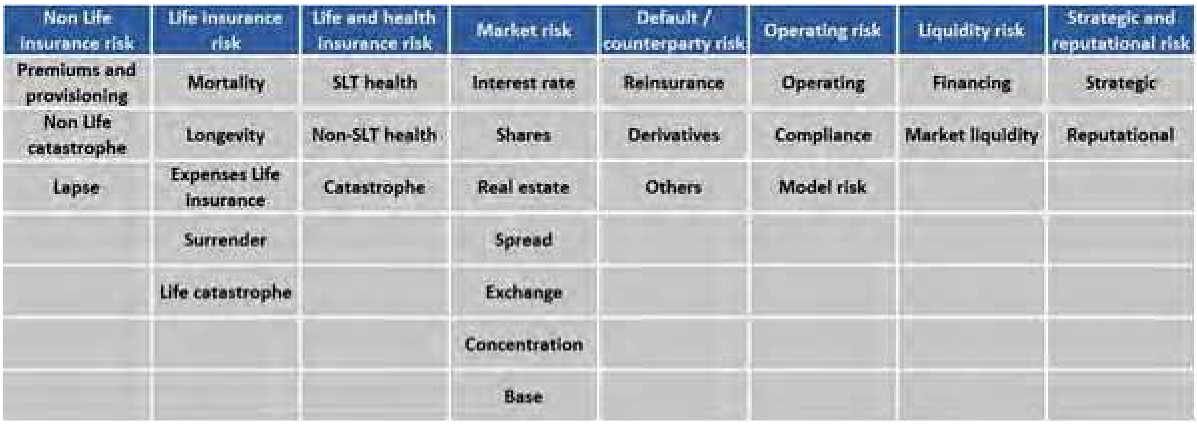
These reports include the ORSA, RSR and SFCR report for the Executive Committee and the Board of Directors which allows them to assess the evolution of the company’s risk profile compared to the risk absorption capacity of the company, given its risk appetite.

Review

The Risk Management Framework stipulates that review is done, at least once a year, by the Executive Committee of the regulatory and strategic objectives. Conclusions of the committee on the governance efficiency are included in the annual reports..

IV.B Main risks and uncertainties

The diagram below discloses, in a summarized way, the risks to which P&V is exposed, which are identified through the periodical risk review, and in particular through the internal assessment of risks and solvency.



Non Life insurance risk	Life insurance risk	Life and health insurance risk	Market risk	Default / counterparty risk	Operating risk	Liquidity risk	Strategic and reputational risk
Premiums and provisioning	Mortality	SLT health	Interest rate	Reinsurance	Operating	Financing	Strategic
Non Life catastrophe	Longevity	Non-SLT health	Shares	Derivatives	Compliance	Market liquidity	Reputational
Lapse	Expenses Life insurance	Catastrophe	Real estate	Others	Model risk		
	Surrender		Spread				
	Life catastrophe		Exchange				
			Concentration				
			Base				

Diagram – Risk taxonomy of Group P&V

The main risks to which P&V Group is exposed are the following:

- Market risk and more specifically risks arising from a low interest rate environment (especially for life insurance portfolios with a guaranteed interest rate and long durations) as well as stock and spread risk;
- Insurance risks which includes premium risk, reserve risk and catastrophe risk within Non-Life insurance;
- Non-financial risks which relate to necessary adjustments made in response to changes in its environment (regulatory, economic, socio-political, technical).

A set of strategic, tactical and operational risk policies defines the framework of rules regarding risk management. These rules cover the entire set of risks of P&V Group's taxonomy.

Risk mitigations are subject to regular follow-ups and revaluations.

Market risk

This risk relates to the level or volatility of market prices of financial instruments that impacts the value of the company's assets and liabilities. They reflect, in an appropriate manner, the structural mismatch between assets and liabilities. The main market risks for P&V Group are described below.

The management of these risks and liquidity risk is framed by an investment policy and ALM, setting the targets and limits of strategic allocation of different asset classes. The strategic allocation is established in such way that it optimizes the risk/return relation in the long term under certain contractual, commercial and regulatory constraints, considering the risk appetite of P&V Group.

This policy also includes a set of limits in order to manage credit and concentration risks.

- Interest rate risk:

  This risk relates to losses resulting from changes in interest rates and their impact on future cash flows. Changes in interest rates influence assets and liabilities in such a way that the impact of changes in interest rates on the economic value of the company will depend on the matching of assets and liabilities.

- Stock risk: :

  This risk relates to capital losses due to a decrease of market prices of stock held in portfolio. It also relates to the absence of stock return due to non distribution of dividends which is not compensated by a sufficient increase in stock prices.

- Spread risk:

  This risk relates to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads in relation to the risk-free interest rate curve.

Insurance risk

Management of these risk are framed by insurance and reinsurance policies. The insurance policy sets the framework and expectations regarding product design and the framework for insurance risk management. This policy acts as common thread to different insurance product policies which are leading tools for commercial, technical and operational activities and risk management..

Underwriting risk for life insurance and health “annuity”

In general, management of these risks is done following strict and clear instructions regarding the acceptance, risk selection and pricing policies. Moreover, price and contractual adjustments are carried out on a regular basis for group insurances (including work disability), taking into account the outcome of the profitability analysis;

The main risks involved for P&V Group are the following :

- Mortality risk :

  This risk relates to an increase in compensations the company has to pay, resulting from policy holders passing away earlier than expected. This can occur specifically with contracts for temporary insurance and outstanding balances.

- Disability risk :

This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of disability, sickness and mortality rates. In the insurance portfolio, this mainly relates to additional guarantees included in certain life insurance contracts.

- Expense risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of expenses incurred within the management of life insurance contracts. This risk is significant compared to other life insurance risks because of the high level of overhead costs related to this activity.

- Surrender risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of the reduction, maturity and policy surrender rate.

- Catastrophe risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting of important uncertainty linked to extreme or irregular events that weigh in on hypotheses regarding pricing and provisioning. It mainly relates to an accumulation risk.

Underwriting risk for Non-Life and health other than annuity

- Premium and reserve risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the moment of occurrence, the frequency and the severity of insured events (premium risk), as well as the moment of occurrence and the level of claims paid (reserve risk). The premium and reserve risk comes second by importance, in terms of quantification, after financial risks.

  Non-life premium risk mainly relates to the inadequacy of the prices applied to different portfolios. Except from the catastrophe risk, which is included in a specific category (see below), the management of these risks is done following strict and clear instructions regarding the acceptance, risk selection and pricing policies. Controls are undertaken on a regular basis by specialized actuaries on the basis of statistical analysis tools in order to guarantee an adequate adjustment of the proposed conditions.

  The Non-life reserve risk mainly relates to provisions that have been made after declaration of a claim. The “claim” department assesses the provisions as a fixed estimate and subsequently adjusts them based on an internal analysis. They do this case by case according to detailed procedures. At each stage of the case, the evaluations of payable amounts are reviewed taking into account additional information. Provisions for claims not yet declared (IBNR) are also established.

  The mentioned risk relates to a shortfall of provisions compared to the amount of compensations that will have to be paid ultimately. This risk is important for activity branches, for which the calculation of the total compensation can take longer (e.g. third party liability – bodily injury).

Multiple statistical and actuarial methods are used in order to verify sufficiency of the provisions. An independent opinion on the provisions is also established by the actuarial function.

- Catastrophe risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting of important uncertainty linked to extreme or irregular events that weigh in on hypotheses regarding pricing and provisioning. The risk arises from the fact that This risk mainly relates to natural events within Fire and property damage Auto, and non-natural in Fire. The last case refers to « man's made peril ».

  The impact of such risks is limited thanks to the implementation of a prudent reinsurance program, which is specifically adapted to the covered risks and is reviewed annually.

- Non-financial risk :

  Non-financial risk corresponds to operational as well as strategic and reputational risk. The management of these risks is outlined in a specific policy that specifies the objectives and strategy related to management of these risks.

  As part of its internal valuation of risks and solvency, P&V Group performs an evaluation of these risks and, if needed, mitigation action plans are implemented. The main non-financial risks identified during the evaluation of 2016 can be linked to the capacity of the Group to successfully implement its transformation programs. For each identified risk, mitigation action plans are implemented.

- Operational risk :

  This risk of loss is impacted by :

  - Internal procedures, staff members, inadequate or defective systems, or external events ;
  - Non-compliance with applicable laws and regulations ;
  - Inadequate risk evaluation models.

- Strategic risk :

  This risk relates to losses or adverse changes in value resulting from the inability to implement appropriate business plans or strategies, take the right decisions, allocate resources or to adapt to changes in business environment.

- Reputational risk :

  This risk relates to negative publicity, founded or unfounded, regarding business practices or association with third parties, and the fact that this could lead to a loss of confidence from which the company benefits.

V Notes to the balance sheet

V.A Basis and scope of consolidation

The ultimate parent

P&V Group is mainly held by Holding S.C.R.L. PSH ("PSH") for a position of 91.65%. PSH has its registered office in Belgium, enterprise number 0452 994 750.

Subsidiaries

The consolidated financial statements include the accounts of P&V Assurances and its subsidiaries on which it has control on the 31st of December 2016.

In accordance with IFRS 10, P&V Assurances has control over a subsidiary if and only if all of the below conditions are met:

- The parent company has control over a subsidiary if it possesses:
    - The voting rights or potential voting rights or a combination of both;
    - The power to nominate key individuals who are able to significantly influence the returns of the subsidiary;
    - The power to designate key executives or members of the management body that have influence on the decision process of the subsidiary;
    - Rights on the decision process through contractual agreements with management;
- The parent company is entitled to receive variable returns arising from their implication in important activities of the subsidiary;
- The parent company is capable of using their power to influence the returns by combining the two previous elements. That being said, only one party can have control over a subsidiary.

On the basis of this definition, the consolidated financial statements include the financial statement of P&V Assurances and the statements of below listed subsidiaries :

				2016		2015	
Name	**Activity**	**Registered office**	**VAT N° or National N°**	**Shares owned (%)**	**Third party interests (%)**	**Shares owned (%)**	**Third party interests (%)**
SA Arces	Insurance	Route de Louvain-la-Neuve, 10, Bte 1 5001 NAMUR	455.696.397	**100,0**	**0,0**	**100,0**	**0,0**
CVBA Barsis	Holding	Koningsstraat, 151 1210 BRUSSEL	454.197.055	**100,0**	**0,0**	**100,0**	**0,0**
SCRL Coverdis Insure	Insurance	Rue Royale, 192 1000 BRUXELLES	476.294.150	**100,0**	**0,0**	**100,0**	**0,0**
SA Euresa Life	Insurance	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	-	**100,0**	**0,0**	**100,0**	**0,0**
SA Financière Botanique	Holding	Rue Royale, 151 1210 BRUXELLES	415.679.048	**100,0**	**0,0**	**100,0**	**0,0**
SA Hotel Spa Resort	Real Estate	Rue Royale, 151 1210 BRUXELLES	451.873.510	**100,0**	**0,0**	**100,0**	**0,0**
NV Piette & Partners	Insurance	Casinoplein, 6 8500 KORTRIJK	448.811.575	**100,0**	**0,0**	**100,0**	**0,0**
P&V Caisse Commune (3)	Insurance	Rue Royale, 151 1210 BRUXELLES	402.236.729	**-**	**-**	**71,7**	**28,3**
P&V Luxembourg (2)	Insurance	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	-	**100,0**	**0,0**	**100,0**	**0,0**
SCRL P&V Previdis	Other	Rue Royale, 151 - 153 1210 BRUXELLES	402.236.630	**97,9**	**2,1**	**97,9**	**2,1**
NV Vilvo Invest	Real Estate	Koningsstraat, 151 1210 BRUSSEL	463.288.628	**100,0**	**0,0**	**100,0**	**0,0**
SA Vivium (1)	Insurance	Rue Royale, 153 1210 BRUXELLES	404.500.094	**-**	**-**	**100,0**	**0,0**

(1) The merger by acquisition, following the dissolution without liquidation of Vivium, by transferring the total assets and liabilities to P&V Assurances, has been approved during the Extraordinary General Meetings on the 30th of December 2015 with the only shareholder of Vivium, which is P&V. The merger will take place on the 1st of January 2016.

(2) Subsidiary of P&V Assurances.

(3) The transfer of all the assets and liabilities of P&V Caisse Commune to P&V Assurances as well as the dissolution and liquidation of P&V Caisse Commune has been approved during the Extraordinary General Meetings of 12 November and 9 December 2015 by the subsidiaries of P&V Caisse Commune. The dissolution tock place during the 2nd trimester of 2016.

During 2016, P&V Assurances proceded to several modifications within the group.

The most important modifications were:

- The merger by acquisition of the company Vivium SA by P&V Assurances SCRL: having already 100% of Vivium SA in its group at the end of 2015, the merger did not have any impact on the consolidated financial statements of 2016.

- Liquidation of Caisse Commune, which has been undertake in several steps.
  The first step was the sale of the global activity to P&V Assurances SCRL: this operation only had a transfer effect between the non-controlling interest and shares of the group in the group equity. The second step relates to the transfer of reserves for an gross amount of EUR 32.2 million to the company Prévidis. The actual liquidation took place during the second trimester of 2016.

- P&V Assurances also announced its intention to proceed to the absorption of the activities of its subsidiary ARCES SA. The legal effective date of the absorption is the 1st of January 2017.

In accordance with IFRS 12.12, P&V Assurances is obliged to disclose the relevant financial information for each subsidiary in which it has significant minority interests.

In 2015, the only entity concerned was P&V Caisse Commune. Since the liquidation of P&V Caisse Commune in 2016, P&V Group does not have any subsidiary in which it holds significant non-controlling interest requiring the application of this standard.

Associates and joint ventures

Associates are companies in which P&V Group has a significant influence. A significant influence means it has the power to participate in financial et operational decisions of the firm, without having control or joint control over the entity. A joint venture is a partnership in which parties have joint control over an operation and have rights on the net assets of this operation.

The equity shares of P&V Group in its associates or joint venture will be accounted for using the equity method..

				2016		2015	
Name	**Activity**	**Registered office**	**VAT N° or National N°**	**Group share (%)**	**Third party interests (%)**	**Group share (%)**	**Third party interests (%)**
SA Euresa Holding (1)	Holding	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	-	-	-	**25.0**	**0.0**
SA Ima Benelux	Other	Square des Conduites d'Eau, Bat.11/12 4020 LIEGE	474,851,226	**50.0**	**0.0**	**50.0**	**0.0**
SCRL Multipar (2)	Other	Marie Curie Square, 30 1070 BRUXELLES	401,985,519	**49.5**	**0.1**	**46.1**	**0.1**
SCRL Multipharma Group	Other	Marie Curie Square, 30 1070 BRUXELLES	401,995,516	**49.8**	**0.3**	**49.0**	**0.3**
SC Société Générale Coopérative (1)	Other	Marie Curie Square, 30 1070 BRUXELLES	403,384,990	-	-	**75.8**	**0.1**

(1) Out of consolidation scope (liquidated)

(2) Multipharma's legal name has changed to "Multipar" with the reorganisation of Multipharma Group.

In accordance with IFRS 11, the company IMA Benelux, in which P&V Group holds 50%, is a joint venture that has to be consolidated using the equity method. Indeed, IMA Benelux is a partnership in which parties who have joint control on the operation have rights on the net assets.

During 2016, the companies Euresa Holding and Société Générale Coopérative left the scope of consolidation following their liquidation.

An analysis carried out during the period has confirmed the relevance of using the equity method for consolidation for SCRL Multipar and SCRL Multipharma Group.

In accordance with IFRS 12.21 (b), the table below discloses relevant financial information in a condensed way for each significant associate and/or joint venture of P&V Group.

	Ima Benelux SA		SCRL Multipar		Others	
Financial information in IFRS (in thousands €)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
% held by the group	**50.00%**	**50.00%**	**49.50%**	**46.05%**	-	-
Value from equity method	1,318	1,227	92,598	79,993	(175)	(144)
Received dividends	-	-	124	-	-	-
Overview balance sheet	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial instruments	-	-	11,163	10,511	3,592	5,431
Other assets	4,037	3,842	340,104	314,637	543	772
Other liabilities	1,400	1,388	164,683	144,393	898	1,033
Equity	**2,637**	**2,454**	**186,584**	**180,756**	**3,237**	**5,171**
Overview comprehensive income	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Other income	7,248	6,920	465,931	454,079	326	200
Value adjustments of financial investments	-	-	-	-	(2)	-
Other expenses	(6,929)	(6,385)	(454,551)	(434,666)	(166)	(103)
Income before taxe	**320**	**535**	**11,380**	**19,413**	**158**	**97**
Taxes on income	(137)	(205)	(4,902)	(7,367)	(34)	(24)
Net income	**182**	**330**	**6,478**	**12,047**	**124**	**73**
Other comprehensive income	-	-	(2,234)	(2,432)	-	-
Total comprehensive income	**182**	**330**	**4,244**	**9,615**	**124**	**73**

V.B Related parties

The following table discloses a list of related parties to P&V Group. This list does not take into account the consolidated subsidiaries of P&V Group. The entities in the list are related to P&V Group because they are the parent company (UP), associates (ASS) or joint ventures (JV) of the same group, as well as the main executives of P&V (MC).

				2016	2015	2014
Name	**Related party**	**Country**	**Main business transactions**	**% of equity shares**		
SCRL PSH	UPC	Belgium	Ultimate parent company	Ultimate parent	Ultimate parent	Ultimate parent
Multipar	ASS	Belgium	Promote, organize and complete production, purchase and sale of pharmaceutical products as well as establishing and operating all the shops linked to medical products.	49.50%	46.05%	46.05%
Multipharma Group	ASS	Belgium	All financial transactions in securities and real estate, which are related to pharmacies	49.79%	48.97%	48.95%
Euresa Holding	ASS	Belgium	Investment in equities and management, monitoring and enhancement of these investments.	-	25.00%	25.00%
Ima Benelux	JV	Belgium	All travel assistance or coverage at home, and any analysis and advice directly or indirectly related to the above areas.	50.00%	50.00%	50.00%
Société Générale Coopérative	ASS	Belgium	All financial transactions in securities and real estate, excluding those subject to legal restrictions.	-	75.83%	67.68%
Member of Executive Committee	MC		See list below	-	-	-

See below for the list of executive directors:

			2016	2015
Name	Country of residence	Status	Changes in mandates	
Hilde Vernaillen	Belgium	President of Executive Committee and Administrator		
Francis Colaris	Belgium	Member of Executive Committee and Administrator		
Martine Magnée	Belgium	Member of Executive Committee and Administrator		
Marc Beaujean	Belgium	Member of Executive Committee and Administrator		
Isabelle Coune	Belgium	Member of Executive Committee and Administrator		
Philippe De Longueville	Belgium	Member of Executive Committee and Administrator		

The Board of Directors did not face any operation or decision that required application of rules regarding conflicts of interest.

Transactions with related parties

Transactions between related parties are done at market price. During 2016, P&V Group did not establish any provision for doubtful accounts regarding the receivables of related parties. The examination of the financial positions of the related parties and the market in which they operate is carried out at each closing.

The table below discloses the transactions that have occurred during the period with related parties.

In thousands €	2016	2015
Ultimate parent (UM)	-	63
Total receivables from related parties	**-**	**63**
Associates company and joint venture (ASS & JV)	-	
Total payables to related parties	**-**	

In thousands €	*Notes*	2016		2015	
		Accrued interest	Residual amount	Accrued interest	Residual amount
Ultimate parent (UM)		-	-	-	-
Associates company and joint venture (ASS & JV)	*(1)*	(648)	-	(776)	(8,500)
Total loans to related parties		**(648)**	**-**	**(776)**	**(8,500)**

‘(1) Following the withdrawal of Multipharma and Société Générale Coopérative in the capital of S.C.R.L. PSH and the liquidation of Société Générale Coopérative, the loans of P&V have been reimbursed entirely during the 4th trimester of 2016.

Compensations to related parties: Executive committee

The table below discloses the amounts of all sorts of remunerations allocated by P&V Group to the members of the Executive Committee.

In thousands €	2016	2015
Short-term employment benefits	1,942	2,005
Post-employment pension benefits	799	829
Total compensation of key management personnel	**2,741**	**2,834**

Short term benefits include the amounts of remunerations paid to members of the Executive Committee.

Post-employment benefits correspond to the cumulated amounts in provisions that are used for pension payments of the Executive Committee.

Compensation to related parties: auditors

(Amount before VAT)

In thousands €	2016	2015
Fees for statutory audit and certification of local and consolidated financial statements	**452**	**614**
Other certification services	161	406
Other fees for non-audit services	-	539
Fees for exceptional services or special engagements performed within the company by the statutory auditor	**161**	**946**
Other fees for non-audit services	-	-
Fees for exceptional services or special engagements performed within the company by other parties related to the auditor	**-**	**-**
Total remuneration	**613**	**1,560**

P&V Group has been audited by “Kleynveld Peat Marwick Goerdeler (KPMG) Bedrijfsrevisoren cvba / Réviseurs d’Entreprises scrl”. KPMG is represented by Mr. Karel Tanghe.

V.C Valuation at market value

P&V Group provides the necessary information needed to evaluate the assets and liabilities in the consolidated balance sheet that are valued at market value:

In thousands €	*Valuation date*	2016	2015	*Fair value hierarchy*
Assets at market value				
Investment property	*31/12/2016*	167,666	194,413	*Level 3*
Financial instruments	*31/12/2016*	17,362,885	16,220,745	*Note "financial instruments"*
Assets held for sale	*31/12/2016*	399,789	431,555	*Level 3*
Liabilities at market value				
Financial liabilities	*31/12/2016*	(103,973)	(94,369)	*Note "financial instruments"*
Liabilities held for sale	*31/12/2016*	390,388	426,715	*Level 3*

V.D Goodwill

In thousands €	2016	2015
Acquisition value		
At 1 January	432,281	432,281
Change during the period	(385)	-
At 31 December	431,896	432,281
Cumulated impairment losses		
At 1 January	(432,281)	(432,281)
Change during the period	385	-
At 31 December	(431,896)	(432,281)
Carrying amount at closing	-	-

Goodwill is recognised at the acquisition date and corresponds to the difference between the purchase price and the consideration transferred. The latter one comprises assets and liabilities at fair value and the equity share of the purchased business or business combination. In 2016, none of these has been acquired. The decrease of the value acquired is due to the derecognition of historical goodwill, which is entirely depreciated following the liquidation of Société Générale Coopérative.

V.E Intangible assets

The intangible assets of P&V Group mainly consist of "external software purchased" and "internal IT developments" that are recognised by the IFRS standards.

In thousands €	2016	2015
External software purchased	**6,073**	**5,298**
Internal IT developments	**25,529**	**11,796**
Net carrying amount at closing	**31,602**	**17,094**

The changes for the accounting year 2016 are disclosed below:

In thousands €	2016	2015
Gross carrying amount		
Opening balance	**39,115**	**28,862**
Investments	17,581	10,323
Transfer to other assets	1,036	(70)
Effect of consolidation	-	-
Closing balance	**57,731**	**39,115**
Depreciation and cumulated impairment losses		
Opening balance	**(22,021)**	**(21,001)**
Depreciation and impairment losses	(3,073)	(1,055)
Transfer to other assets	(1,036)	34
Effect of consolidation	-	-
Closing balance	**(26,130)**	**(22,021)**
Net carrying amount at closing	**31,602**	**17,094**

The intangible assets have a definite useful live and are depreciated as followed:

- External software purchased: 5 years;
- Internal IT developed: 10 years.

The main changes regarding the intangible assets are the following:

- Implementation of projects regarding a new platform used for management of non-life claims valued at EUR 4.7 million, inbound/outbound digitalisation valued at EUR 2.5 million, NLBT (Non Life Business Transformation) valued at EUR 8 million and LBT (Life Business Transformation) valued at EUR 0.1 million;
- New license acquisition for EUR 2.3 million;
- Allocation of depreciation on IT licenses for EUR 1.6 million.

Acquisitions during the accounting period

The value of internally generated intangible assets during the accounting period of 2016 amounts to EUR 15.3 million. These intangible assets have a definite useful life (Claims 2.0 and inbound/outbound digitalisation) and some of them have already been used during 2016. Furthermore, new licenses have been acquired for an amount of EUR 2.3 million.

V.F Tangible assets

In thousands €		2016	
	Buildings	Others	Total
Net carrying amount on 1 January 2016	**88,213**	**5,265**	**93,478**
Gross carrying amount			
Opening balance	**148,841**	**27,520**	**176,361**
Investments	1,843	1,107	**2,950**
Sales to third parties	(1,080)	(628)	**(1,709)**
Effect of consolidation	-	-	**-**
Transfer to other assets	-	(34)	**(34)**
Closing balance	**149,603**	**27,965**	**177,568**
Depreciation and cumulated impairment losses			
Opening balance	**(60,628)**	**(22,256)**	**(82,883)**
Impairment losses	(6,138)	(743)	**(6,881)**
Reversal of impairment losses	470	435	**905**
Effect of consolidation	-		
Transfer to other assets	-	34	**34**
Closing balance	**(66,296)**	**(22,530)**	**(88,826)**
Net carrying amount at closing 31 December 2016	**83,308**	**5,435**	**88,742**

In thousands €		2015	
	Buildings	Others	Total
Net carrying amount on 1 January 2015	**92,302**	**6,346**	**98,648**
	5		
Gross carrying amount			
Opening balance	**147,881**	**28,292**	**176,173**
Investments	1,052	1,704	**2,755**
Sales to third parties	-	(2,584)	**(2,584)**
Transfer to other assets	(92)	108	**17**
Closing balance	**148,841**	**27,520**	**176,361**
Depreciation and cumulated impairment losses			
Opening balance	**(55,579)**	**(21,947)**	**(77,525)**
Impairment losses	(5,006)	(2,306)	**(7,312)**
Reversal of impairment losses	311	2,254	**2,565**
Transfer to other assets	(353)	(258)	**(611)**
Closing balance	**(60,628)**	**(22,256)**	**(82,883)**
Net carrying amount at closing 31 December 2015	**88,213**	**5,265**	**93,478**

V.F.1 Buildings

In thousands €	2016		2015	
	Carrying Amount	Market Value (Level 3)	Carrying Amount	Market Value (Level 3)
Buildings	83,308	108,303	88,213	108,402

As at 31 of December 2016, the net book value of the buildings in use amounts to EUR 83.3 million compared to EUR 88.2 million on the 31 of December 2015, corresponding to a decrease of EUR 4.9 million.

The gross book value of the buildings in use went up from EUR 148.8 million in 2015 to EUR 149.6 million in 2016, for an increase of EUR 0.8 million.

The fair value must integrate the existing lease contracts, the expected cash flows as well as the reasonable assumptions made regarding the potential lease revenues and associated costs.

The tangible assets of P&V Group will be revalued at least once every five years.

The buildings in use are subject to revaluation if the expert valuation is lower than the book value in the IFRS balance sheet.

Amortisation of buildings

The buildings in use are depreciated following the component-based method. This approach implies that significant parts of a tangible asset, that are recognised as a single asset, may have different useful lives or may produce economic benefits at a different pace than the asset as a whole. A component of a tangible asset is defined as such when the cost of the component is material compared to the total cost of the asset.

When the different components have been identified, the next step consists of establishing the useful lives of the components as well as the depreciation methods to be used and computing the residual values of the components. The assets are booked and depreciated separately according to their different useful lives.

P&V Group splits all their owner-occupied buildings into 4 components, which have the following useful lives:

- Land;
- Structural Work – from 30 to 40 years;
- Special techniques – from 15 to 20 years;
- Completion – 10 years.

The accumulated depreciation amounts to EUR 66.3 million at the end of 2016, compared to EUR 60.6 million at the end of 2015. The means there has been an increase of EUR 5.7 million, which can mainly be explained by the depreciations of 2016.

V.F.2 Others

The other tangible assets include IT equipment, car equipment, desk equipment such as furniture as well as kitchen equipment and security equipment. These tangible assets are treated on a conservatively estimated useful life and follow depreciation rules in respect with the IFRS standards.

Others tangible assets	Estimated lifetime
IT hardware	3 to 10 years
Cars	5 years
Office equipments	10 years
Equipments and tools	5 to 10 years

The net book value of the other "tangible assets" amounts to EUR 5.44 million on the 31st of December 2016. This value was EUR 5.27 million on the 31st of December 2015 and, thus, there is an increase of EUR 0.2 million due to:

- Investments during the 2016 accounting period for an amount of EUR 3.0 million;
- Depreciation for an amount of EUR -2.8 million.

V.G Investment properties

In thousands €	2016	2015
Opening balance	**194,413**	**219,574**
Investments	5,579	2,741
Revaluation at fair value (gain)	2,614	2,984
Revaluation at fair value (loss)	(655)	(18,263)
Transfer to other assets	(31,521)	(255)
Sales to third parties	(2,763)	(12,368)
Closing balance	**167,666**	**194,413**

The value of the investment properties amounts to EUR 167.7 million of the 31st of December 2016. There has been a decrease of EUR 26.7 million as the value of investment properties amounted to 194.4 million on the 31st of December of 2015.

This decrease is due to:

- The derecognition of the Cours Saint Michel building for an amount of EUR 24.2 million after a long-term lease agreement (emphyteusis);
- Three buildings were subject to a sale agreement in 2016 and have been reclassified as assets available for sale;
- Revaluation at fair value leading to a net position of EUR +1.9 million as 4 buildings have been revalued for an amount of EUR 2.6 million and impairments have been booked for two buildings for EUR -0.7 million.

Revaluation at fair value

Since 2016, investment property is subject to a revaluation every 5 years, compared to every 3 years in the past. Investment property which is measured at fair value is systematically revalued depending on the results of the expertise (upwards or downwards). Now that expertise is proceeded every 5 years, the amount of investment property which is subject to revaluation has decreased, reducing the net impact of revaluation from EUR -15.3 million in 2015 to EUR +1.9 million in 2016.

In accordance with IFRS 13 and IAS 40, the capitalisation of the rental value is used as valuation method. According to this method, the market value is based on the annual rental value of the rentable area. This market value is capitalised using a discount rate. The return is based on the market growth, the condition of the property as well as the following elements:

- Market reports: supply and demand for similar properties, the evolution of the rates of return, the inflation forecast, the interest rates and their forecast, etc.
- Location: the neighborhood of the property, access to the public transport, parking possibilities, etc.
- The property: rental and occupancy charges, construction type and finishing of the property, the state of repair, etc.

As the input used for these assets are non-observable data, these will be classified as level 3 in the fair value hierarchy.

V.H Financial instruments

P&V Group classifies its financial assets according to IAS 39. These assets can be classified as financial assets at fair value through profit and loss, financial assets held-to-maturity, loans and receivables or assets available for sale.

P&V Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the asset has been acquired.

Loans and receivables are non-derivative financial assets with specified maturities that are not quoted on an active market and are (i) assets that have been acquired without any intention to sell them in the short term or (ii) assets for which the acquirer could not claw back the entire investment, or at least substantially, for other reasons than credit deterioration, which have been classified as available for sale.

Financial assets held-to-maturity include assets with fixed or determinable revenues and fixed maturities that P&V Group intends to hold to maturity. These assets are recognised at amortised cost under the effective interest method. The amount at which a financial asset has been recognised initially minus principal reimbursements and reduced or increased by accumulated depreciation of any difference between the initial amount and the amount at maturity.

Financial assets available for sale are non-derivative assets that are classified as being available for sale which are not loans and receivables, assets held-to-maturity or financial assets at fair value through profit and loss.

Financial liabilities[1] are mainly composed of derivatives with a negative fair value and debt on repo operations. Nevertheless, since 31/12/2015, P&V Group does not have any debt associated with repo operations anymore.

Subsequent valuation of financial instruments depends on their classification.

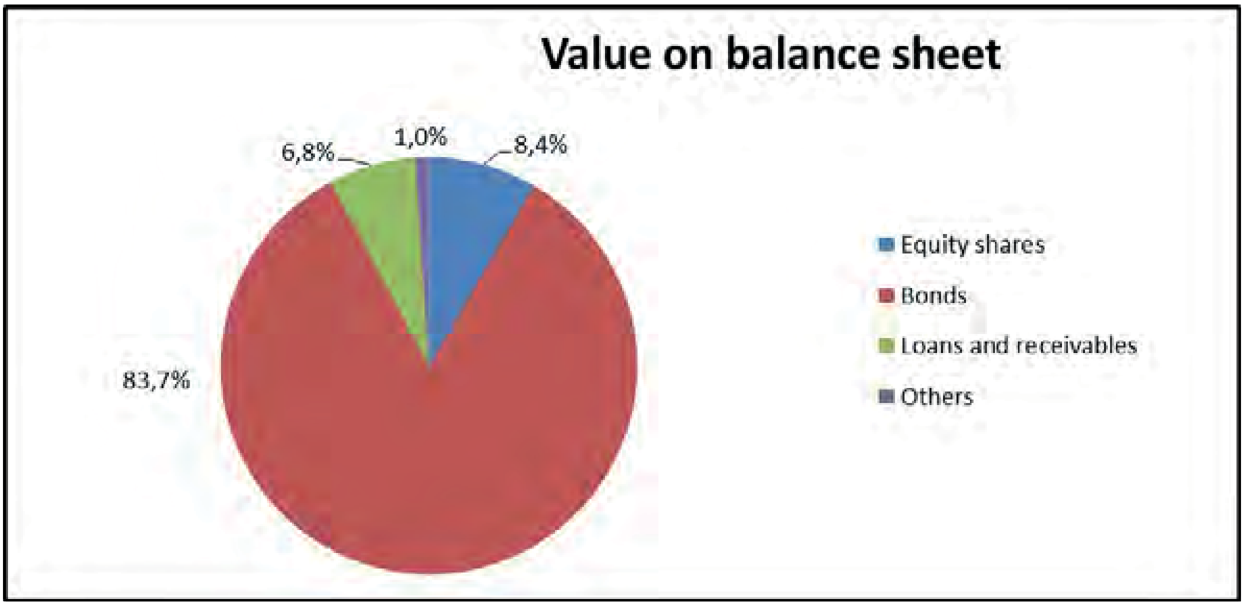
The financial instruments (assets and liabilities) are subdivided into the following categories:

In thousands €	2016	2015
Available for sale	15,897,825	15,142,803
Fair value through profit and loss	-	-
Held-to-maturity	5,817	-
Loans and receivables	1,175,976	854,643
Derivatives*	283,266	223,299
Total financial instruments in assets of the balance sheet	**17,362,885**	**16,220,745**
Short-term liabilities (repos)	-	-
Other financial liabilities	-	1
Derivatives	103,970	94,368
Total financial liabilities	**103,970**	**94,369**
Total financial instruments (assets and liabilities)	**17,258,915**	**16,126,376**

*The amount of derivatives in financial liabilities (EUR 103,97 Mio) doesn't include bank accounts w ith negative balances

The derivatives are recognised at fair value through profit and loss except from the hedging derivatives which are recognised at fair value through other comprehensive income via a cash flow hedge reserve, a distinctive component of the other comprehensive income.

The breakdown of financial assets is disclosed in the pie chart below:



[1] The financial liability is presented in the section related to liabilities III.R

In 2016, the net amount of financial assets (assets and liabilities) amounts to EUR 17.2 billion. This constitutes an increase of EUR 1.1 billion from 2015 to 2016, representing 89.9% of the total assets, compared to 89.1% in 2015.

The financial assets available for sale have increased from EUR 15.1 billion in 2015 to EUR 15.9 billion in 2016. Loans and receivables have also increased in 2016 to EUR 1,176.0 million, which is EUR 321.3 million higher than in 2015. The net amount of derivatives amounts to EUR 128.9 million in 2016 compared to EUR 179.3 million in 2015, which represents an increase of EUR 50.4 million.

The increase in financial assets available for sale can be partially explained by a decrease in interest rates during 2016 and a good performance of the stock markets.

The increase of loans and receivables is due to the increase of mortgage loans, while the increase in derivatives can be explained by the increase of the valuations, in particular the forward contracts on interest swaps and forward contracts on bonds due to a decrease in interest rates. This increase has been partially balanced by the decrease in valuation of hedging contracts on dollars (the currency has increased during the accounting period) (see note III.H.7 2nd table).

The exposure of financial instruments of P&V Group in different currencies is disclosed in the following table:

In thousands €	2016	2015
EUR	16,361,291	15,272,373
USD	894,356	849,364
CHF	1,853	1,724
CAD	1,409	1,320
Others	5	1,596
Total currency exposure of financial instruments (without currency hedges)	**17,258,915**	**16,126,376**

The exposure to US dollar has slightly increased during 2016 following the purchase of American corporate bonds. Nevertheless, this exposure has been hedged throughout the entire accounting period.

Taking into account hedge, the financial intruments of the P&V Group (both Assets and liabilities) are covered for 99.97% in euros, with regards to foreign exchange risk.

V.H.1 Valuation

The asset available for sale which are recognised at fair value through profit and loss are valued at their fair value. However, the financial assets held-to-maturity and the loans & receivables are valued at amortised cost.

The fair value corresponds to the price received or paid for an asset within a transaction between market participants at a valuation date.

The fair value measurement assumes that the transaction occurs on the principal market where the asset is traded. This market corresponds to the one where the biggest volume[2] of the asset is traded (IFRS 13)

IFRS 13 does not impose the use of a specific method regarding fair value measurement but favours valorisation techniques based on observable and pertinent data, minimizing the use of non-observable input. Fair value measurement can be ranked into three different levels regarding data used for measurement:

- **Level 1**: input includes quoted (not adjusted) prices on an active market, accessible at valuation date by the entity, for assets and liabilities;
- **Level 2**: input includes directly or indirectly observable prices for assets and liabilities which are not included in level 1 input.
- **Level 3**: input on assets and liabilities are those that are based on non-observable data.

When an active market exists, the market price will be used to determine the fair value of an asset or liability. Indeed, a quoted price on an active market (e.g. stock market) is the most reliable price that can be found to determine the fair value of a financial instrument. In this case, the bid price will be used.

However, in the absence of an active market, other valuation techniques will be used. In this case, the most appropriate valuation technique for which sufficient data is available will be used considering the different circumstances.

[2] In the absence of a principal market, the transaction is supposed to occur on the most advantageous market. This corresponds to the market that maximises the amount received for the sale of the asset or minimises the payable amount for the transfer of a liability.

V.H.2 Hierarchy of fair values

The distribution between the different fair value levels[3], as defined by IFRS 13, for P&V Group is the following:

In thousands €	2016				
	At cost	Level 1	Level 2	Level 3	Total
Available for sale	-	14,909,290	370,342	618,194	15,897,825
Fair value through profit and loss	-	-	-	-	-
Held-to-maturity	5,817				5,817
Loans and receivables	1,175,976	-	-	-	1,175,976
Short-term liabilities (repos)	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Derivatives*	-	-	179,296	-	179,296
Total	**1,181,794**	**14,909,290**	**549,638**	**618,194**	**17,258,915**

* The amount of derivatives (EUR 179,30 Mio) doesn't include bank accounts w ith negative balances

In thousands €	2015				
	At cost	Level 1	Level 2	Level 3	Total
Available for sale	-	14,243,382	349,121	550,300	15,142,803
Fair value through profit and loss	-	-	-	-	-
Held-to-maturity					
Loans and receivables	854,643	-	-	-	854,643
Short-term liabilities (repos)	-	-	-	-	-
Other financial liabilities	(1)	-	-	-	(1)
Derivatives*	-	-	128,932	-	128,932
Total	**854,642**	**14,243,382**	**478,053**	**550,300**	**16,126,376**

The table provides us with a detailed overview of the valuation techniques used for each type of financial instruments as well as the input used to assess the fair value.

[3] For the loans and receivables of 2016, see note III.H.6.

Classification	Financial instruments	Measurement	Fair value level	Valuation model	Data	Fair value 2016	Fair value 2015
Available for sale	**Shares (funds excl.)**					**764,905**	**701,051**
	Listed shares	Fair value	1	Market value	Bid price	752,643	678,223
	Unlisted shares	Fair value	3	Techniques based on balance sheet data : revaluation of net assets, equity, amount of paid-up capital	Financial statements	12,260	22,826
	Warrants - strips	Fair value	3	Market value	Bid price	1	2
	Investment funds*					**563,534**	**491,351**
	Funds (regular NAV)	Fair value	1	Asset value determined by the fund	Asset value	232,150	220,911
	Funds (irregular NAV)	Fair value	3	Asset value determined by the fund	Asset value	323,924	261,902
	Funds (without NAV)	Fair value	3	Present value of future cash flows	Estimated cash flows, discount rate from similar assets in terms of risk	3,257	3,203
	Private equity	Fair value	3	Asset value determined by the fund	Asset value	4,203	5,335
	Equity shares	Fair value	3	Several techniques used : equity (with possible illiquidity discount), dividend discount model, acquisition value, recent transaction	Financial statements, illiquidity discount	**124,481**	**122,875**
	Bonds (funds excluded)					**14,444,905**	**13,827,526**
	Listed bonds (active market)	Fair value	1	Market value	Bid price	13,924,497	13,344,248
	Listed bonds (inactive market)	Fair value	2	Market value	Bid price	370,342	349,121
	Unlisted bonds	Fair value	3	Present value of future cash flows or data from external valuers	Estimated future cash flows and discount rate from asset with similar risk	150,067	134,157
Fair value through profit and loss		Fair value	1	Bid price	Bid price	-	-
Held-to-maturity	**Bonds**						
	Unlisted bonds	At cost	NA	Amortised cost		**5,817**	-
Loans and receivables		At cost	NA	Amortised cost		**1,175,976**	**854,643**
Short-term debt (repos)		At cost	NA	Amortised cost		-	-
Other financial debt		At cost	NA	Amortised cost		-	(1)
Derivatives	**Swaps (IRS)**	Fair value	2	External valuation model	Market data	**23,553**	**24,889**
	Forward Swaps	Fair value	2	External valuation model	Market data	**26,927**	**(48,179)**
	Swaptions	Fair value	2	External valuation model	Market data	**1,326**	**2,821**
	Options	Fair value	2	External valuation model	Market data	**(2)**	-
	Bond Forwards	Fair value	2	External valuation model	Market data	**165,387**	**154,695**
	Currency Forwards	Fair value	2	External valuation model	Market data	**(152)**	-
	Currency Swaps	Fair value	2	External valuation model	Market data	**(37,744)**	**(5,294)**
TOTAL						**17,258,915**	**16,126,376**

* The FLEMALLE GRANDE (CIM) VP and LAK VMM GENT shares are included in investment funds (EUR 3,26 million).

Level 1

The financial instruments of level 1 are those which are traded on an active market, meaning they are traded at a sufficient frequency and volume in such a way that the market provides us with continuous price information on the assets or liabilities.

Assets and liabilities that fall into this category are:

- **Listed stocks** held by P&V Group that are traded in major European stock exchanges. These stocks are valued at their stock price (“bid” price);
- **Investment funds** publishing a Net Asset Value (NAV) on a periodic basis and on which transactions are based. Valuation is based on the NAV published;
- **Bonds** for which a sufficient number of market providers publish quotations with a relatively small bid/ask spread, on a regular basis. These bonds are valued by using the bid prices published by market providers, which are selected by P&V Group.

Level 2

The financial instruments of level 2 are those not traded on an active market, but for which it is possible to obtain observable data in the markets, which will be used for fair value valuation.

Assets and liabilities that fall into this category are:

- **Bonds listed on a non-active market**, for which there are not enough market providers and/or brokers, and the bid/ask spread is higher. Valuation is based on the bid price provided by the market provider selected by P&V Group.
- **Derivatives** which are valued by an external valuation service.

Level 3

The financial assets of level 3 are not quoted on an active market and the valuations are based on techniques using, at least substantially, non-observable data.

Assets and liabilities that fall into this category are:

- **Non listed stocks** held by P&V Group, which are not traded on an active market. The valuation methods for these assets rely primarily on the balance sheet data; these various approaches could be based on the revaluation of net assets, the amount of equity or the paid-up capital;
- **Investments funds** for which no Net Asset Value (NAV) is published on a regular basis. For these funds, the period between publication of the NAV and reporting date may be long. This implies that the NAV cannot be considered observable on the reporting date. These investment funds are valued based on the NAV published by the investment funds;
- **Investment funds** for which no Net Asset Value (NAV) is published. In this case, internal valuation models will be used (discounted future cash flows);
- **Private equity funds** for which no Net Asset Value (NAV) is published on a regular basis. These assets are not considered as tradable on active markets. The valuation is based on the NAV published by the funds.;

- **Non listed bonds** which are not valued by any of the market providers. Some of these bonds are valued using internal models based on discounted future cash flows, using discount rates of comparable assets in terms of risk. Other bonds in this group are priced based on external valuations;
- **Non-consolidated equity shares** for which there is no observable market price. These assets are priced with internal valuation models based on balance sheet data. The following pricing techniques are applied: use of the company's own equity (less any haircut for liquidity risk), the discounting of the expected cash flows from dividends, the use of acquisition value or reference values of recent transactions;

Transfers between levels

Below table discloses the movements that occurred in 2016 between level 2 and level 3.

In thousands €		Level 2	Level 3
Opening balance		**478.053**	**550.300**
Transfer from level 1 to level 2		3.213 -	
Transfer from level 2 to level 1		(76.116) -	
Transfer from level 2 to level 3		(1.293)	1.293
Investments		81.997	105.780
Sales	-		(23.048)
Reimbursement		(5.203)	(14.997)
Change in fair value		68.986	(1.133)
Closing balance		**549.638**	**618.194**

The increase of the amount in level 2 can be explained by the acquisition of assets that fall in this category. Furthermore, valuation of assets of this category has increased for an amount of EUR 69 million during the period.

The increase of the amount in level 3 is also largely due to acquisition of unlisted investment products (most of these acquisitions are investment funds).

V.H.3 Assets available for sale and held-to-maturity

Financial assets available for sale held by P&V Group are variable-income securities (9.1%) and bonds[4] (90.9%). In 2015, the percentages were respectively 8.66% and 91.34%.

In thousands €		Market value	Acquisition value	Amortised cost	Impairment loss	OCI
Shares, equity shares and SICAV funds	Unlisted	464,863	471,262	342,802	(128,469)	122,061
Shares, equity shares and SICAV funds	Listed	984,794	1,060,578	675,148	(384,304)	309,646
Total shares		**1,449,657**	**1,531,841**	**1,017,950**	**(512,773)**	**431,707**
Bonds	Corporate	3,975,026	3,695,136	3,717,653	(15,057)	257,373
Bonds	Government	10,478,960	8,096,748	8,243,519	-	2,235,441
Total bonds		**14,453,985**	**11,791,884**	**11,961,171**	**(15,057)**	**2,492,814**
Total		**15,903,643**	**13,323,725**	**12,979,122**	**(527,830)**	**2,924,521**

[4] In the table, market value of bonds takes into account accrued interest not yet due for an amount of EUR 242.7 million.

The financial assets available for sale include equity and debt instruments. Equity instruments classified as available for sale are those which are not classified as asset held for trading or booked at fair value through profit and loss. The debt instruments classified as available for sale are those which the entity is planning to hold during an undetermined period and which could be sold when liquidity needs occur or when market conditions change.

After initial recognition, financial assets available for sale are valued at fair value through other comprehensive income (OCI).

The amortised cost column takes into account other elements such as the currency change.

In the profit and loss statement, the impact of “IFRS impairments” amounts to EUR 22.8 million for P&V Group for 2016.

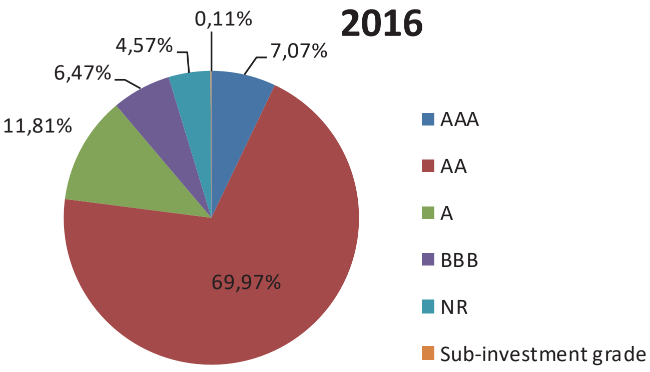
Bond portfolio

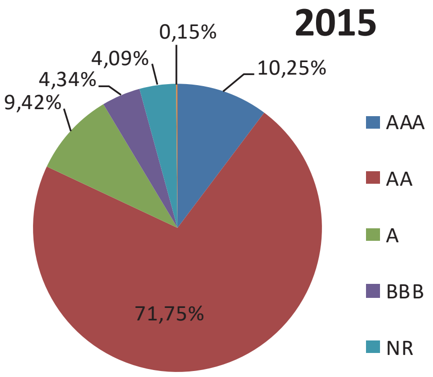
Rating agencies issue ratings to bonds, informing investors on the credit risk linked to the issuer of the bond. The rating is issued for the entire life of the bond, but changes may occur in credit ratings. A bond rating can be upgraded or downgraded.

P&V Group authorises an maximum investment of 5% in bonds without credit ratings. This is applied on the individual level as well as the consolidated level.

The table below discloses the distribution of bonds, owned by P&V Group, according to their rating:

In thousands €	2016		2015	
AAA	1,022,170	7.07%	1,417,541	10.25%
AA	10,113,731	69.97%	9,923,197	71.75%
A	1,706,434	11.81%	1,303,372	9.42%
BBB	935,606	6.47%	599,772	4.34%
Credit rating	**13,777,940**	**95.32%**	**13,243,882**	**95.76%**
Sub-investment grade	15,350	0.11%	21,360	0.15%
NR	660,695	4.57%	565,490	4.09%
Total	**14,453,985**	**100.00%**	**13,830,732**	**100.00%**





The following tables disclose the maturities and type of instruments that are included in the bond portfolio of the group:

In thousands €	2016					
	1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Financial instruments with fixed rates	-	18,780	221,280	2,659,862	11,199,269	14,099,191
Financial instruments with variable rates	-	17,053	-	78,828	38,280	134,161
Non interest bearing financial instruments	22,496	11,994	23,136	4,328	158,679	220,634
TOTAL	**22,496**	**47,828**	**244,416**	**2,743,018**	**11,396,227**	**14,453,985**

In thousands €	2015					
	1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Financial instruments with fixed	34,134	36,541	126,915	2,166,880	11,145,185	13,509,654
Financial instruments with variable rates	-	-	-	69,966	22,008	91,974
Non interest bearing financial instruments	14,997	-	64,064	-	150,043	229,104
TOTAL	**49,131**	**36,541**	**190,979**	**2,236,846**	**11,317,235**	**13,830,732**

In 2016, financial instruments with maturities higher than 5 years amount to EUR 3.3 billion for instruments with a maturity between 5 and 10 years, to EUR 2.3 billion for instruments with a maturity between 10 and 15 years, to EUR 3.4 billion for instruments with a maturity between 15 and 20 years and EUR 2.4 billion for instruments with a maturity higher than 20 years.

- ***Sensitivity analysis***

The table below discloses the sensitivity of the profit and loss and equity elements of P&V Group after simulating changes in interest rates applied to the portfolio. The estimations are based on the “modified duration” of bonds, without taking into account the effects of shadow accounting which would have mitigated the impact on equity.

Bonds (In thousands €)	Impact on profit and loss	Impact on equity
Interest rate + 100bp	-	(1,345,918)
Interest rate + 50bp	-	(672,959)
Spreads + 100bp	-	(203,762)
Spreads + 50bp	-	(101,881)

The first two scenarios simulate a parallel increase of the interest rate curve by 50bp and by 100bp, while the two following scenarios only affect the corporate spreads by 50bp and by 100bp.

- ***Government bonds***

The government bonds portfolio is mainly composed of Belgian government bonds (71.9%). The exposure to PIIGS countries only represents 0.07% of the portfolio.

Government bonds (in thousands €)	Market value
Belgium	7,538,583
France	1,790,631
USA	485,062
Germany	298,165
Luxembourg	202,075
Austria	48,695
Netherlands	40,440
Canada	29,043
Ireland	21,267
Poland	17,455
Italy	7,544
Total	**10,478,960**

- ***Corporate bonds***

The corporate bonds portfolio is mainly composed of bonds of European corporations. Diversification has been done by country and industry.

Corporate bonds (in thousands €)	Market value
France	1,249,246
USA	847,952
Belgium	480,445
Netherlands	462,273
Others : Europe	430,003
Great-Britain	201,297
Italy	147,644
Germany	135,822
Others : Non-Europe	20,345
Total	**3,975,026**

The first industry represented in the corporate bond portfolio of P&V Group is the “oil & gas” industry with 14.4%. This represent 3.9% of the outstanding bond portfolio. In 2015, the “oil & gas” industry was also the first one with 3.8% of the outstanding portfolio.

Corporate bonds (in thousands €)	Market value
Oil and gas	570,451
Utilities	440,054
Industrial goods and services	333,796
Health care	248,569
Automotive and parts	236,807
Financial services	216,990
Banking	214,525
Technology	209,550
Telecommunications	204,745
Retail	194,496
Chemical products	171,486
Real estate	169,040
Personal and household goods	126,080
Food and beverages	120,603
Construction & materials	111,281
Others	105,606
Media	103,608
Insurance	77,351
Consumption services	61,017
Travel and leisure	52,550
Consumption goods	5,272
Natural resources	1,149
Total	**3,975,026**

V.H.4 Shares, equity shares and SICAV funds

The “shares, equity shares and SICAV funds” portfolio has mainly investments in France and other European countries.

Shares (in thousands €)	Market value
France	414,151
Belgium	354,767
Luxembourg	346,394
Netherlands	115,836
Others : Europe	83,242
Germany	81,297
Autres : Non Europe	29,932
Italy	24,039
Total	**1,449,657**

The main industry represented in the “shares, participation and SICAV” portfolio are financial services (41.2%). This is explained by a large amount of SICAV funds classified under this section (EUR 534 million from the total EUR 597 million).

Shares (in thousands €)	Market value
Financial services	597,419
Chemical products	122,740
Equity shares portfolio-holding	99,829
Insurance	56,768
Retail	54,458
Household goods	54,077
Oil and gas	53,834
Construction materials	47,484
Industrial goods and services	46,980
Real estate	46,682
Health care	46,188
Technology	43,699
Utilities	38,968
Banking	33,784
Telecommunications	26,650
Automotive and parts	22,392
Food and beverages	12,000
Media	10,604
Participation personal services	7,512
Participation insurance company	7,438
Travel and leisure	6,286
Participation exploitation of tangible assets	4,543
Others	4,059
Participations mortgage loans	3,656
Participation social actions	1,058
Participation distribution and related activities	383
Raw materials	105
Participation management advisory	57
Participation fund management	5
Total	**1,449,657**

- ***Sensitivity analysis***

The table below discloses stress testing on the share portfolio and its impact on the profit and loss statement and on the equity of P&V Group. A decrease of 10%, 20% and 30% of the stock markets have been used for the different scenarios.

Shares (In thousands €)	Impact on profit and loss	Impact on equity
Shares -30%	(164,810)	(270,087)
Shares -20%	(79,104)	(210,827)
Shares -10%	(34,704)	(110,262)

V.H.5 Fair value through profit and loss

These financial assets are booked at fair value with changes in fair value being recognised through profit and loss.

In 2016, P&V Group did not hold any financial asset classified in this category.

V.H.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined maturity that are not quoted on an active market. These investment are initially recognised at their acquisition cost corresponding to the fair value of transaction price. The transaction costs, that are directly attributable to the acquisition of the financial asset, are also recognised in the acquisition cost. After initial recognition, loans and receivables are valued at amortised cost, following the effective interest method, reduced by amortisations.

In thousands €	2016		2015	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
Loans and receivables	791,318	905,616	545,361	635,700
Non current finance leases	72,971	99,879	40,274	72,589
Other loans	311,688	320,490	269,008	277,085
Total other loans and receivables	**1,175,976**	**1,325,984**	**854,643**	**985,375**

The change in loans and receivable is due to an increase in mortgage loans.

V.H.7 Derivative financial instruments

The ISDA/CSA contracts have been completed between P&V Group and the majority of bank counterparties with which P&V Group concluded derivatives. These contracts secure over-the-counter derivative transactions, allowing the application of "netting" of positive and negative fair values in case of default of a counterparty. They also provide margin and deposit calls (collateralisation) for any remaining net exposure.

Derivative financial instruments

	2016			2015		
	Fair value			Fair value		
	Positif	Négatif	**Net**	Positif	Négatif	**Net**
Interest rate swaps	39,678	-18,871	**20,807**	52,426	-30,463	**21,963**
Currency swaps	0	-37,744	**-37,744**	5,057	-4,893	**164**
Swaption	1,326	0	**1,326**	2,821	0	**2,821**
Options on shares	430	-431	**-2**	0	0	**0**
IRS forwards	0	-19,403	**-19,403**	0	-35,491	**-35,491**
IRS forwards - hedging instruments*	46,330	0	**46,330**	0	-12,688	**-12,688**
Bond forward - purchase	187,778	0	**187,778**	127,932	0	**127,932**
Bond forward - sale	869	-23,260	**-22,391**	27,399	-635	**26,763**
Currency forward	0	-152	**-152**	0	0	**0**
Currency swap forward	0	0	**0**	0	-5,459	**-5,459**
Total fair value of derivatives	**276,412**	**-99,862**	**176,550**	**215,635**	**-89,629**	**126,006**
Interest rate swaps - accrued interest	6,854	-4,108	2,746	7,664	-4,739	2,925
Total derivatives	**283,266**	**-103,970**	**179,296**	**223,299**	**-94,368**	**128,931**

** cash flow hedge*

The financial derivatives are valued at fair value through profit and loss, except in case of hedge accounting and when derivatives are not held for trading (except for options on shares). Revaluation of cash flow hedging derivatives is booked in equity.

The table below shows the important movements in the derivative portfolio that have occurred during 2016 (at fair value):

	1 January 2016						31-Dec-16	
	Nominal value	Fair value	Acquisitions	Sale	Maturity	(Re)valuation	Nominal value	Fair value
			(valeur nominale)	(valeur nominale)	(valeur nominale)			
Interest rate swaps	901,000	21,963	0	0	-110,000	-1,156	791,000	20,807
Currency swaps**	721,100	164	4,036,070	0	-3,812,770	-37,909	944,400	-37,744
Swaption	867,010	2,821	0	0	-176,000	-1,495	691,010	1,326
Options on shares	0	0	16,242	-171,109	154,866	-2	0	-2
IRS forwards	200,000	-35,491	0	0	0	16,087	200,000	-19,403
IRS forwards - hedging instruments*	700,000	-12,688	0	0	0	59,018	700,000	46,330
Bond forward - purchase	410,000	127,932	0	0	0	59,846	410,000	187,778
Bond forward - sale	735,000	26,763	0	-505,000	0	-49,154	230,000	-22,391
Currency forward**	0	0	102,980	0	-77,980	-152	25,000	-152
Currency swap forward**	170,300	-5,459	0	0	-170,300	5,459	0	0
	4,704,410	126,006	4,155,292	-676,109	-4,192,184	50,543	3,991,410	176,550

** cash flow hedge*

*** Nominal value in USD*

V.H.7.a Swap (IRS)

In 1999, P&V Group subscribed to swaption contracts with maturities between 2001 and 2009 to partially protect itself against a possible decrease in long term interest rates.

These contracts give right to P&V Group to subscribe to a 10-year swap contract – fixed rate receiver and floating rate payer, floating rate being the 6-months Euribor.

P&V Group exercised this right at each maturity between 2001 and 2009, except for 2005, taking on some short term interest rate risk exposure.

In order to hedge this risk, P&V Group subscribes to a reverse swap at each maturity at which it exercises its rights. This gives P&V the right to receive the short term 6-months Euribor rate for the payment of a fixed interest rate during 10 years.

The global amount received by P&V Group, which relates to the swap and reverse swap contracts, amounts to EUR 18.6 million.

During the 2016 accounting period, four IRS matured, amounting to total nominal value of EUR 110 million.

V.H.7.b Forward Swap (IRS) – hedging instruments

In 2015, P&V Group set up a forward swap portfolio designated as cash flow hedging derivatives for a total nominal amount of EUR 700 million. The goal of these derivatives is to ensure the return of future investments. P&V Group plans to purchase, at maturity of the IRS forward, a fixed rate debt of the same maturity as the IRS. The Group has an investment policy that results in regular bond purchases which meet this condition and, therefore, covers the highly probable future transactions (e.g. purchase of fixed rate bonds). The hedged risk corresponds to the fluctuations of the interest rate at which P&V Group could invest in the future.

The table below discloses the different maturities of the forward swaps.

December 31, 2016

Year	Nominal value
2019	250,000
2020	450,000
	700,000

V.H.7.c Swaption

In 2012, P&V Group established a portfolio of options on swaps in order to hedge an increase of long term interest rates. Option maturities vary between 3 and 8 years and the underlying swap has a duration of 10 years. The nominal amount of the swaptions amounted to EUR 867 million in 2015 compared to EUR 691 in 2016.

Two contracts of a nominal value of EUR 176 million, which matured in 2016, have not been exercised.

V.H.7.d Forward bond

In 2013, the P&V Group established a portfolio of bond forwards. These bonds are French and Belgian government bonds with a 4 to 6-year maturity, with purpose to ensure a minimum return at present.

Since 2014, P&V Group uses bond forwards to hedge itself for a possible increase in interest rates. A forward hedge constitutes a future sale of a bond with a future maturity date against a fixed price. Doing so, P&V Group hedges actual unrealised gains for these underlying bonds, relating to a future accounting period.

The portfolio of short and long bond forwards comprises an important part of the portfolio of derivatives as at the yearend 2016, with EUR 410 million and EUR 230 million respectively.

V.H.7.e Forward bonds – hedging derivatives

A hedging bond forward is defined as a cash flow hedge because the aim of this transaction is to ensure a fixed cash flow at the moment of sale. The forward hedges are considered to be 100% effective, because the future price is already known. The bond forward hedge can been considered as an "all-in-one" hedging instrument. Fair value changes of this derivative are recognised in the cash flow hedge reserve of equity.

P&V Group did not use any forward bonds as hedging instruments anymore in 2016.

V.H.7.f Currency swaps – forward contracts

Since 2015, P&V Group established a portfolio of currency swaps (USD) and forward contracts in order to hedge exchange risk for the exposed US government and corporate bonds, which the Group acquired in 2016. The nominal value of the currency swaps and forward contracts amounted respectively to USD 944 million and USD 25 million on 31 December 2016.

The following table discloses the coverage ratio of the portfolio of bonds and residual USD cash. Given that P&V Group has a short position of USD 959.4 million and a long position of USD 10 million and a total coverage with derivatives of USD 949.4 million, the coverage ratio is 99.72%.

December 31, 2016

Product	Nominal value	Fair value (incl. accrued interest not yet due)	
US bonds*	817,581	948,685	(2)
USD cash*	3,344	3,344	(3)
FX derivatives**	949,400 (1)	-37,896	
Coverage ratio	99.72%	(1)/[(2)+(3)]	

**Nominal value and fair value in USD*

*** Nominal value in USD*

V.H.7.g Stock options

During 2016, P&V Group sold call and put stock options for a total amount of EUR 170 million. From these options, 65 expired (for a total amount of EUR 155 million) and the positions of 8 other options (for an amount of EUR 16 million) were closed prematurely with the purchase of opposite options.

These over-the-counter sales of options are part of management of the shares portfolio.

V.H.8 Transfer of financial assets

Financial instruments that have been transferred by P&V Group but without being entirely derecognised are mainly assets transferred as part of a repo agreement. The associated liabilities are short term debts which correspond to the security lending transactions.

A repo is a transaction in which bonds (often government bonds) are deposited as a guarantee in exchange for liquidities. A repo transaction itself is not very risky, as long as the company gives a bond in exchange for cash. The rate paid on this type of transactions is a floating rate (Euribor, Eonia). Market value fluctuations of the collateral are managed by delivering additional collateral (when long term interest rates go up) or by recovering collateral (when long term interest rates go down). A repo transaction creates a short term debt.

There are no open repo transactions in 2016.

V.I Financial investment Unit Link (Branch 23)

The assets of branch 23 amount to EUR 201.4 million in 2016 compared to EUR 196.4 million in 2015. The technical reserves for investment contracts without participation features amount to EUR 308.9 million. These two items relate to investment contracts of branch 23. Financial liabilities also include contracts of branch 26 for EUR 97.8 million.

The financial instruments of branch 23 are distributed between the different fair value levels as following:

In thousands €	**2016**	**2015**
Assets		
At cost	-	-
Level 1	201,359	196,218
Level 2	-	-
Level 3	-	207
Financial investments "Unit Link"	***201,359***	***196,425***
Liabilities		
Financial liabilities - Investment contract without participation features	***308,941***	***274,738***

The financial assets in level 1 are government bonds and investment funds publishing a Net Asset Value (NAV)

The financial results of branch 23 explain the increase in 2016, compared to 2015, at the asset and liability side.

V.J Other assets

V.J.1 Reinsurance assets and reinsurance receivables

In thousands €	2016	2015	Change
Receivables from policyholders	54,575	49,973	4,601
Receivables from insurance brokers	21,067	28,734	(7,667)
Receivables from reinsurance operations	7,438	9,219	(1,781)
Insurance receivables	***83,080***	***87,927***	***(4,846)***
Reinsurance assets	324,829	337,488	(12,660)
Total	**407,909**	**425,415**	**(17,506)**

A decrease in work-related accidents following the recovery of paid claims explains the decrease of reinsurances assets for an amount of EUR 12.7 million.

The reinsurance assets have also decreased by EUR 4.8 million due to:

- A decrease of EUR 7.7 million relating to the net balance with insurance intermediaries;
- An increase of EUR 4.6 million of receivables from policyholders, following the increase in estimated future premiums and client accounts which compensates the decrease of premiums payed before maturity.

Reinsuance assets and insurances receivables timatable

In thousands €	2016	2015	Change
Other long-term assets			
Reinsurance assets	324,829	337,488	(12,660)
Insurance receivables	19	105	(85)
Total other long-term assets	**324,848**	**337,593**	**(12,745)**
Other short-term assets			
Insurance receivables	83,061	87,822	(4,761)
Total other short-term assets	**83,061**	**87,822**	**(4,761)**
Total	**407,909**	**425,415**	**(17,506)**

In 2016, short term assets are influenced by the level of insurance receivables (decrease in reinsurance receivables and in the number of policyholders).

In thousands €	2016			
	Less than 1 year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Reinsurance assets	-	324,829	-	324,829
Insurance receivables	83,061	19	-	83,080
Total	**83,061**	**324,848**	**-**	**407,909**

In thousands €	2015			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Reinsurance assets	-	337,488	-	337,488
Insurance receivables	87,822	105	-	87,927
Total	**87,822**	**337,593**	**-**	**425,415**

V.J.2 Other receivables

In thousands €	2016	2015	Change
Other receivables	143,477	114,036	29,441
Current leasing receivables	5,066	4,893	173
Prepaid expenses and accrued income	7,138	11,834	(4,696)
Total	**155,680**	**130,762**	**24,918**

The increase of “other receivables” (+ EUR 29.4 million) is explained by an increase of forecast recovery rate, by the transfer of funds allocated to Dutch mortgage loans, by the increase of the Triamant loan, and by the VAT receivable from a new long-term lease contract (emphyteusis).

Maturities of other receivables

In thousands €	2016	2015	Change
Other long-term assets			
Other receivables	69,100	56,672	12,428
Total other long-term assets	**69,100**	**56,672**	**12,428**
Other short-term assets			
Other receivables	74,377	57,364	17,013
Current leasing receivables	5,066	4,893	173
Prepaid expenses and accrued income	7,138	11,834	(4,696)
Total other short-term assets	**86,580**	**74,090**	**12,490**
Total	**155,680**	**130,762**	**24,918**

For other receivables there was an increase in the long term as well as in the short term.

In thousands €	2016			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Other receivables	74,377	60,225	8,875	143,477
Current leasing receivables	5,066	-	-	5,066
Prepaid expenses and accrued income	7,138	-	-	7,138
Total	**86,580**	**60,225**	**8,875**	**155,680**

In thousands €	2015			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Other receivables	57,364	56,594	78	114,036
Current leasing receivables	4,893	-	-	4,893
Prepaid expenses and accrued income	11,834	-	-	11,834
Total	**74,090**	**56,594**	**78**	**130,762**

V.K Rentals and leasing

P&V Group owns land and buildings which have been transferred as finance leases and operating leases.

The classification of the leases between finance lease or operating lease is determined at the beginning of the contract on the basis of transfer of risks and premiums. If the lessee bears the risks and premiums, then P&V Group will consider the contract as a finance lease. All other contracts will be operating leases.

V.K.1 Finance leases

In thousands €	2016	2015
Current receivables	5,066	4,893
Non current receivables	72,971	40,274
Total	**78,037**	**45,167**
Net change in finance lease contracts	**(32,870)**	

Finance leases and non-current receivables are classified as financial assets in the “Loans and receivable” section. All other receivables are grouped in the “Other receivables” section.

In thousands €	Gross investment	Present value of payments
Less than 1 years	5,066	7,724
Between 1 and 5 years	21,459	39,331
More than 5 years	51,512	49,438
Total	**78,037**	**96,493**

In 2016, a new emphyteutic contract has been concluded with the European Commission on the Cours Saint Michel building.

Ongoing leases on property assets will mature between 2020 and 2031.

V.K.2 Operating leases

P&V Group as lessor

In thousands €	2016	2015
Future minimum rental receivables from lease contracts		
Less than 1 years	6,891	7,153
Between 1 and 5 years	15,616	13,592
More than 5 years	7,297	6,089
Total	**29,803**	**26,834**

The operating leases represent the amount of lease payments P&V Group needs to receive on its investment property. The analysis based on maturities of leasing contracts without taking into account any possible amendments of these contracts.

P&V Group as lessee

P&V Group has operating lease contracts. Debt associated to the lease are classified as commercial debt.

In thousands €	2016	2015
Future minimum rental payables from lease contracts		
Less than 1 years	287	243
Between 1 and 5 years	571	624
More than 5 years	48	-
Total	**906**	**867**

The minimum payments recognised as an expense amount to EUR 288 thousands in 2016 compared to EUR 291 thousands in 2015.

V.L Non-current assets held for sale and discontinued operations

In 2015, the company Euresa Life was offered for sale, which led to reclassification of debt related to insurance contracts and related assets to non-current assets and liabilities held for sale.

Although the sale has not been finalised in 2016, IFRS 5 permits keeping these assets under the “non-current assets held for sale” section (the intention to sell the company remains valid at the end of 2016).

The reclassification of these activities under the “non-current assets held for sale” section caused a movement of EUR 399.8 million in 2016. At the liability side, an amount of EUR 390.4 million has been reclassified. An amount of EUR 0.1 million has been reclassified in equity on the line item “IFRS 5 reserve” and represents the part of other comprehensive income related to the operations (see note I.D).

We note that each asset and liability related to the insurance activities has been reclassified and that there have not been any impairments of assets or liabilities. This comes from the amendments to IFRS 5 “non-current assets held for sale” in which it is specified that IAS 39 remains applicable for assets and that IFRS 4 remains applicable for liabilities.

A reclassification as held for sale (IFRS 5) is also applicable for three of our buildings (Frankrijklei, Ostende and Bruges) following the corresponding sale agreements.

There have not been any additional impairments under the scope of IFRS 5.

The activities on the asset and liability side are recognised at their actual value in the consolidated financial statements.

V.M Cash and cash equivalents

The cash positions of P&V Group are disclosed in the table below:

In thousands €	2016	2015	2014
Cash	281,264	166,844	101,078
Short-term deposits	14,052	133,536	172,471
Total cash position	**295,315**	**300,380**	**273,549**
Net change in cash and cash equivalents	**(5,064)**	**26,831**	

The cash equivalents mostly consist of monetary euro elements or equivalent investments that satisfy criteria described in IAS 7.

The “Group treasury” line item comprises mainly cash and cash equivalents, and deposit accounts held by different entities of P&V Group.

Short term deposits include short term investments such as term deposits with a maximum period of 3 months.

Cash and cash equivalent are entirely available to P&V Group.

The decrease of liquidities is explained by the following items:

- An increase of the cash position of the Group for an amount of EUR 114.4 million (following the sale of bonds during the fourth quarter of 2016);
- Decrease of term deposits of EUR 119.5 million.

V.N Equity

In thousands €	2015	Reclassification	Changes	2016
Issued capital and capital reserves	578,386	(7,293)	-	571,093
Other reserves and non-controlling interest	1,197,961	7,293	184,471	1,389,724
Total equity	**1,776,346**	**-**	**184,471**	**1,960,818**

Issued capital and capital reserves

The authorised share capital did not change during the accounting period of 2016.

Other reserves related to share capital include reserves not available for distribution, legal reserves and untaxed reserves of P&V Assurance.

Due to the allocation of revenues from 2015 and the transfer of Vivium’s untaxed reserves within the scope of the merger, there has been a decrease of these reserves.

V.O Technical liabilities and insurance liabilities

V.O.1 Technical provisions

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Life insurance contracts	10,605,740	-	10,605,740
Non life insurance contracts	2,426,465	(323,187)	2,103,278
Total insurance contracts (liability)	**13,032,205**	**(323,187)**	**12,709,017**

In thousands €	2015		
	Insurance contracts	Reinsurance part	Net provisions
Life insurance contracts	10,024,477	-	10,024,477
Non-life insurance contracts	2,379,087	(335,916)	2,043,170
Total insurance contracts (liability)	**12,403,564**	**(335,916)**	**12,067,648**

Provisions related to insurance contracts increased by EUR 628.6 million before taking into account reinsurance contracts (disclosed on the balance sheet under insurance receivables – see note III.J.1).

Life insurance contracts are influenced by the increase in shadow accounting. This can be explained by the increase of the reserve of assets available for sale which is impacted by the decrease in interest rates, which occurred in 2016. This impact was amplified with the natural increase of technical provisions in local GAAP.

Reserves related to life insurance contracts represent 81.4% of the technical provisions, while reserves related to non-life insurance contracts represent 18.6% of those provisions. These technical provisions are covered by financial investments. P&V Group has an excess coverage compared to its technical provisions and shows that this can be used to face its obligations.

The part that is being reinsured on the non-life insurance contracts only amounts to 13.32%. This percentage has slightly decreased compared to 2015.

V.O.1.a *Non-life technical provisions*

In thousands €		2016		
		Insurance contracts	Reinsurance part	Net provisions
Provisions for claims declared by policyholders		2,042,906	(312,491)	1,730,414
Provisions for IBNR claims		77,927	(7,672)	70,254
Provisions for IBNER claims		27,199	-	27,199
Expenses related to internal treatment of claims		77,898	-	77,898
Outstanding provisions for compensation	*	***2,225,930***	***(320,164)***	***1,905,766***
Provisions for unearned premiums		138,406	(3,024)	135,382
Provisions for outstanding risks		5,300	-	5,300
Total non-life insurance liabilities		**2,369,636**	**(323,187)**	**2,046,449**

In thousands €		2015		
		Insurance contracts	Reinsurance part	Net provisions
Provisions for claims declared by policyholders		1,969,140	(322,881)	1,646,259
Provisions for IBNR claims		85,611	(10,000)	75,611
Provisions for IBNER claims		37,623	-	37,623
Expenses related to internal treatment of claims		76,568	-	76,568
Outstanding provisions for compensation	*	***2,168,942***	***(332,881)***	***1,836,061***
Provisions for unearned premiums		149,519	(117)	149,402
Provisions for outstanding risks		8,462	(2,918)	5,544
Total non-life insurance liabilities		**2,326,922**	**(335,916)**	**1,991,006**

* The table above takes into account the expected debt recovery, amounting to EUR 56.8 million in 2016, and which can be found on the asset side of the balance sheet.

The provisions for pending compensations have increased by EUR 57.0 million **before taking into account reinsurance**.

Regarding the provision for pending compensation **of reinsurance**, there is an increase of EUR 69.7 million mainly explained by the increase in provision for claims by policyholders.

Provisions for pending compensations

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**2,168,942**	**(332,881)**	**1,836,061**
Provisions for claims occurred during the period	349,379	(48,985)	300,393
Payment of claims from previous periods	(223,106)	28,654	(194,452)
Change in provision for claims from previous periods	(69,284)	33,049	(36,235)
Closing balance	**2,225,930**	**(320,164)**	**1,905,766**

In thousands €	2015		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**2,145,784**	**(329,868)**	**1,815,916**
Provisions for claims occurred during the period	362,566	(44,719)	317,847
Payment of claims from previous periods	(270,910)	25,247	(245,663)
Change in provision for claims from previous periods	(68,499)	16,459	(52,040)
Closing balance	**2,168,942**	**(332,881)**	**1,836,061**

Provisions for unearned premiums

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**149,519**	**(117)**	**149,402**
Written premiums during the period	688,090	(3,024)	685,067
Earned premiums during the period	(699,204)	117	(699,086)
Closing balance	**138,406**	**(3,024)**	**135,382**

In thousands €	2015		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**154,502**	**(1)**	**154,501**
Written premiums during the period	1,006,031	(117)	1,005,913
Earned premiums during the period	(1,011,013)	1	(1,011,012)
Closing balance	**149,519**	**(117)**	**149,402**

The provision for unearned premiums has decreased compared to 2015. This reserve is only computed for the non-life activity branch. The gross non-life insurance premiums have decreased by EUR 5.3 million.

Claims development table

The claims development table below includes the triangle of cumulative payments, net of recourse and gross of reinsurance, for the “Direct Business” branches. It does not include the claims paid in form annuities for the “Workplace Accident Insurance” and “Sick Pay Insurance” branches.

The claim payment policy did not undergo any changes during 2016.

In thousands €	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2005	135,812	-	-	-	-	-	-	-	-	-	-	-
2006	214,608	133,504	-	-	-	-	-	-	-	-	-	-
2007	235,165	209,237	156,060	-	-	-	-	-	-	-	-	-
2008	249,000	228,578	234,941	155,276	-	-	-	-	-	-	-	-
2009	261,489	243,698	256,270	239,475	164,346	-	-	-	-	-	-	-
2010	273,294	260,472	271,650	262,255	243,671	168,110	-	-	-	-	-	-
2011	280,341	267,746	282,617	279,762	259,451	258,119	166,055	-	-	-	-	-
2012	286,985	275,513	289,694	293,438	272,860	277,272	250,735	174,198	-	-	-	-
2013	292,922	280,776	294,845	303,736	283,704	288,213	269,186	254,997	176,552	-	-	-
2014	295,227	285,026	299,187	312,718	293,923	299,166	279,287	274,145	262,452	188,399	-	-
2015	296,801	288,675	302,998	320,887	300,074	304,646	287,717	287,541	279,879	276,702	180,360	-
2016	298,174	290,945	305,996	326,431	304,967	309,288	297,188	294,878	289,575	292,283	260,574	173,636
Estimates of future payments	**26,929**	**25,353**	**45,769**	**49,880**	**48,731**	**34,704**	**42,965**	**60,115**	**66,030**	**84,312**	**117,949**	**188,460**
Gross provision for claims	**30,694**	**29,375**	**49,898**	**53,692**	**53,527**	**42,495**	**56,649**	**75,105**	**87,120**	**110,305**	**153,021**	**211,232**

Provisions for outstanding risks

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**8,462**	**(2,918)**	**5,544**
Incurred during the period	5,264	-	5,264
Used during the period	(8,426)	2,918	(5,508)
Closing balance	**5,300**	**-**	**5,300**

In thousands €	2015		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**6,840**	**(2,888)**	**3,952**
Incurred during the period	8,462	(2,918)	5,544
Used during the period	(6,840)	2,888	(3,952)
Closing balance	**8,462**	**(2,918)**	**5,544**

V.O.1.b Technical provisions for life insurance

In thousands €	2016	2015
Opening balance	**10,024,477**	**10,090,092**
Premiums	556,881	543,580
Liabilities paid in case of death, maturity, surrender and claims	(463,460)	(416,805)
Change in provisions (risk premium,..)	(88,181)	(33,693)
Surplus deduction	(46,517)	(46,239)
Allocation of guaranteed interest in branch 21, participation features in branch 21 and financial returns in branch 23	284,104	284,871
Acquisition/sale of portfolios	16,122	(17,682)
Shadow accounting	265,219	(403,316)
Other changes in provisions	57,096	23,669
Closing balance	**10,605,740**	**10,024,477**

The life insurance technical provisions have increased by EUR 581.3 million in 2016 partly due to the movements in the shadow accounting of EUR 265.5 million (see note III.O.2 – last table). Without impact from shadow accounting, the change would have amounted to EUR 316.0 million, explained by the natural growth of the life insurance technical provisions (more details in the table above). This is further explained by the decrease in interest rates on bonds which impacts the AFS reserve.

Premiums increased by EUR 13.3 million in 2016 compared to 2015. Liabilities paid in case of death, maturity or surrenders increased by EUR 46.7 million in 2016.

V.O.2 Investment contracts

In thousands €	2016	2015
Investment contract with participation features	1,973,164	1,797,103
Investment contract without participation features	308,941	274,738
Total investment contracts	**2,282,105**	**2,071,841**

The investment contracts with participation features have increased by EUR 176.1 million in 2016. This is due to the increased amount of individual life pension plans and shadow accounting for an amount of EUR 52.2 (see last table of this note).

Investment contracts with participation features

In thousands €	2016	2015
Opening balance	**1,797,103**	**1,763,052**
Premiums	266,108	243,683
Liabilities paid	(133,739)	(126,372)
Change in provisions (risk premium,..)	(9,735)	(9,325)
Increments deducted	49,338	47,747
Allocation of guaranteed interest in branch 21, participation features in branch 21 and financial returns in branch 23	12,077	(1,294)
Acquisition/sale of portfolios	52,169	(67,279)
Shadow accounting	(60,155)	(53,110)
Other changes in provisions		
Closing balance	**1,973,164**	**1,797,103**

The increase is mainly due to the growth of the life insurance portfolio and the related premiums. The liabilities paid also increased in 2016, compared to 2015, for an amount of EUR 7.4 million. Other changes in reserves are due to the impact of shadow accounting.

Investment contract without participation features

In thousands €	2016	2015
Opening balance	**274,738**	**724,993**
Deposits received	52,761	70,050
Withdrawals	(27,936)	(125,441)
Increments deducted	(281)	(6,264)
Allocation of financial return in branch 23	8,220	10,994
Acquisition/sale of portfolios	1,439	(23,344)
Shadow accounting	-	-
Other changes in provisions	-	(376,249)
Closing balance	**308,941**	**274,738**

The decrease in received deposits is explained by reduction of income for branch 26 compared to last year.

Other changes in reserves, in 2015, occurred with the reclassification of the activities of Euresa-life as debt related to non-current assets held for sale. These changes do not apply in 2016.

The table below discloses elements of shadow accounting, which are impacted by the changes in interest rates on bonds. It explains the changes in technical provisions.

In thousands €	2016	2015
Insurance contracts	1,773,183	1,507,964
Investment contract with participation features	320,313	268,144
Investment contract without participation features	-	-
Total	**2,093,496**	**1,776,109**

A liability adequacy test (LAT) is undertaken by P&V Group for every business line. This adequacy test is carried out at each annual closing for non-life as well as life liabilities. The aim of this test is to ensure sufficiency of insurance provisions in the liabilities of the Group in view of future liabilities.

To do this, the accounting provisions (deducted by additional prudential and shadow accounting provisions) are compared to a Best Estimate, which represents the present value of future cash flows discounted for the rate of return on assets' portfolio.

Shadow accounting is defined as an additional provision on the reserve for insurance contracts with participation features. This provision is based on unrealised gains of bonds (AFS reserve) at the end of the period.

The assumptions used for computing the Best Estimate (surrenders, mortality...) are consistent with those used for other modelling such as Solvency II.

For the part related to life insurance, the test includes the cash flows arising from operating activities (future profit participation) and the behaviour of the insured persons (surrender rate).

Sensitivity tests are also conducted in order to ensure robustness of the calculations.

Each inadequacy in the consolidated financial statements is adjusted through profit and loss.

At this point, technical provisions for life insurance are sufficient. Indeed, there is a surplus of EUR 182 million in 2016, compared to EUR 236 in 2015..

V.O.3 Insurance liabilities

In thousands €	2016		
	Liabilities from direct insurance activities	Payables from reinsurance activities	Total
Opening balance	**163,953**	**210,877**	**374,830**
Allocation	149,551	9,625	159,176
Utilisation	(142,754)	(18,454)	(161,208)
Conversion gaps	8	-	8
Closing balance	**170,759**	**202,048**	**372,806**

In thousands €	2015		
	Liabilities from direct insurance activities	Payables from reinsurance activities	Total
Opening balance	**150,244**	**250,529**	**400,773**
Allocation	277,402	48,236	325,638
Utilisation	(263,711)	(87,888)	(351,598)
Conversion gaps	17	-	17
Closing balance	**163,953**	**210,877**	**374,830**

P&V Assurances accounts for more than 99.4% of insurance liabilities. They have decreased by EUR 2.0 million.

This is due to a decrease in reinsurance deposits by EUR 8.8 million, between 2016 and 2015, which is partially compensated by an increase in the Group creditors' intermediary accounts, of EUR 6.8 million.

V.P Pensions and other liabilities

Description of main retirement plans and related benefits

In Belgium, collective agreements regulate the rights of personnel employed the insurance industry. These agreements, which are applicable to personnel of P&V Group hired before 1 April 2013, allow affiliates to benefit from a capital. This capital is calculated using a formula that takes into account annual salary at the end of the employee's career and seniority at the moment of retirement. This is a defined benefit scheme.

P&V Group has various defined benefit plans that apply to a portion of its employees. These are financed by allocations paid to separately administrated funds. The annual allocations to be paid by the employer are determined by actuarial expertise. This is done to ensure that legal minimum payments and long term financing of the benefits are done.

Personnel, who were hired before 1 April 2013, are entitled to a defined contribution plan. The obligations arising from these pension plans are financed mostly through the insurance companies of P&V Group.

P&V Group also provides its employees with other benefits such as seniority bonuses (jubilees) and early retirement plans.

Liabilities of P&V Group on the balance sheet

In thousands €	2016	2015
Defined benefits	252,931	251,491
Defined contributions	45,281	43,270
Provisions for early retirement	13,604	15,865
Seniority bonuses	5,209	4,600
Pensions and other post-employment benefits	**317,024**	**315,226**

V.P.1 Defined benefits

The changes in discounted value of obligations arising from defined benefits are disclosed in the table below:

In thousands €	2016	2015
Opening balance	**251,491**	**273,003**
Service costs	11,022	12,735
Interest costs	5,322	3,243
Taxes paid on premiums	(1,425)	(1,280)
Benefits paid	(7,907)	(9,369)
Contribution paid by employer	-	-
Actuarial gains and losses	(5,572)	(27,337)
Closing balance	**252,931**	**251,491**

The cumulated actuarial gains and losses recognised in equity and deferred tax amount to EUR -5.6 million as at 31 December 2016. In 2015, this amount was EUR -27.3 million. This movement of EUR +21.8 million during 2016 is due to a decrease in interest rates used in the assumptions of the actuarial computation.

P&V Group expects to pay premiums for an amount of EUR 12.5 million, in 2017, for its defined benefit and defined contribution plans.

Actuarial assumptions

The main assumptions are:

	2016	2015
Discount rate	1.42%	2.13%
Mortality table	MR /FR-5	MR /FR-5
Inflation rate	1.80%	1.90%
Wage increase with indexation	2.20%	2.79%
Turnover	2.80%	2.10%

The average duration of the contracts is between 9 and 17 years.

The standardisation of the internally used rates for different calculations impacted by those factors (discount rate and inflation) allows P&V Group to ensure consistency in its internal valuations.

The resulting figures correspond to the IAS 39 principles according to the estimations made by the management.

Sensitivity analysis:

A quantitative sensitivity analysis was prepared, on 31 December 2016, for the main assumptions used:

Assumptions	Discount rate		Increase of future wages		Rotation	
Degree of sensitivity	0.25%	-0.25%	0.25%	-0.25%	0.25%	-0.25%
Impact on net defined benefits in the pension account in liabilities	(6,848)	9,397	11,762	(8,893)	264	1,937

V.P.2 Defined contributions

Personnel hired before 1 April 2013 benefit from the defined contribution plans. Note that, law imposed an average minimum annual return of 3.25% on employers' contributions and an average minimum annual return of 3.75% on contributions paid for employees. A potential deficit would be charged to the employer. At the end of 2015, a change in the law on supplementary pension impacted the minimum return on assets of the plan. From 2016, the minimum return corresponds to a percentage of the average return of the past 24 months of 10-year linear bonds. On the basis of actuarial expertise, a provision has been booked in 2016 for an amount of EUR 0.4 million.

V.P.3 Other benefits to personnel

A decrease of early retirement provisions in IFRS is due to internal analysis of the Collective Labour Agreement conditions and current governmental measures.

V.Q Components of deferred tax

In thousands €	2016		2015	
	Throught balance sheet	Throught profit and loss	Throught balance sheet	Throught profit and loss
Losses carried forward	8,096	(52,686)	52,823	(12,996)
Tax provisions	101,031	30,404	271,587	53,409
Provisions and other temporary differences	(7,708)	18,059	(1,434)	(221)
Impairment of assets	(32)	(63)	31	(1,965)
Insurance related items	564,222	(10,167)	273,435	(55,753)
Fair value adjustments on acquisition	(24,665)	(446)	(24,226)	3,353
Pension scheme deficit	34,485	207	35,673	(129)
Net unrealised gains on investment securities	(953,155)	(25,149)	(812,181)	15,968
Other	(2,359)	10,889	(13,929)	(13,508)
Net deferred tax assets / (liability)	**(280,084)**	**(28,951)**	**(218,220)**	**(11,841)**

The first source of deferred tax arises with the difference between book value and fair value of financial instruments. This difference amounts to EUR 953.2 million and can be separated into two types, gains or losses. For financial instruments that have to be booked at fair value under IAS 39, deferred tax has to be booked for the amount corresponding to the difference between book value (tax base) and fair value, excluding any adjustments on shares. There is no temporary difference between those two given that those elements are not subject to tax. Nevertheless, a contribution of 0.412% has been booked as temporary difference on unrealised gains. This contribution has to be paid on realised gains and the deferred tax is a temporary difference on the AFS reserve for shares.

Another important source relates to tax losses, which amount to EUR 109.1 million after applying the recoverability test.

The technical provisions booked in local GAAP, which remain unrecognised within the frame of reference of IFRS (equalisation and catastrophe, flashing light provisions...) form another source of deferred tax. This impact is balanced with shadow accounting, according to IFRS 4. Consequently, the net impact amounts to EUR 564.2 million.

V.R Other liabilities

In thousands €	2016	2015	Change
Subordinated debt	260,017	268,517	(8,500)
Financial debt	103,973	94,369	9,604
Other debts	205,271	141,714	63,556
Total	**569,260**	**504,600**	**64,660**

Subordinated loans have an undetermined maturity (EUR 196.7 million) or a maturity between 5 and 10 years (EUR 62.5 million). The accrued interests not yet due are classified as less than one year (EUR 0.8 million). The decrease in subordinate loans is explained by the reimbursement of EUR 8.5 million to Multipharma and Société Générale Coopérative.

Financial liabilities have increased by EUR 9.6 million, increasing from EUR 94.4 million in 2015 to EUR 104.0 million in 2016. This is explained by revaluation of derivative liabilities.

The other liabilities have increased by EUR 63.6 million due to an allocation of provision for restructuration as part of the retirement plan (Horizon 2020).

V.R.1 Classification and maturity profile of other liabilities

The other liabilities are presented as short or long term in the below table:

In thousands €	2016	2015	Change
Long-term interest bearing liabilities			
Subordinated debt	259,200	267,700	(8,500)
Financial debt	58,539	77,805	(19,266)
Other debts	50,436	11,419	39,017
Total long-term interest bearing liabilities	**368,175**	**356,924**	**11,251**
Short-term interest bearing liabilities			
Subordinated debt	817	817	
Financial debt	45,434	16,564	28,870
Other debts	154,835	130,296	24,539
Total short-term interest bearing liabilities	**201,086**	**147,676**	**53,409**
Total	**569,260**	**504,600**	**64,660**

Long term financial liabilities went down from EUR 77.8 million in 2015 to EUR 58.5 million in 2016. This is mainly due to the change from derivatives on the liability side (see note “financial instruments”).

Short term financial liabilities went up from EUR 16.6 million in 2015 to EUR 45.4 million in 2016, following an increase in the short term derivatives liabilities.

Maturities of other liabilities

In thousands €	2016					
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Undetermined	Total
Subordinated debt	817	-	62,500	-	196,700	260,017
Financial debt	45,434	15,444	431	8,414	34,250	103,973
Other debts	154,835	50,433	3	-	-	205,271
Total	**201,086**	**65,876**	**62,935**	**8,414**	**230,950**	**569,260**

In thousands €	2015					
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Undetermined	Total
Subordinated debt	817	-	62,500	-	205,200	268,517
Financial debt	16,564	77,798	7	-	-	94,369
Other debts	130,296	11,235	183	-	-	141,714
Total	**147,676**	**89,033**	**62,691**	**-**	**205,200**	**504,600**

The other liabilities include provisions for risks, costs and litigations for an amount of EUR 2.8 million. These provisions are classified in the category of maturities between 1 and 5 years given their uncertain nature and the fact that legal proceedings often take more than one year.

V.R.2 Details on other liabilities

Other liabilities are consist mainly of trade, social, and tax liabilities. The most important changes come from provisions and trade liabilities.

See below for a detailed disclosure of other liabilities:

In thousands €	2016	2015
Provisions	50,433	11,737
Taxes	71,169	68,061
Remuneration and social security costs	37,880	31,022
Accrued expenses	3,587	2,636
Trade liabilities	42,203	28,258
Total other liabilities	**205,271**	**141,714**

Provisions have increased by EUR 38.7 million and can be explained by an allocation to provisions for the social plan Horizon 2020, which can be found under the “other” line item in the detailed provisions.

Tax liabilities have increased by EUR 3.1 million mostly because of the taxes on insurance contracts.

Trade liabilities have also increased, by EUR 13.9 million, due to an increase in invoices yet to be received.

Details of provisions

Provisions for risks and charges and provisions for litigation costs are disclosed in below table:

In thousands €	2016				2015			
	Other liabilities and expenses	Litigations	Others	Total	Other liabilities and expenses	Litigations	Others	Total
Opening balance	**1,170**	**1,829**	**8,738**	**11,737**	**2,960**	**2,100**	**8,303**	**13,363**
Allocation	202	28	39,544	39,775	42	359	435	836
Utilisation	(12)	-	-	(12)	(1,528)	(1)	-	(1,529)
Surpluses	-	(397)	-	(397)	-	(404)	-	(404)
Actualisation	-	-	-	-	-	-	-	-
Reclassification	(101)	70	(460)	(491)	(303)	(225)	-	(528)
Change in scope	-	-	(180)	(180)	-	-	-	-
Closing balance	**1,260**	**1,531**	**47,642**	**50,433**	**1,170**	**1,829**	**8,738**	**11,737**

The other provisions have increased by EUR 38.7 million in 2016 due to the provision for restructuration related to the Horizon 2020 plan.

Provisions for litigations have decreased by EUR 0.3 million. Which is due to the decrease of the provision in 2016. (see below).

VI Notes related to the consolidated profit and loss statement

VI.A Premiums

In thousands €	2016	2015
Gross premiums from insurance and investment contracts		
Life insurance	866,608	850,129
Non-life insurance	718,018	723,341
Change in provisions for unearned premiums	7,450	3,361
Total gross premiums	**1,592,076**	**1,576,832**
Premiums paid to insurance and investment contract reinsurers		
Life insurance	(2,109)	(2,397)
Non-life insurance	(36,660)	(35,949)
Change in provisions for unearned premiums	(12)	146
Total premiums paid to reinsurers	**(38,780)**	**(38,201)**
Received fees and commissions		
Management fees (branch 23)	4,170	5,165
Reinsurance commissions	4,675	4,863
Total received fees and commissions	**8,845**	**10,029**
Net premiums	**1,562,141**	**1,548,660**

Premiums of life insurance represent 54.4% of the gross premiums of P&V Group.

The increase of gross life premiums is due to group insurance premiums while individual life premiums remain stable.

The increase in volume of group insurance premiums mainly comes from branch 21 (+EUR 18.8 million).

The gross non-life premiums decreased by EUR 5.3 million. This is due to Direct Business, which has decreased by 1.5% following the end of the collaboration with the business partner Aedes and the termination of activities within the Third Party Logistics branch. However, this decrease is slightly compensated by an increase in acceptance contracts which is explained by regularisation of premiums in 2016 coming from a Health Insurance portfolio, which has been terminated in 2015. Premiums ceded to reinsurers remain stable during 2016, which is the case for each business line. Ceded premiums to reinsurers mainly cover non-life contracts. Management fees from branch 23 have decreased by EUR 1.0 million as well as the reinsurance commissions, which have decreased by EUR 0.2 million.

VI.B Technical expenses

In thousands €	2016	2015
(a) Compensations and claims paid gross of reinsurance		
Life insurance contracts	598,109	569,762
Non-life insurance contracts	449,418	457,287
Total compensations and claims paid gross of reinsurance	**1,047,527**	**1,027,048**
(b) Part transferred to reinsurers		
Life insurance contracts	27	(360)
Non-life insurance contracts	(34,538)	(25,411)
Total claims transferred to reinsurers	**(34,511)**	**(25,771)**
(c) Changes in provisions gross of reinsurance		
Changes in life insurance contracts	516,305	464,026
Changes in non-life insurance contracts	63,420	76,763
Changes in investment contracts without participation features	10,232	70,818
Changes in provision for outstanding risks	-	161
Total changes in provisions gross of reinsurance	**589,957**	**611,767**
(d) Changes in provisions transferred to reinsurers		
Changes in life insurance contracts	(1,517)	(869)
Changes in non-life insurance contracts	14,837	(1,611)
(d) Total changes in provisions transferred to reinsurers	**13,320**	**(2,479)**
Total net of reinsurance claims and compensations	**1,616,293**	**1,610,565**

The compensations and claims paid gross of reinsurance (a) have increased by EUR 20.4 million, which is explained by an increase of life insurance contracts by EUR 28.3 million and a decrease of non-life insurance contracts by EUR 7.9 million.

The reinsurance share (b) is mainly composed by non-life insurance contracts which increased by EUR 9.1 million due to a reversal of provisions in 2015, following the payments of claims related to the extension of the retirement age and the existing estimates, as well as to the recovery of bad weather claims in June 2016.

Changes in gross reinsurance provisions (c) in the life insurance contracts increased, which is explained by the increase in income of life group insurance. The changes in gross reinsurance provisions for non-life insurance contracts decreased by EUR 13.3 million, which is due to the reversal of IBNR provisions regarding the extension of the retirement age and the existing estimates as at 31 December 2015.

Changes in ceded provisions to reinsurers (d) decreased for life insurance contracts in 2016 while these went up from EUR -1.6 million in 2015 to EUR 14.8 million in 2016 regarding non-life insurance contracts. This is explained by the reversal of provisions with the extension of the retirement age and the existing estimates. This decrease is also explained by the recovery of paid claims of work-related accidents.

VI.C Financial revenue

In thousands €		2016	2015
Interest revenues		413,596	428,579
Dividends received		3,933	3,053
Financial assets available for sale		***417,529***	***431,631***
Interest revenue from loans and receivables		14,666	24,060
Accrued interest on loans and receivables net of impairment losses		555	1,247
Interest revenu from cash and cash equivalents		230	181
Other financial revenues		47,449	37,060
Gains on investments	(1)	234,484	334,755
Reversal of value adjustments		127,534	88,387
Revenue on land and buildings		12,544	21,205
Total investment revenue		**854,991**	**938,527**

Investment products include interest revenue, value adjustments, realised gains on investments, as well as revenue from land and buildings.

Interest revenue on assets available for sale have decreased by EUR 15.0 million due to the decrease of the average return rate of the bond portfolio. (reinvestment in bonds with lower revenues).

Realised gains on investments (1) have decreased by EUR 100.3 million compared to 2015. This is mainly due to a decrease in gains on the sale of bonds for an amount of EUR 133.2 million.

The value adjustments have increased by EUR 39.1 million, which is due to revaluation of forward USD contracts, used for hedging USD assets (EUR 35.6 million in 2016 compared to EUR 12.0 million in 2015).

VI.D Financial charges

In thousands €		2016	2015
Interest expense on bank overdrafts		(1,459)	(12)
Current loan		***(1,459)***	***(12)***
Banking fees		(10)	(10)
Other financial charges		(22,627)	(38,385)
Realised losses on investments	(2)	(79,323)	(37,079)
Interest on loans		(24,577)	(25,372)
Losses on currency derivatives		(37,693)	(10,351)
Derivative expense		(57,328)	(100,506)
Impairment losses on shares and sicav funds		(22,940)	(19,411)
Management fees		(25,835)	(29,755)
Total financial charges		**(271,793)**	**(260,882)**

Financial charges include bank interest charges, banking fees, value adjustments, losses on investments, etc.

Losses on investments have increased by EUR 42.2 million compared to 2015. This increase is explained by:

- Foreign exchange losses impacting the 2016 statements for EUR 47.2 million, following the investments in USD bonds. The losses have to be assessed taking into account the positive results of currency hedging operations (IV.C.);
- Losses on derivatives linked to hedging instruments (forward bonds) which had an impact of EUR 23.6 million.

In thousands €		2016	2015
Realised gains		163,357	315,847
Realised losses		(4,538)	(1,662)
Financial assets available for sale		***158,819***	***314,185***
Gains and losses on investments		15,121	1,428
Other realised gains and losses		(18,779)	(17,937)
Total realised gains and losses	**(1)+(2)**	**155,161**	**297,676**

As stated before, the gains on financial assets available for sale sharply decreased during the accounting period.

The "gains and losses on investment" represent gains and losses on the sale of tangible or intangible assets. The increase is explained by the long-term lease agreement (emphyteusis) settled in December 2016.

VI.E Operational and administrative charges

In thousands €	2016	2015
Acquisition costs	145,499	146,556
Other expenses on acquistion costs	67,444	69,326
Changes in acquisition costs on the assets side	842	1,359
Administrative charges	166,502	127,034
Reinsurance commissions and profit sharing	(4,675)	(4,863)
Others	102	94
Total other operational and administrative charges	**375,714**	**339,505**

Changes in operational and administrative charges (+ EUR 36.2 million) are mainly due to:

- An increase of EUR 39.5 million (or 23.7%) of administrative costs from EUR 127.0 to EUR 166.5 million. This increase is explained by the provision formed for restructuration within the Horizon 2020 plan.
- A decrease of "Other expenses on acquisition costs" of EUR 1.9 million.

VI.F Income tax

The breakdown of tax expenses is disclosed below:

In thousands €	2016	2015
Current tax	(5,413)	(82,995)
Deferred tax	(28,951)	(11,841)
	(34,364)	**(94,836)**

The expense on income tax is EUR 60.5 million lower than in 2015.

Current income tax

In thousands €	2016	2015
Income tax	(2,708)	(81,426)
Prior year adjustment	(223)	(193)
Other taxes	(2,481)	(1,376)
Total current tax	**(5,413)**	**(82,995)**

The expense of current income tax have decreased by EUR 77.6 million compared to previous year. This is due to a decrease in earnings before tax due decreasing gains on bonds compared to 2015.

Deferred tax

In thousands €	2016	2015
Origination of temporary differences	(28,951)	(11,841)
Total deferred tax	**(28,951)**	**(11,841)**

The recycling of deferred tax relates to the its activation (i) on loss carry-forwards (ii) on temporary differences between tax revenue and accounting revenue (iii) on recycling in the consolidated accounts.

The result of deferred tax is mainly influenced by the difference between book value and fair value of financial instruments that has an impact of EUR -25.1 million in 2016, compared to EUR +16.0 million in 2015. Another influencing factor is that the technical provisions are accounted under local GAAP, and are not recognised under IFRS.

Reconciliation between the tax expense and the applicable tax rate

In thousands €	2016	2015
Corporate tax fiscal year	(5,413)	(82,995)
Deferred tax	(28,951)	(11,841)
Corporate tax and DT	***(34,364)***	***(94,836)***
Result after tax	120,091	184,288
Taxable theoretical result	**154,455**	**279,124**
Normal tax rate (tax proof)	*33.99%*	*33.99%*
Theoretical tax charge	**(52,499)**	**(94,874)**
Normal foreign rate (en %)	*29.22%*	*29.22%*
Difference normal Belgium rate / Foreign rate (in %)	*4.77%*	*4.77%*
Incidence difference normal Belgium rate /foreign rate	***(44)***	***12***
Tax recovery (résultat exonéré)	(7,427)	6,322
NDE	48,070	229
Notional interest	227	189
Previous losses	(22,691)	(6,714)
Income (charge) of reel tax	**(34,364)**	**(94,836)**
Average effective tax rate	***22.25%***	***33.98%***

The average effective tax rate amounts to 22.25% in 2016 compared to 33.98% in 2015. The 2016 tax rate is impacted by the amount of taxed revenue following the utilisation of deferred taxes of P&V Assurances at the end of December 2016.

VI.G Dividends

A dividend distribution of EUR 30,260 will be proposed at the General Meeting. The balance will be transferred to the unavailable reserves and allocated to the activities of Fondation P&V, as well as a non-profit organisation whose purpose is to favour access to insurance.

VII Événements postérieurs à la clôture

Il n’y a eu aucun évènement postérieur à la clôture à signaler.

VIIIHuman Ressources

	2016		2015	
	Amount	FTE (*)	Amount	FTE (*)
P&V Assurances	1620	1515,3	704	671,6
Vivium	0		921	844,6
Arces	46	43,3	45	40,5
Other companies	46	43,9	48	62,6
Total Group	1712	1602,5	1718	1619,3

*FTE : Full-Time Equivalent

As per 31 December 2016, P&V Group counts 1666 employees, compared to 1670 on 31 December 2015.

IX Branch presence

P&V Assurances established a branch in the Grand Duchy of Luxembourg on 15 March 1971. However, when the P&V Group refocused its activities on the Belgian market, the insurance business line at this branch was ended on 1 January 2014.

X Conflicting interests

During the 2016 financial year, the Board of Directors did not have to deal with any operation or decision leading directly to provisions regarding conflicting interests being implemented.

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XI Contingent assets and liabilities

During the 2016 financial year, the Board of Directors did not have to deal with any disputes.

XII Research and development

In connection with a series of new technological challenges, the company is developing research projects on managing files and digitalisation, which aim to improve the current infrastructure and the services on offer. Some developments have incurred deductions as part of tax-incentive measures relating to research and development.

XIIIApplication of IFRS standards within P&V Group

XIII.A Principles of financial information

The IFRS standards that impact P&V Group are the following:

- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 12 Income Taxes
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 19 Employee benefits
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 23 Borrowing Costs
- IAS 24 Related Party Disclosures
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation
- IAS 33 Earnings per Share
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 Intangible Assets

- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 40 Investment Property
- IFRS 3 Business Combinations
- IFRS 4 Insurance Contracts
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 13 Fair Value Measurement

Adoption of new accounting standards or review of IFRS standards

The accounting standards remain unchanged compared the accounting period closing on 31-12-2016.

In the future, there will be 2 amendments and 3 new IFRS standards that will apply to P&V Group:

- Amendments to IAS 12:
  - This amendment enters into force for the accounting periods starting from 1 January 2017;
  - P&V Group does not opt for early adoption of the standard;
  - This amendment will only have a minor impact on the Group's statements and is currently analysed by the group.
- Amendments to IAS 7:
  - This amendment enters into force for the accounting periods starting from 1 January 2017;
  - P&V Group does not opt for early adoption of the standard;
  - This amendment will only have minor impact on the Group's statements and is currently analysed by the group.
- IFRS 16: Leasing:
  - This IFRS standard enters into force for the accounting periods starting from 1 January 2019;
  - P&V Group does not opt for early adoption of the standard;
  - This amendment will have important impact on the Group's statements and is currently analysed by the Group.
- IFRS 9: Financial instruments:
  - This IFRS standard enters into force for financial statements from 1 January 2020;
  - P&V Group decided to apply this standard in parallel with IFRS 17;
  - This amendment will have an important impact on the Group's statements and is currently analysed by the Group.
- IFRS 17: Insurance contracts:
  - This IFRS standard enters into force for financial statements from 1 January 2020;
  - This standards will have an important impact on the Group's statements. It is not yet final, but only a revised exposure draft, at this stage.

XIII.B Summary of significant accounting policies

The following paragraphs present the main financial principles that apply to P&V Group regarding their financial statements.

XIII.B.1 Insurance contracts and financial instruments with discretionary participation features.

Measurement

Technical provisions are booked for all the outstanding contracts that have a significant insurance risk (insurance contracts) and for the investment contracts with discretionary participation features. For those two types of contracts, IFRS 4 is applicable. The investment contracts without discretionary participation fall under IAS 39, although their legal form corresponds to an insurance policy.

Valuation

According to IFRS 4 phase 1, the valuation of insurance contracts and investment contracts with discretionary participation features is based on the valuations of technical provisions completed under local GAAP, with a few adjustments.

First, a Liability Adequacy Test (LAT) has to be completed at each closing. If this test shows any inadequacies of the provision, an additional amount has to be booked.

Second, provisions for equalisation and catastrophes are not admitted within IFRS.

It has been decided that additional reserves existing in local GAAP and relating to insurance contracts and investment contracts with participation features are maintained in IFRS except for the flashing-light provision, which is accounted in equity, after validation of the Liabilities Adequacy Test.

Premiums, claims payments and changes in technical provisions are recognised in comprehensive income when they relate to insurance contracts or investment contracts with discretionary participation features that have not been broken down.

Deposit accounting is used for investment contracts without participation features.

Unrealised gains or losses on bonds have a direct effect on the valuation of insurance liabilities, whether it is on the amount of provisions to be established or the participation features.

P&V Group decided to apply shadow accounting so that gains on bond assets increase insurance liabilities through other comprehensive income (for the life insurance liabilities with participation features).

Losses on bond portfolios are only recognised as an asset or as a decrease in liabilities if P&V Group is able to prove, actuarially, that this asset is certain.

XIII.B.2 Financial instruments

XIII.B.2.a Financial assets

Recognition and valuation

P&V Group classifies its financial assets in accordance with IAS 39 as financial assets at fair value through profit and loss, loans and receivables, or assets available for sale.

P&V Group determines the classification of the assets upon recognition. The classification depends on the objective for which the asset has been acquired or issued. Financial assets are classified at their fair value through profit and loss when the investment strategy of P&V Group consists of managing the financial investments at fair value, given that related liabilities are also managed on this basis, or if they contain derivatives that are not closely related. Loans and receivables are non-derivative financial assets with specified maturities that are not quoted on an active market and are (i) assets that have been acquired without any intention to sell them in the short term, (ii) asset not classified as assets at fair value through profit and loss or assets available for sale, or (iii) assets for which the holder could not sell a substantial part of the portfolio, for other reasons than credit deterioration; these are otherwise classified as available for sale. Financial assets available for sale are non-derivative assets that are classified as being available for sale which are not (a) loans and receivables, (b) assets held-to-maturity or (c) financial assets at fair value through profit and loss.

The sale and purchase of financial assets that require a delivery of the asset within a certain timeframe established by regulation or market convention (standardised deadline) are recognised at transaction date. This is the date at which P&V Group commits to purchase or sell an asset.

The financial assets of P&V Group include cash, short term deposits, receivables from customers and other receivables, loans and receivables, quoted and non-quoted financial instruments and derivatives.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification:

- ***Financial assets at fair value through profit and loss***

For financial instruments recognised at fair value through profit and loss, the following criteria must be satisfied:

- The designation eliminates or significantly reduces an inconsistent treatment which could value assets and liabilities or accounting of profit and loss on a different basis;

Or

- Assets and liabilities are part of a group of financial assets, liabilities or both, that are managed and for which the performance valuation is based on fair value in accordance with a documented risk management strategy or investment strategy.

Also, if a contract contains one or several embedded derivatives, the entity can designate the entire hybrid contract as a financial asset at fair value through profit and loss, unless: (a) the embedded derivatives do not modify, in a significant manner, cash flows that would have been required by the contract; or (b) it is clear, without extensive analysis, that when a similar hybrid instrument is considered for the first time, the separation of the embedded derivate is prohibited. This is the case for prepayment options embedded in a loan that allow the holder to pay the loan in advance at amortised cost.

Therefore, if the entity is unable to measure the embedded derivative separately at acquisition or at closing date, the entire hybrid contract will be recognised at fair value through profit and loss. Similarly, if the entity is unable to measure the embedded derivate separately when a separate measurement has to be done due to a reclassification of a hybrid contract outside the portfolio of assets at fair value through profit and loss, then this reclassification is not allowed. In such circumstances, the hybrid contract remains classified at fair value through profit and loss.

These investments are initially recorded at fair value. After initial recognition, the instruments are revalued at fair value. The gains and losses arising from changes in fair value are booked in profit and loss.

The value of a call or put option on a bond is correlated to the value of the underlying asset. The embedded derivative does not have to be separated.

Perpetual debt securities are included in the financial assets at fair value through profit and loss.

- ***Financial assets available for sale***

The financial assets available for sale include equity instruments, debt instruments and cash flow hedging instruments (see chapter “cash flow hedging instruments”). Equity instruments classified as available for sale are those which are neither classified as asset held for trading nor designated at fair value through profit and loss. The debt instrument classified as available for sale are those which are intended to be held by the entity during an undetermined period and which could be sold when liquidity needs occur or when market conditions change.

After initial recognition, financial assets available for sale are measured at fair value through other comprehensive income until (i) the asset is derecognised and the unrealised gains or losses are recognised under other operating income or (ii) the asset is amortised and the unrealised cumulated losses are recognised in profit and loss as finance costs and removed from the available-for-sale reserve. Revaluation of cash flow hedging derivatives will impact, for its effective part, a variable equity account. The inefficient part is recognised in profit and loss.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at their acquisition cost corresponding to the fair value paid by the counterparty for the acquisition. Direct transaction costs are also included in the investment. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss when investments are derecognised or amortised.

Reclassification of financial assets

P&V Group values its financial assets at fair value through profit and loss (held for trading) and assets available for sale to determine whether the capacity and intention to sell the assets in the near term is still appropriate. In case P&V Group is unable to sell these financial assets due to market inactivity or in case the short term intentions of direction significantly change, the P&V Group can, in rare circumstances, reclassify these financial assets. Reclassification to loans and receivables or assets available for sale depends on the nature of the assets. This reclassification does not affect any financial assets designated at fair value through profit and loss using the fair value option at designation.

For a financial asset reclassified out of the available for sale category, gains and losses previously recognised in equity is depreciated in profit and loss on the residual useful life of the investment using the EIR method. Differences between the new amortised cost and the expected cash flows are also depreciated on the residual useful life of the asset using the EIR method. If the asset is considered as depreciated, then the amount in equity will be reclassified in profit and loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- P&V Group retains its rights to receive cash flows from the asset but (a) has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or (b) P&V Group has transferred substantially all the risks and rewards of the asset, or (c) P&V Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, or P&V Group has neither transferred nor retained substantially all the risks and rewards of the asset, neither transferred control of the asset, then P&V Group continues to recognise the transferred asset to the extent of its continuing involvement.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that P&V Group has retained.

Impairment of financial assets

P&V Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to P&V Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

For the purpose of a collective evaluation of impairment, future cash flows on a group of financial assets are valued based on historical losses of assets with similar credit risk characteristics to those in the group.

- ***Available for sale financial assets***

For available for sale financial assets, P&V Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment, and 'prolonged' compared to period in which the fair value was lower than its original cost, so that the equity instruments have unrealised losses exceeding 25% of the initial cost at the closing date, or any unrealised losses during 4 or more accounting periods (quarters) before the closing date.

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI and additional decreases are considered as additional amortisations recognised in profit and loss.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss, increasing the book value of the available for sale receivable to its fair value. Differences between fair value at recognition and its new fair value will be recognised as unrealised losses in other comprehensive income.

If the credit event did not reverse amortisation entirely, but an improvement of a borrower's solvency has occurred, then differences between the book value and fair value has to be recognised in profit and loss. If the credit event did not entirely reverse amortisation and there has not been any improvement in solvency, the difference between book value and fair value has to be recognised in other comprehensive income.

XIII.B.2.b Financial liabilities – Initial recognition and subsequent measurement

Initial recognition and measurement

Financial liabilities are classified, in accordance with IAS 39, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. P&V Group determines the classification of financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

P&V Group's financial liabilities include investment contracts without discretionary participations, net asset value attributable to unitholders of branch 23 contracts, trade and other payables, borrowings, insurance payables and derivative financial instruments

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

- ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

P&V Group also designated investment contracts with discretionary participation features and the net asset value attributable to unitholders as at fair value through profit and loss at initial recognition. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

- ***Interest bearing loans and borrowings***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

XIII.B.2.c Derivative financial instruments

Initial and subsequent measurement

P&V Group classifies its derivative financial instruments as held for trading unless they are designated as effective hedging instruments. P&V Group does not hold derivative financial instruments designated as hedging instruments.

Embedded derivatives are treated as separate derivatives and recorded at fair value if the economic characteristics and their risks are not closely related to the related host contract and the host contract is not recorded at fair value through profit and loss. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are initially recognised at fair value. Subsequent to recognition, these instruments are re-measured at fair value. Gains and losses arising from changes in fair value are recognised in profit and loss, except if the instruments are used for hedge accounting.

- ***Hedging derivative financial instruments***

According to IAS 39, a company recognises derivatives at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the hedge accounting operations.

IAS 39 indicates that, under certain circumstances, a company may account changes in fair value of derivatives at the same moment as the modification of the underlying asset's value. The use of hedge accounting by P&V Group implies that P&V Group must periodically report the efficiency of its hedge accounting operations (present and future). The company can apply three models:

- Cash flow hedges;
- Fair value hedges;
- Hedges on net investments in foreign activities (this model is not developed here).

➢ *Cash flow hedges*

Cash flow hedges relate to a particular risk linked to a recognised asset or liability or to a highly probable transaction that arises from variable rates and prices. In a cash flow hedge, variable cash flows are fixed.

If a hedging relationship complies with the requirements (from documentation at the beginning of the hedging relationship and the periodic efficiency test), the company can recognise changes in fair value of the derivative in the “cash flow hedge reserve”, which is a component of equity. The inefficient part of the hedge is recognised in profit and loss. Amounts in other comprehensive income have to be reclassified from equity to profit and loss as a reclassification in the same period or during the period in which the hedge transaction influences the profit and loss statement.

➢ *Fair value hedges*

A fair value hedge is one that limits the exposure to fluctuations of fair value of an asset, liability or a firm commitment. Changes in fair value are due to a specific risk and implies an impact on net results.

If the hedging relationship complies with the requirements, the company has to book changes in fair value of the derivative through profit and loss. Changes in value of the underlying asset also have to be booked through profit and loss in order to limit the impact of the hedging instrument in profit and loss statement, to the extent that there is a total efficiency relation of the hedge.

➢ *Conditions for hedge accounting*

A company must fulfil following conditions:

- Relationship between the hedged element and the derivative instrument has to be documented as well as the aim and the adopted strategy. This has to be done at latest when the hedge takes effect. The strategy corresponds to the method used to demonstrate the hedge effectiveness;
- The hedge relationship must be effective in a prospective and retrospective way and the future cash flows must be highly probable;
- The hedge effectiveness must be tested periodically. Ineffectiveness is allowed provided that the hedging relationship reaches a return between 81% and 125%;
- The hedged position is exposed to changes in fair value or a cash position, which could impact the profit and loss statement.

- ***Novation: Renewal of hedging instruments***

Novation of a derivatives designated as a hedging instrument is not considered as an event that could lead to termination of hedge accounting if following criteria are respected:

- Novation resulting from legislation or publication of laws or regulations
- One or several counterparties replace their original counterparty
- Changes in the terms of the new hedging instrument are limited only to those, which are necessary for the replacement of the counterparty

Changes include modifications to structural counterparties as well as intermediaries such as clearing houses. For novations that do not meet criteria for this exception, entities shall consider changes in the hedging instrument while assessing the criteria for derecognition of financial instruments, and general requirements to apply hedge accounting.

Adjustment are retroactive for annual periods from 1 January 2014.

- ***Discontinuity***

Hedge accounting must be interrupted if:

- The hedging instrument comes to maturity or is sold, discontinued or exercised;
- The hedge does not meet the hedge accounting criteria anymore (e.g. not efficient anymore);
- For cash flow hedges, if the transactions will not occur;

Or

- The entity cancels the hedge.

If cash flows hedge accounting is interrupted because the transaction will not occur, then profits and losses that had been recognised in equity should be transferred to profit and loss. If the transaction is still happening but the hedge relationship is interrupted, then the amount remains in equity until the hedged transaction is recognised in profit and loss or until the moment where we expect the transaction not to happen anymore.

- ***Bond forward hedge***

A bond forward hedge is a sale of a “future” bond with a future maturity in exchange for a fixed price in order to hedge a possible increase of spreads on the bond market.

A forward contract meets the definition of an intended transaction and a hedge relationship.

Fluctuations of cash flows related to future sales may lead to the need of fixing the sell prices. The future sale for a fixed price is included in cash flow hedge accounting because the received amount is variable. The received amount equals the sum of the determined amount and the real value of the hedge element that is recognised as an asset and fluctuates over time.

A bond forward hedge can be considered as a “all-in-one” hedge which implies there are no inefficiencies. Changes in fair value are treated in a cash flow hedge reserve, which is a distinctive component of equity (other comprehensive income).

When derecognizing bonds forward hedges, cumulated gains and losses in the cash flow reserve are treated in the profit and loss statement as “reclassification adjustments”.

- ***Forward Swaps***

A forward swap is an interest rate swap for which the start date is a future date.

P&V Group can designate forward swaps as derivative cash flow hedging instruments provided that following conditions are met. The aim of this hedge is to ensure the return of the future reinvestment and P&V Group commits to purchase a fixed rate asset, at maturity of the forward IRS, with the same maturity as the IRS. The investment policy of P&V Group includes regular purchases of bonds that meet this condition and, therefore, P&V Group hedges highly probable future transactions. The hedged risk is the one related to fluctuations of the fixed interest rate at which P&V Group could invest in the future. The inefficiency of the IRS, which should be computed for counterparty risk (CVA and/or DVA) during its life, should go to profit and loss, except before maturity according to the maturity of the bond in which will be invested.

After maturity date of the forward, realised revenue at cash settlement of the IRS remains in OCI and will progressively be transferred to profit and loss according to the duration of the bond purchased. This bond shall be marked and the amount in OCI should be transferred to profit and loss if the bond is sold before maturity.

Compensation of financial assets

Financial assets and liabilities compensate for each other and the net amount is disclosed in the consolidated financial statements if and only if there is a legal enforceable right to compensate the accounted amounts and if there is an intention to settle, on a net basis, or to realise assets and liabilities simultaneously. Revenues and expenses will not compensate each other in the consolidated profit and loss statement except if this is permitted or required by an accounting standard or interpretation, as indicated in the accounting regulations of P&V Group.

Fair value of financial instruments

The fair value of financial instruments that are exchanged on financial markets is based on the quoted bid price for the assets and quoted ask price for liabilities at closing of the markets, without any deduction for transaction costs.

For financial instruments for which there is no active market, fair value is determined using appropriate valuation techniques. The discounted cash flow model, the comparison with other similar instruments for which observable market prices exist, the option price fixing model, the credit model and other relevant valuation methods can be used. Some financial instruments are recognised at fair value using valuation techniques because market transactions or market data are not available. The fair value is computed by using the valuation technique that has been tested with real market prices or transaction data and by using the most adequate assumptions. The models are adjusted to reflect the gap between the bid and ask price as well as the transaction costs , the counterparty credit risk, the liquidity margin and the limits of the model. Gains and losses on such instruments, when they are recognised for the first time (Day One Profit), are only deferred and recognised when observable data arises or at derecognition of the instrument.

For the discounted cash flow model, the estimated cash flows rely on the best estimates of management and the discount rate is the market rate of similar instruments. Fair value of variable interest rate deposits and day-to-day deposits with credit institutions corresponds to their book value. The book value corresponds to the historical deposit costs, increased by accrued interest. The fair value of deposits with fixed interests is determined using the discounted cash flow model. The estimated cash flows are discounted using the current market rate for similar instruments at closing date.

If fair value cannot be measured reliably, the financial instruments are measured at cost, which corresponds to the fair value of the compensation paid for the acquisition of these investments or the received amount for the issue of the financial liability. All direct transaction costs are included in the investment cost.

XIII.B.3 Tangible assets

Tangible assets are valued at acquisition price or manufacturing cost, deducted by cumulated depreciation and cumulated impairment losses.

If significant components of tangible assets have to be replaced at regular intervals, P&V Group recognises these components as individual assets with a specific useful life and depreciation. Maintenance and reparation costs are recognised as expenses when they occur.

Depreciations are calculated on a linear basis and based on the estimated useful life of the assets as disclosed below:

- Building: between 10 and 40 years, using the component-based approach:
    - Land;
    - Structural work;
    - Special techniques;
    - Completion.
- Tangible assets: between 3 and 10 years.

A significant initially recognised element of a tangible asset can be derecognised when the asset is disposed or when no future economic benefits are expected from the use or disposal of this asset. Gains and losses arising from derecognition of the asset (difference between disposal value and book value) are recognised in the profit and loss statement at derecognition.

The residual value of the asset, its useful life and the depreciation method are examined at each closing and adjusted prospectively if needed.

XIII.B.4 Investment property

Investment properties are buildings held to generate rental income, or to increase value of invested capital, or both. Investment property held as part of a finance lease is qualified as investment property when it meets the definition of investment property and is treated as a finance lease.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer rights, legal fees, and initial lease commissions necessary to prepare the property for its intended operating use. Carrying value includes replacement costs of existing components of an investment property at the moment at which the cost is incurred, if criteria are met. The carrying value does not include routine maintenance costs of investment property.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Gains and losses resulting from derecognition of an investment property are determined as the difference between net gains and the carrying value of the asset in the previous full period financial statements.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, P&V Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

XIII.B.5 Intangible assets

Initial measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Internally generated intangibles, in accordance with IAS 38, are only capitalised for the amount of development costs. Development expenditures on an individual project are recognised as an intangible asset when P&V Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;

- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

If not, expenditures are recognised in profit and loss during the period in which they occurred. Research costs are always recognised as expenses when they arise.

Depreciation

After initial recognition, an intangible asset is recognised at cost less cumulated depreciation and impairment losses.

Depreciation of the asset starts when development is completed and the asset is ready for use. The asset will be depreciated depending on its useful life.

Useful lives and amortisation

The useful life of an intangible asset can be finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual accounting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss (other operating and administrative expenses).

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

➢ *Licences*

Licences for the use of intellectual property are granted for periods ranging between five and ten years depending on the specific licences. The licences may be renewed at little or no cost to P&V Group if licence conditions are met. As a result, those licences are assessed as having an indefinite useful life.

XIII.B.6 Impairment of assets

Initial recognition

P&V Group has to indicate, at each reporting date, if there are any indications of impairment losses on assets. In case of presence of such indication, or if an annual amortisation test is required, P&V Group proceed to the estimation of the recoverable amount of the asset. The recoverable amount of an asset or a CGU is defined as the higher of fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless it does not generate cash flows that are independent from other cash flows from assets or asset classes. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In order to determine the value in use, the future estimated cash flow are discounted at pre-tax interest rate that takes into account the time value of money and the risks specific to the assets. To determine fair value reduced by cost to sell, recent market transactions are taken into account (if available). If no transactions are available, an adequate valuation model will be used. These computations are corroborated by valuations multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

P&V Group uses detailed budgets and forecasts, for each CGU to which individual assets are allocated, in order to calculate impairment. These budgets and forecast calculations usually cover a 3-year period. In case of extended periods, a long term growth rate is applied to forecast future cash flows after year 5.

Impairment losses of continuing activities are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, P&V Group will evaluate the recoverable amount of cash flow generating asset or CGU. An impairment loss recognised in previous periods has to be recovered if and only if there has been a change in estimates used to determine the recoverable amount of the asset since the last recognition of an impairment loss. The reversal is limited so that the carrying amount does not exceed its recoverable amount nor exceed the carrying amount (net of depreciation) that would have been obtained if no impairment losses had been recognised for this asset in previous periods. This recovery is recognised in the profit and loss statement.

Following criteria are also applied when evaluating the amortisation of specific assets:

- ***Goodwill***

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. Impairment losses on goodwill cannot be recovered during future periods.

- ***Intangible assets***

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the CGU level, or when there are indications of impairment losses.

XIII.B.7 Leasing

P&V as a lessee

Finance leases, with substantial transfer of risks and rewards of ownership of an asset to P&V Group, are capitalised at the commencement of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease contracts without substantial transfer of risks and rewards of ownership of the asset to P&V Group are operating leases. Operating lease payments are recognised as expenses in profit and loss on a straight line basis over the lease term. Contingent rentals are recognised during the period in which they occur as an expense.

P&V as a lessor

Lease contracts without substantial transfer of risks and rewards of ownership of the asset to P&V Group are classified as operating leases. Direct costs initially incurred during negotiation and establishment of the operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenues during the period in which they are earned.

XIII.B.8 Consolidation – scope and related principles

Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which P&V Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are established for the same reporting period as P&V using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses arising from intra-group transactions and intra-group dividends are entirely offset.

Losses of a subsidiary are attributable to the non-controlling interest although this leads to a deficit balance.

A change of ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If P&V Group loses control of a subsidiary, they must:

- Derecognise the asset (goodwill included) and liabilities of the subsidiary, the carrying amount of any non-controlling interests as well as the cumulative translation differences recorded in equity;
- Recognise the fair value of the consideration received and of any investment retained;
- Recognise surpluses or deficits in profit and loss;
- Reclassify the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

Investment in an associate

P&V Group's investment in its associate is accounted for using the equity method. An associate entity is an entity in which P&V Group has a significant influence. Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the P&V Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, P&V Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The share of profit of an associate is shown on the face of the statement of profit or loss. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interest in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with P&V Group's.

After application of the equity method, P&V Group determines whether it is necessary to recognise an additional impairment loss on P&V Group's investment in associates. P&V Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, P&V Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, P&V Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. P&V Group's investments in its associate and joint venture are accounted for using the equity method.

A joint venture stops using the equity method from the moment joint control over the entity ceases. In case of loss of control, P&V Group evaluates and books the remaining investment at fair value. Differences between carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit and loss.

XIII.B.9 Employee benefits

Short term benefits

Short term benefits are booked when an employee has delivered services in exchange for those benefits.

Post-employment benefits

Post-employment benefits are classified as defined contribution plans or defined benefit plans.

- ***Defined contribution plans***

Contributions due for a defined contribution plan are proportional to the services delivered to the entity by employee and are booked as personnel costs. Unpaid contributions are recognised as a liability.

Other post-employment benefits which do not meet the conditions to be recognised as defined contribution plans will be classified as defined benefit plans.

- ***Defined benefit plans***

The net liability recognised in the financial statements is the present value of the defined benefit obligation less the plan assets.

To determine the present value of the benefit obligations and the related current service costs, P&V Group must apply an actuarial valuation method, to allocate benefit to the period of service and establish actuarial assumptions. When determining the obligations related to the defined benefit plans, the cost related to the services delivered during the period and, if appropriate, the cost of past services, the entity must allocate benefits to periods of service according to the formula established by the plan.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment.

Past service costs are recognised as an expense when:

- the plan amendment or curtailment occurs;

  And

- when the entity recognises related restructuring costs or termination benefits.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Service cost and net interest are recognised in profit & loss. Actuarial gains and losses for defined benefit plans and other remeasurements in the net defined benefit liability are entirely recognised in the period in which they occur in other comprehensive income. Such remeasurements are also immediately recognised in retained earnings and are not reclassified in profit or loss in subsequent periods.

- ***Termination benefits***

Termination benefits are employee benefits payable as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

- ***Other long term employee benefits***

Other long-term employee benefits are those other than short-term employee benefits, post-employment benefits and termination benefits. For other long-term employee benefits, recognition and measurement criteria are the same as for post-employment benefits but all changes in the carrying amount of liabilities for other long-term employment benefits are recognised in profit or loss.

XIII.B.10 Provisions, contingent assets and liabilities

Recognition

Provisions are recognised when the P&V Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If P&V Group expects some or all of a provision to be reimbursed, then the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Valuation

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at closing date. The best estimate is the amount that an entity would pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

At each balance sheet date, the provision shall be reviewed and adjusted to reflect the current best estimates of the expenditure required to settle the related obligation. If the cash outflow is no longer probable, the provision should be reversed.

XIII.B.11 Income tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the P&V Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using tax rates that are expected to be applicable during the year where the asset or liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at closing date.

Deferred tax related to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

XIII.B.12 Information on related parties

A **related party** is an entity or person that is related to an entity preparing its financial statements:

- (a) A person (or a close family member of that person) is related to P&V Group if that person has control, joint control, or significant influence over P&V Group, or is a member of the key management personnel or of a parent of P&V Group;
- (b) An entity is related to P&V if any of the following conditions apply:
  - The entity and P&V are members of the same group;
  - One entity is an associate of the other entity;
  - Both entities are joint ventures of the same third party;
  - The entity is a post-employment benefit plan for the employees of P&V or a related entity of P&V;
  - The entity is controlled by a person identified in (a).

A transaction between related parties is a transfer of resources, services or obligations between an entity and a related party, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity's activities, directly or indirectly, including any director (executive or not) of that entity.

Compensation includes all employee benefits (as defined in IAS 19 Employee Benefits). Employee benefits are all forms of consideration paid, payable or provided by the entity in exchange for services delivered to the entity. Compensation includes share-based payments.

XIII.B.13 Non current assets held for sale

A non-current asset is classified as 'held for sale' if economic benefits of that asset are obtained through the asset's sale rather than through its continuous use (future economic benefit).

Such assets cease to be depreciated as they are no longer being consumed by the business. Moreover, an asset held for sale is valued at the lower of:

- the asset's residual value;
- the asset's fair value less the cost to sell.

To classify a non-current asset as “held for sale”, the following specific criteria need to be satisfied:

- the non-current asset must be available for immediate sale in its present condition;
- the sale should be highly probable, as evidenced by the following:
  - the appropriate level of management must be committed to a plan to sell the asset;
  - an active program to locate a buyer and to complete the sales plan must have been initiated;

- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to be completed within 12 months from the date of classification as “held for sale”;
- actions required to complete the sales plan should indicate that it is unlikely that significant changes to the sales plan will be made or that the plan will be withdrawn.

An extension of the one-year period necessary to complete the sale does not prevent the asset to be maintained as “held for sale” when the delay is due to events or circumstances independent from the entity’s control and when there is sufficient evidence that the entity is still committed to sell its assets.

Following circumstances and events are considered:

- When the entity reasonably expects third parties (other than buyer) to impose transfer conditions to the asset that extends the required period to complete the sale and that the actions required to satisfy these conditions cannot be executed before obtaining a purchase commitment but the commitment is highly probably within the year;
- When the buyer or third parties unexpectedly impose transfer conditions to the asset, when measures have been adopted to satisfy these condition and that a favourable settlement is expected for the delaying factors;
- When circumstances, previously considered as unlikely, occur within the year, the entity has adopted the necessary measures to face the changing circumstances and that the asset is actively traded at a reasonable price, given the fact that circumstances have changed.

Consolidated financial statement at 31th of december 2017

2017

The board of directors report on IFRS consolidated financial statement.

P&V Assurances SCRL

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I Abreviations

Abréviations

GAAP	Generally Accepted Accounting Principles/ Practice
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBNR	Incured But Not Reported
IBNER	Incured But Not Enough Reported
IFRIC	IFRS Interpretation Committee (ex IFRIC) Interpretations
IFRS	International Financial Reporting Standard
Interpretations	IFRS Interpretations Committee (ex – International Financial Reporting Interpretations Committee (IFRIC))
ORSA	Own Risk and Solvency Assessment
RSR	Regulatory Supervisory Report
SFCR	Solvency and Financial Condition Report
Shadow accounting	Shadow accounting link to IFRS4
SIC	Standard Interpretations Committee
NAV	Net Asset Value

II Consolidated financial statements at 31st of December 2017 (*)

On the 26th of April 2018, the Board of Directors authorised the publication of the consolidated financial statements of P&V Assurances and its subsidiaries (forming P&V Group) for the fiscal year ending 31 December 2017. P&V Assurances is a limited liability company based in Belgium (enterprise number BE 0402.236.531; FSMA code 0058). The registered office is located at 151 rue Royale, 1210 Brussels in Belgium.

The core activities of P&V Group are life and non-life insurance.

The analysis of the IFRS 8 requirements, which relate to segment reporting, leads to the conclusion that the insurance activities constitute an inseparable part of the Group, given the different aspects (including the level of monitoring under the ”Chief Operating Decision Maker” and the allocation of resources in the organisation). However, the income from the business branches, as defined by the Royal Decree of 1994 on insurance company accounts, is disclosed to the extent possible.

The consolidated financial statements of P&V Group have been established in accordance with the international financial reporting standards (IFRS) which have been published by the International Accounting Standards Board (IASB) and which are in effect in the European Union from 31 December 2017. The consolidated financial statements include the financial statements of P&V Group and its subsidiaries as per 31 December of each year. These financial statements have been prepared on the same reporting period and accounting principles as for the parent company.

The consolidated financial statements of P&V Group have been established in line with the continuity principle and aim at providing a fair view of the consolidated financial statements, the consolidated profit and loss statements and the consolidated cash flow statements.

The non-controlling interest represents the share of the profit or loss and the net assets that are not owned by P&V Group. These are disclosed separately in the profit and loss statement and in equity on the consolidated balance sheet.

The consolidated financial statements have been disclosed in euro, which is the functional currency of P&V Group. Unless otherwise specified, the tables are disclosed in thousands of euros.

II.A Consolidated Balance Sheet

In thousands €	Notes	2017	2016
Assets			
Intangible assets	IV.I	55,913	31,602
Operating buildings and tangible assets	IV.J	86,741	88,742
Investment property	IV.K	164,844	167,666
Investment in associates	IV.B	26,738	93,741
Deferred taxes	IV.U	682	610
Financial instruments	IV.L	17,802,231	17,362,885
Financial investment "Unit Link"	IV.M	553,685	201,359
Reinsurance assets	IV.N	313,935	324,829
Insurance receivables	IV.N.1	82,633	83,080
Other receivables		142,990	148,543
Other receivables	*IV.N..2*	*140,349*	*143,477*
Current leasing receivables	*IV.N..2*	*2,641*	*5,066*
Accrued income	IV.N.2	9,534	7,138
Non current assets held for sale	IV.P	-	399,789
Cash and cash equivalents	IV.Q	261,337	295,315
Total assets		**19,501,263**	**19,205,301**
Equity and liabilities			
Issued capital	IV.R	511	511
Reserves	IV.R	2,062,104	1,959,372
Equity - share of the Group		***2,062,615***	***1,959,883***
Minority interests' share	IV.R	817	934
Total equity		**2,063,432**	**1,960,818**
Subordinated debt	IV.V	260,034	260,017
Liabilities related to insurance contracts	IV.S	13,161,749	13,032,205
Financial liabilities - investment contracts with participation features	IV.S	2,065,182	1,973,164
Financial liabilities - investment contracts without participation features	IV.S	687,310	308,941
Pensions and other liabilities	IV.T	327,598	317,024
Deferred taxes	IV.U	217,332	280,694
Insurance liabilities	IV.S	381,539	372,806
Financial liabilities	IV.V	166,454	103,973
Liabilities related to non current assets held for sale	IV.P	-	390,388
Other liabilities	IV.V	170,634	205,271
Provisions	*IV.V.2*	*40,073*	*50,433*
Other liabilities	*IV.V.2*	*130,561*	*154,838*
Total liabilities		**17,437,831**	**17,244,483**
Total equity and liabilities		**19,501,263**	**19,205,301**

*In accordance with IAS 1, P&V Group discloses its assets and liabilities in order of liquidity.

Liabilities related to insurance contracts are detailed in this document under “technical provisions”, which is a commonly used term in the insurance sector. This section includes the provisions for claims and provisions for unearned premiums. However, the heading “liabilities related to insurance contracts” has been used in the balance sheet, in accordance with IFRS.

Financial liabilities – investment contracts with or without participation features are detailed in the “provisions for Life insurance” or the “mathematical reserves” section, which are also commonly used terms in the insurance sector.

However, the heading "financial liabilities – investment contracts" (with or without participation features) has been used in the preparation of the financial statements, in accordance with IFRS.

II.B Consolidated Income Statement

In thousands €	Notes	2017	2016 R	2016
Gross premiums		1,539,319	1,538,026	1,584,626
Life		845,357	820,008	866,608
Non-life		693,962	718,018	718,018
Changes in unearned premiums		(361)	7,450	7,450
Premiums ceded to reinsurers		(39,026)	(38,780)	(38,780)
Net earned premiums	*V.A*	**1,499,932**	**1,506,697**	**1,553,296**
Insurance expenses - net		(1,036,186)	(994,578)	(1,013,016)
Provision for claims - net		17,214	(71,385)	(71,385)
Provision for insurance life		(442,224)	(473,262)	(501,425)
Beneficiary participation		(10,369)	(5,981)	(5,981)
Other technical provision		(5,145)	1,738	1,738
Other technical charges		(25,338)	(26,226)	(26,226)
Total technical expenses	*V.B*	**(1,502,047)**	**(1,569,693)**	**(1,616,293)**
Technical result		**(2,115)**	**(62,997)**	**(62,997)**
Financial revenue - before market impact and realised gains	*V.C*	498,497	492,973	492,973
Financial expenses - before market impact and realised loss	*V.D*	(67,610)	(67,628)	(67,628)
Financial result - before market impact and realised gains and losses		**430,886**	**425,346**	**425,346**
Financial revenue - market impact and realised gains	*V.C*	341,926	362,018	362,018
Financial expenses - market impact and realised loss	*V.D*	(211,297)	(204,165)	(204,165)
Financial result - market impact and realised gains and losses		**130,630**	**157,853**	**157,853**
Total financial income		**561,516**	**583,199**	**583,199**
Technical and financial income		**559,400**	**520,202**	**520,202**
Total Fee, Commissions & Other revenue		5,059	994	994
Administrative & Operating Expenses	*V.E*	(329,835)	(375,714)	(375,714)
Other expenses		(945)	(593)	(593)
Income Tax	*V.F*	5,692	(34,364)	(34,364)
Result from associates		(66,976)	9,565	9,565
Net result of the year		**172,396**	**120,090**	**120,090**
Attributable to:				
Equity holders of the parent		172,518	119,900	119,900
Non-controlling interests		(122)	191	191

In accordance with IAS 1, P&V Group discloses its expenses by function in its profit and loss statement.

The 2016 income statements have been revised in order to take into account deposit accounting related to branch 26, but without impacting the net result of the 2016 period. More information is available in sections V.A and V.B.

The components of operating income disclose the expense and revenues from financial instruments for which the company is able to reasonably estimate the amount from one period to another (dividends from shares, revenue from funds, interest on bonds…).

The "market" elements represent the impact from the market changes, which is recognised in the income statement (impairment losses, realised gains and losses…).

II.C Consolidated Comprehensive Income

In thousands €	Notes	2017	2016
Net income		**172,396**	**120,090**
Other comprehensive income that can be reclassified in profit of future periods of the group			
Net gains (losses) on cash flow hedging instruments		(13,779)	38,958
Net gains (losses) on asset available for sale net from shadow accounting		(45,339)	44,464
Other comprehensive income from companies under equity method		(863)	14
Other comprehensive income reclassified as income during the period		2,772	(109)
Other comprehensive income that cannot be reclassified in profit of future periods of the group			
Other comprehensive income from employee benefits		(9,687)	3,517
Other components of other comprehensive income		(1,100)	(163,437)
Net other comprehensive income		**(67,996)**	**(76,593)**
Total net other comprehensive income		**104,400**	**43,497**
Attributable to :			
the group		104,517	51,240
non-controlling interests		(117)	(7,743)
		104,400	**43,497**

In accordance with IAS 1, P&V Group discloses its net profit and other comprehensive income, including the non-controlling interest, in two separate sections. The other comprehensive income includes other elements of income and expenses net of tax (including reclassification adjustments) that are not included in net profit as imposed or permitted by other IFRS:

- Revaluations of defined benefits
- Gains and losses from assets available for sale
- The effective portion of gains and losses on cash flow hedging instruments

II.D Consolidated statement of changes in equity

In thousands €	Notes	Issued capital and capital reserves	Retained earnings	Reserve of assets available for sale	Shadow accounting	Cash flow hedge reserve	IFRS 5 reserve	IAS 19 reserve	Reserve for revalued assets	Total Group share	Non-controlling interest	Total equity
At 31 December 2015		**578,386**	**777,327**	**1,609,492**	**(1,065,693)**	**(7,480)**	**939**	**(107,672)**	**(31,893)**	**1,753,407**	**22,940**	**1,776,346**
Net income		-	119,900	-	-	-	-	-	-	119,900	191	120,090
Other comprehensive income		-	(167,398)	264,011	(209,508)	38,958	(109)	3,267	2,119	(68,660)	(7,934)	(76,593)
Total comprehensive income for the period		***-***	***(47,498)***	***264,011***	***(209,508)***	***38,958***	***(109)***	***3,267***	***2,119***	***51,240***	***(7,743)***	***43,497***
Dividends paid during the period		-	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation		-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves		(7,293)	163,178	-	-	-	-	-	-	155,885	(14,263)	141,623
Others		-	(196,061)	191,142	(106,716)	(895)	-	36,536	75,346	(648)	-	(648)
At 31 December 2016	***IV.R***	**571,093**	**696,946**	**2,064,645 ****	**(1,381,917)**	**30,582**	**830**	**(67,869)**	**45,572**	**1,959,884**	**934**	**1,960,818**
Net income		-	172,518	-	-	-	-	-	-	172,518	(122)	172,396
Other comprehensive income		-	1,931	(17,895)	(27,487)	(13,779)	(830)	(9,687)	(255)	(68,001)	5	(67,996)
Total comprehensive income for the period		***-***	***174,450***	***(17,895)***	***(27,487)***	***(13,779)***	***(830)***	***(9,687)***	***(255)***	***104,517***	***(117)***	***104,400***
Dividends paid during the period		-	(31)	-	-	-	-	-	-	(31)	-	(31)
Change in scope of consolidation		-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves		(129,966)	128,224	-	-	-	-	-	-	(1,742)	-	(1,742)
Others		-	(13)	-	-	-	-	-	-	(13)	-	(13)
At 31 December 2017	***IV.R***	**441,127**	**999,576**	**2,046,751 ***	**(1,409,404)**	**16,803**	**-**	**(77,556)**	**45,317**	**2,062,615**	**817**	**2,063,432**

** Reserve of assets available for sale of EUR 2.046.751 in 2017 are present net of deferred taxes (Gross EUR 2.644.728) (see note IV.L.4)*

*** Reserve of assets available for sale of EUR 2.064.645 in 2016 are present net of deferred taxes (Gross EUR 2.923.176) (see note IV.L.4)*

II.E Consolidated Cash Flow Statement

In thousands €	Notes	2017	2016
I. Opening balance	*II.N*	**295,315**	**300,380**
II. Net cash flows from operating activities		**212,938**	**212,034**
1. Cash flows from operating activities		**294,432**	**201,859**
		-	-
1.1. Operating income net of non cash operating income		***194,044***	***100,393***
1.1.1. Net income	*II.B*	172,396	120,090
1.1.2. Financial result in the investing activities		(496,472)	(568,262)
1.1.3. Income taxes	*V.F*	(5,692)	34,364
1.1.4. Value adjustments on investments without impact on cash flows		(52,151)	(1,991)
1.1.5. Technical provisions for insurance and other adjustments		399,218	430,510
1.1.6. Part of reinsurance in technical provisions		12,654	13,916
1.1.7. Result from associates		66,140	(12,652)
1.1.8. Other income		97,950	84,417
		-	-
1.2. Changes in operating assets and liabilities		***100,389***	***101,466***
1.2.1. Change in receivables		27,344	(26,476)
1.2.2. Change in receivables from reinsurance operations	*IV.N*	2,610	1,781
1.2.3. Change in other investments		8,109	31,508
1.2.4. Change in insurance liabilities		5,397	(5,594)
1.2.5. Change in other operating liabilities		14,504	60,376
1.2.6. Other changes		42,425	39,871
2. Cash flows from current and deferred taxes		**(81,494)**	**10,174**
2.1. Current income tax		***(81,494)***	***10,174***
III. Net cash flows from investment activities		**(87,443)**	**12,154**
1. Acquisitions		**(2,608,272)**	**(2,173,661)**
1.1. Acquisition of shares and funds		(366,820)	(265,685)
1.2. Acquisition of bonds		(2,182,374)	(1,811,483)
1.3. Acquisition of subsidiaries, associates or joint ventures		(3,071)	-
1.4. Acquisition/issue of loans, other assets and capital assets		(56,007)	(96,493)
2. Sales		**2,057,333**	**1,649,549**
2.1. Income from sale of shares and funds		227,180	130,684
2.2. Income from sale of bonds		1,819,839	1,516,148
2.3. Income from sale of subsidiaries, associates or joint ventures		4,778	311
2.4. Income from sale of other assets (financial and capital assets)		5,536	2,406
3. Interest, dividends and net result on investments (paid)		**465,434**	**537,454**
4. Other cash flows from investment activities		**(1,938)**	**(1,187)**
IV. Net cash flows from financing activities		**(159,474)**	**(229,253)**
1. Cash flows from financing activities		**(196,346)**	**(251,203)**
1.1. Income/(reimbursement) related to finance lease contracts		(29,969)	4,052
1.2. Income/ (reimbursement) related to the issue of other financial liabilities		996	(8,500)
1.3. Income/ (reimbursement) related to REPO transactions		127,979	-
1.4. Income/ (reimbursement) related to other financial assets		(295,352)	(246,755)
2. Interest		**36,903**	**21,950**
2.1. Paid interest related to financing activities	*V.C and D*	(25,150)	(18,743)
2.2. Received interest related to financing activities	*V.C and D*	62,054	40,693
3. Dividends paid		**(31)**	**-**
V. Increase of paid-up capital		**-**	**-**
VI. Net change in cash and cash equivalents	*IV.Q*	**(33,979)**	**(5,064)**
VII. Closing balance	*IV.Q*	**261,337**	**295,315**

The cash position did not significantly change. It could be impacted by coupons received from bonds at the end of the period as well as investment opportunities on the financial market. The operating income increased in 2017, given the positive technical non-life results during the year, which allowed the Group to greatly invest in the fund and bond portfolio. The net financing cash flows decreased compared to last year, which is mainly due to P&V Group financing itself through REPO loans. This also explains the negative cash flow from investments.

The statement of cash flows has been established in accordance with IAS 7, following the indirect method. The statement discloses cash flows from operating activities, investing activities and financing activities separately.

The cash flows from operating activities are those which generate revenues and which do not fulfil criteria to be classified under investing or financing cash flows. In this category, P&V Group classifies its net revenue, adjusted by elements of the profit and loss statement, which do not have any effect on the cash flows or variations of the working capital requirement. This allows P&V Group to present a fair view of its cash flows arising from operating activities.

Cash flows arising from operational activities have been increasing compared to last year, from EUR +212.0 million to EUR +213.9 million. The key elements are the following:

- The operating cash flows increased from EUR 201.8 million in 2016 to EUR +295.4 million in 2017. This is mainly due to the technical non-life results;
- The increase of income tax is due the fiscal authorities' tax assessment, at the beginning of the year. This assessment is related to the tax for the fiscal year 2015 due by Vivium, which has been merged by acquisition by P&V Assurance on the 1st of January 2016.

In 2017, cash flows from investing activities went down from EUR +12.2 to EUR -87.4 million compared to 2016 due to the acquisition of bonds of which the major part are held-to-maturity:

Compared to 2016, P&V Group greatly invested in bonds and shares within investment funds in 2017.

Payments made for the acquisition / issuance of loans, other assets and fixed assets are lower than in 2017, from EUR -96.5 million in 2016 to EUR -56 million in 2017. This mainly concerns the activation of projects smaller than in 2016, the payment of advances made to policyholders on their accrued reserves and the payment of bond futures sales derivatives following their arrival at maturity in 2017 which are less important than in 2016.

The decrease in interest, dividends and net income from investments is mainly explained by decreased realised gains on bonds in 2017 (EUR +38.8 million) compared to 2016 (EUR +133.1 million). However, this is balanced by gains on shares that amount to EUR +108.5 million in 2017 compared to EUR +30.2 million in 2016.

The "Group treasury" has decreased compared to 2016.

In thousands €	Notes	2016	Cash-flow	Non-cash change			2017
				Reclassification	Accrued interest	Fair value	
Financing through REPO operations	*IV.V*	-	(127,979)				(127,979)
Other financial liabilities	*IV.V*	(103,973)	(996)	(50)		66,544	(38,475)
Financial liabilities	***IV.V***	**(103,973)**	**(128,975)**	**(50)**		**66,544**	**(166,454)**
Subordinated debt	*IV.V*	(260,017)	-		(17)		(260,034)
Liabilities araising from the financing activity		**(363,990)**	**(128,975)**	**(50)**	**(17)**	**66,544**	**(426,488)**

The table above discloses the evolution of liabilities arising from investment activities between 2016 and 2017.

There has been a net increase of liabilities arising from investment activities. This increase is explained by:

:

- The financing through REPO loans by P&V for an amount of EUR 128 million in 2017.
- The decrease in fair value is mainly explained by the other financial liabilities which included USD hedging derivatives of EUR 37.9 million in 2016. These forward contracts hedge the USD bond portfolio. In 2017, P&V Group decided to decrease its USD bond portfolio which explains the decrease in fair value, given that the nominal amount hedged decreased. Furthermore, the currency forwards hedging the remaining nominal amount at the end of 2017, presents a positive value on the balance sheet. The decrease in fair value is also explained by the maturity of short bond forwards (EUR 22.4 million).

II.F Solvency ratio

P&V Group implemented an effective risk management framework that is improved on a regular basis.

As per 31 December 2017, the Solvency II ratio (eligible capital/minimum capital requirement) stands at the level of 172%, compared to 145% as per 31 December 2016.

The required solvency capital is EUR 1.096 billion and the regulatory capital amounts to EUR 1.885 billion. Furthermore, P&V Group has a high quality capital as Tier I represents 94% of the capital and Tier II 6%.

Detailed information on Solvency II is available in the SFCR report in the PSH section on the www.pv.be website.

III Analysis of the major impacts on the financial position and the income statement of the P&V Group (*)

III.A Resullts 2017

Results of the P&V Group

The consolidated net income of the P & V Group in 2017 amounts to EUR 172.4 million (2016: EUR 120.1 million). The P & V Group's share is EUR 172.5 million while EUR - 0.1 million is allocated to minority interests.

The increase in the net result is explained by the increase in the technical result of EUR +60.9 million, mitigated by the decrease in the financial result of EUR -21.7 million. Other result items increased by EUR 13.1 million.

Technical Result

The increase in the underwriting result of EUR 60.9 million is explained by a sharp decrease in the technical expenses of EUR 67.7 million, slightly offset by a decrease in premiums earned (net of reinsurance) of EUR 6.8 million.

The improvement in the technical result is largely influenced by non-life activities.

2017 was an exceptional year with no major losses and natural disasters. Decommitments on prior year claims reserves were made in the normal course of business.

Finally, we observe the positive effects of the portfolio consolidation achieved in 2016.

The increase in gross life premiums (+ EUR 25.4 million) is due to the increase in Group insurance premiums and personal life insurance premiums. For Guaranteed Rate life insurance contracts, the increase in recurring premiums is + 1.1% and single premiums + 19%.

The decrease in gross non-life reinsurance premiums (- EUR 24.1 million) is mainly due to direct business (Direct business is defined as premiums or contributions relating to contracts distributed directly or through an intermediary for the insurer remains solely responsible for the payment of benefits towards the insured as opposed to the accepted cases, otherwise at the intervention of a reinsurer.) which decrease by 3.5% following the termination of the collaboration with the supplier of Aedes business and the cessation of activities in the Transport for Others business. A growth of 7% is observed in the Business segment thanks to the reactivation of this market.

Financial Result

The financial result decreased by EUR 21.7 million to EUR 561.5 million in 2017 against EUR 583.2 million in 2016. There is a decrease in the financial result 'market effects and results achieved' (EUR 27.2 million) and an increase in the financial result "before market effects and results achieved" (EUR 5.5 million). This variation is mainly due to a sharp decrease in realized bond capital gains compared to 2016 partially offset by an increase in realized capital gains on equities. (see note V.C and note V.D)

Other results

There is a decrease of EUR 13.1 million or EUR -387.0 million in 2017 against EUR -400.1 million in 2016. The most important variations of these other results are:

- Commissions and other income increased by EUR 4.1 million. This increase is mainly due to default interest received from the tax authorities in connection with a dispute over the definitively taxed income where P & V won its case;
- Income from companies accounted for using the equity method decreased by EUR 76.5 million. This is mainly due to an impairment on the distribution network of pharmaceutical and parapharmaceutical products of the company Multipar;
- The administrative and operating costs decreased by EUR 45.9 million which is mainly due to the recovery of part of the restructuring provision under the Horizon 2020 plan (EUR 11.4 million) which had was allocated in 2016 for EUR 39.5 million following the signature of the employees concerning the various plans proposed by the P & V Group;
- Taxes decreased by EUR 40.1 million (from EUR 34.4 million in 2016 to EUR -5.7 million in 2017). The decrease in tax is mainly due to the impact of the change in the rate applied on deferred taxes following the adoption of the new fiscal measures taken by the government during 2017 partially offset by the increase in the pre-tax result. from EUR 154.5 million in 2016 to EUR 166.7 million in 2017.

III.B Financial situation of 2017

Balance sheet

The balance sheet total rose from EUR 19.21 billion in 2016 to EUR 19.50 billion in 2017, an increase of EUR 295.96 million.

The most important fluctuations in assets are:

- The increase in intangible assets of EUR 24.3 million relates mainly to the costs incurred by the company in the context of transformation projects (organizational, IT) generating future profits (see note IV.I);
- The EUR 67 million decrease in investments in associated companies can be explained by the impact of the impairment made on Multipar's pharmaceutical and parapharmaceutical distribution network (see note IV.B);
- The increase in financial instruments for an amount of EUR 439.3 million is explained by the increase in the volume of mortgages on the Belgian market (EUR 247.8 million) and CMIS bonds linked to Dutch mortgages (269, 9 MillionEUR) partially offset by the change in the market value of the bond portfolio between December 2016 and December 2017 (see note IV.L);
- "Unit Link" financial investments (insurance contracts linked to investment funds) increased by EUR 352.3 million, mainly due to the transfer of Euresa's balance sheet securities to the asset headings. -life as well as by the financial result in branch 23 (see note IV.M);

- The item 'Non-current assets available for sale' has been set to zero, as the sale of Euresa-life has been put on hold. As a result, the reclassification made in previous years, meeting the criteria of IFRS 5, is no longer applicable in 2017 (IFRS 5) (see note IV.P).

The most important fluctuations in liabilities are:

- An increase in insurance contract liabilities of EUR 129.5 million, mainly due to an increase in mathematical life reserves partially offset by the decrease in shadow accounting due to the decrease in the reserve of assets available at the end of the year. sale of bonds;
- An increase in financial debts for profit-sharing investment contracts of EUR 92.0 million. This increase is mainly related to individual life insurance savings plans, which were mitigated by the effect of changes in shadow accounting;
- Other debts decreased by EUR 34.6 million. This decrease is related to the recovery of part of the provision for Horizon 2020 social plan and the reduction in tax debts partially offset by an increase in commercial debts (see note IV.V);

- The item 'Debts relating to non-current assets held for sale' was reduced to zero following the suspension of the sale of Euresa Life (see note IV.P).

IV Notes to the balance sheet (*)

IV.A Basis and scope of consolidation

Subsidiaries

The consolidated financial statements include the accounts of P&V Assurances and its subsidiaries over which it has control on 31 December 2017.

In accordance with IFRS 10, P&V Assurances has control over a subsidiary if and only if all of the below conditions are met:

- The parent company has control over a subsidiary if it possesses:
  - The voting rights or potential voting rights or a combination of both;
  - The power to nominate key individuals who are able to significantly influence the returns of the subsidiary;
  - The power to designate key executives or members of the management body that have influence on the decision process of the subsidiary;
  - Power over the decision process through contractual agreements with management;
- The parent company is entitled to receive variable returns arising from their involvement in important activities of the subsidiary.

The parent company is capable of using their power to influence the returns by combining the two previous elements. Therefore, only one party can have control over a subsidiary.

IV.B Shareholders of P&V Group

The ultimate parent

P&V Group is mainly held by Holding S.C.R.L. PSH (“PSH”) for a portion of 91.69%. PSH has its registered office in Belgium, enterprise number 0452 994 750.

On the basis of this definition, the consolidated financial statements include the financial statements of P&V Assurance and the statements of below listed subsidiaries:

				2017		2016	
Name	Activity	Registered office	VAT N° or National N°	Shares owned (%)	Third party interests (%)	Shares owned (%)	Third party interests (%)
SA Arces (1)	Insurance	Route de Louvain-la-Neuve, 10, Bte 1 5001 NAMUR	455,696,397	-	-	100.0	0.0
SCRL Barsis	Holding	Koningsstraat, 151 1210 BRUSSEL	454,197,055	100.0	0.0	100.0	0.0
SCRL Coverdis Insure	Insurance	Rue Royale, 192 1000 BRUXELLES	476,294,150	100.0	0.0	100.0	0.0
SA Euresa Life	Insurance	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	-	100.0	0.0	100.0	0.0
SA Financière Botanique	Holding	Rue Royale, 151 1210 BRUXELLES	415,679,048	100.0	0.0	100.0	0.0
SA Hotel Spa Resort	Real Estate	Rue Royale, 151 1210 BRUXELLES	451,873,510	100.0	0.0	100.0	0.0
SA Piette & Partners	Insurance	Casinoplein, 6 8500 KORTRIJK	448,811,575	100.0	0.0	100.0	0.0
P&V Luxembourg (2)	Insurance	Rue Royale, 151 1210 BRUXELLES	-	-	-	100.0	0.0
SCRL P&V Previdis	Other	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	402,236,630	97.9	2.1	97.9	2.1
SA Vilvo Invest	Real Estate	Rue Royale, 151 - 153 1210 BRUXELLES	463,288,628	100.0	0.0	100.0	0.0

(1) The merger by acquisition, following the dissolution without liquidation of Arces, by transferring the total assets and liabilities to P&V Assurances, has been approved during the Extraordinary General Meetings on the 22th of December 2016 with the only shareholder of Arces, which is P&V. The merger will take place on the 1st of January 2017.

(2) Out of consolidation scope (liquidated)

During 2017, P&V Assurances proceeded with several modifications within the Group.

The most important modifications were:

- The merger by acquisition of the company Arces SA by P&V Assurances SCRL: having already 100% of Arces SA in its group at the end of 2016, the merger did not have any impact on the consolidated financial statements of 2017;
- P&V Assurance SCRL proceeded to the liquidation and closing of its Luxembourg subsidiary ‘P&V Luxembourg’. The accounting position used for the liquidation of P&V Luxembourg was the position as per 31 August 2017.

In accordance with IFRS 12.12, P&V Assurances is obliged to disclose the relevant financial information for each subsidiary in which it has significant non-controlling interest. However, P&V Group does not have any subsidiary in which it holds significant non-controlling interest which would require the application of this standard.

Associates and joint ventures

Associates are companies in which P&V Group has a significant influence. A significant influence means it has the power to participate in financial and operational decisions of the firm, without having control or joint control over the entity. A joint venture is a partnership in which parties have joint control over an operation and have rights on the net assets of this operation.

The participation of P&V Group in its associates or joint venture will be accounted for using the equity method.

				2017		2016	
Name	**Activity**	**Registered office**	**VAT N° or National N°**	**Group share (%)**	**Third party interests (%)**	**Group share (%)**	**Third party interests (%)**
SA Ima Benelux	Other	Square des Conduites d'Eau, Bat.11/12 4020 LIEGE	474,851,226	**50.0**	**0.0**	**50.0**	**0.0**
SCRL Multipar (2)	Other	Marie Curie Square, 30 1070 BRUXELLES	401,985,519	**49.5**	**0.2**	**49.5**	**0.1**
SCRL Multipharma Group	Other	Marie Curie Square, 30 1070 BRUXELLES	401,995,516	**49.8**	**0.3**	**49.8**	**0.3**

In accordance with IFRS 11, the company IMA Benelux, in which P&V Group holds 50%, is a joint venture that must be consolidated using the equity method. Moreover, IMA Benelux is a partnership in which parties who have joint control in the operation have the right on its net assets.

During 2016, the companies Euresa Holding and Société Générale Coopérative were removed from the consolidation scope, following their liquidation.

An analysis carried out in 2016 has confirmed the requirement for using the equity method for consolidation for SCRL Multipar and SCRL Multipharma Group.

In accordance with IFRS 12.21 (b), the table below discloses relevant financial information, in a condensed form, for each significant associate and/or joint venture of P&V Group.

	Ima Benelux SA		SCRL Multipar		Others	
Financial information in IFRS (in thousands €)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
% held by the group	**50.00%**	**50.00%**	**49.50%**	**49.50%**	**49.79%**	**0.00%**
Value from equity method (*)	1,433	1,318	25,456	92,598	(151)	(175)
Received dividends	-	-	132	124	-	-
Overview balance sheet	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Financial instruments	-	-	3,586	11,163	3,592	3,592
Cash and cash equivalent	2,785	2,249	26,112	29,275	532	241
Other assets	1,730	1,788	171,431	310,829	59	301
Non-current liabilities	-	-	81,358	94,493	-	-
Financial liabilities	-	-	68,475	60,330	-	-
Account payables, other payables and provisions	-	-	12,882	34,162	-	-
Current liabilities	1,649	1,400	68,581	70,190	898	898
Financial liabilities	-	-	5,052	4,302	-	-
Account payables, other payables and provisions	1,618	1,359	63,529	65,888	898	898
Other liabilities	31	41	-	-	-	-
Equity	**2,866**	**2,637**	**51,190**	**186,584**	**3,285**	**3,237**
Overview comprehensive income	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Other income	7,846	7,248	469,063	465,931	193	326
Value adjustments of financial investments	-	-	-	-	-	(2)
Other expenses	(7,437)	(6,929)	(623,047)	(454,551)	(146)	(166)
Income before taxe	**409**	**320**	**(153,983)**	**11,380**	**47**	**158**
Taxes on income	(179)	(137)	18,988	(4,902)	1	(34)
Net income	**230**	**182**	**(134,996)**	**6,478**	**48**	**124**
Other comprehensive income	-	-	(3,964)	(2,234)	-	-
Total comprehensive income	**230**	**182**	**(138,960)**	**4,244**	**48**	**124**

(*) In 2017, the investments in associates amount to EUR 26,738 thousand. These amounts are detailed in the table above and correspond to the amounts calculated using the equity method.

Regarding Multipar, the annual depreciation expense amounts to EUR 12.4 million in 2017, compared to EUR 11.3 million in 2016. The financial charges of the same company add up to EUR 3.0 million in 2017, compared to EUR 2.7 million in 2016.

During 2017, Multipharma Group has been impacted by an impairment on Multipar (its distribution network for pharmaceutical and parapharmaceutical products). This impairment, recognised under IFRS, is based on a comparison between the expected cash flows from operations, without mitigating measures, and the value of capital invested for these activities. An impairment test has been undertaken on the goodwill and customer recovery for the cash generating units corresponding to the lowest level at which the goodwill and customer recovery are followed for internal management needs. It has been concluded that the network of Multipharma pharmacies is suffering from a decrease in long-term profitability due to the negative evolution of the market for reimbursed specialty medication which is due to the saving measures taken regarding the 2017 budget for health care on the reimbursement of specialities. Furthermore, the network of Multipharma pharmacies is also suffering from a decrease in long-term profitability due to increasing competition in the insurance sector. This leads to losses on intangible assets from business and no-door and Goodwill for a total amount of EUR 91.8 million in the Multipharma accounts.

IV.C Related parties

The following table discloses a list of parties related to P&V Group. This list does not take into account the consolidated subsidiaries of P&V Group. The entities in the list are related to P&V Group because they are the parent company (MMU), associates (ASS) or joint ventures (COE) of the same group, as well as the main executives of P&V (MC).

				2017	2016	2015
Name	**Related party**	**Country**	**Main business transactions**	**% of equity shares**		
SCRL PSH	UP	Belgium	Ultimate parent company	Ultimate parent	Ultimate parent	Ultimate parent
Multipar	ASS	Belgium	Promote, organise and complete production, purchase and sale of pharmaceutical products as well as establishing and operating all the shops linked to medical products.	49.50%	49.50%	46.05%
Multipharma Group	ASS	Belgium	All financial transactions in securities and real estate, which are related to pharmacies	49.79%	49.79%	48.97%
Ima Benelux	JV	Belgium	All travel assistance or coverage at home, and any analysis and advice directly or indirectly related to the above areas.	50.00%	50.00%	50.00%
Member of Executive Committee	MC		See list below	-	-	-

See below for the list of executive directors :

			2017	2016
Name	**Country of residence**	**Status**	**Changes in mandates**	
Hilde Vernaillen	Belgium	President of Executive Committee and Administrator		
Francis Colaris	Belgium	Member of Executive Committee and Administrator		
Martine Magnée	Belgium	Member of Executive Committee and Administrator		
Marc Beaujean	Belgium	Member of Executive Committee and Administrator		
Isabelle Coune	Belgium	Member of Executive Committee and Administrator	Resignation with effect as of 31/03/2017	
Philippe De Longueville	Belgium	Member of Executive Committee and Administrator		
Johan Dekens	Belgium	Member of Executive Committee	Appointment with effect as of 01/07/2017	

The Board of Directors did not face any operation or decision that required application of rules regarding conflict of interest in 2017.

For the non-executive directors, please refer to the list in the section IV.D.1 of this report.

Transactions with related parties

Transactions between related parties are done at market price. During 2017, P&V Group did not establish any provision for doubtful accounts regarding the receivables of related parties. The examination of the financial positions of the related parties and the market in which they operate is carried out at each closing.

Note that there are no receivables or liabilities linked to related parties in 2016 and 2017.

The table below discloses the transactions that have occurred during the period with related parties.

In thousands €	*Notes*	2017		2016	
		Accrued interest	**Residual amount**	**Accrued interest**	**Residual amount**
Ultimate parent (UM)		-	-	-	-
Associates company and joint venture (ASS & JV)	*(1)*	-	-	(648)	-
Total loans to related parties		**-**	**-**	**(648)**	**-**

Compensations to related parties: Executive committee

The table below discloses the amounts of all sorts of remunerations and other advantages allocated by P&V Group to the members of the Executive Committee.

In thousands €	**2017**	**2016**
Short-term employment benefits	1,968	1,942
Post-employment pension benefits	787	799
Total compensation of key management personnel	**2,756**	**2,741**

Short term benefits include the amounts of remunerations paid to members of the Executive Committee.

Post-employment benefits correspond to the cumulated amounts in provisions that are used for pension payments of the Executive Committee.

The attendance fees received by non-executive directors for their participation to Board meetings are disclosed in the table below:

In thousands €	**2017**	**2016**
Attendance fees	379	422

IV.D Objectives and risk management policies

IV.D.1 Risk management framework.

P&V Group established a risk management framework that includes the entire set of strategies, processes and necessary procedures in order to identify, follow, manage and declare, on a permanent basis, the risks to which the Group could be exposed as well as the interdependencies of these risks on a consolidated and individual level. The framework includes following aspects :

Strategy and risk policy

The risk management framework includes a structured set of policies regarding strategic, tactical and operational risks. These policies cover the risks to which P&V Group is exposed.

The policies focuses on the link between the objectives of P&V Group and the adopted risk management strategy.

Regarding the management structure, P&V Assurances has separated the activities assigned to the Executive Committee from the definition of overall strategy by the Board of Directors.

- The Executive Committee is in charge of the operational management, the elaboration of the risk management system and the implementation of an appropriate organisational and operational structure, within the limits of the overall strategy defined by the Board of Directors. This operational management leads to the transfer of competencies from the Board of Directors to the Executive Committee and covers the entire set of competencies of the Boards of Directors, except from those which are assigned to the Board of Directors by law.

- The Board of Directors defines the general strategy as well as the risk management framework and monitors the activities of the Group. Its competencies include all those that arise from the Company Code.

Several specialised committees from the Board of Directors have been established :

- The audit committee which ensures that the internal control measures, implemented in the company, contribute to efficient risk management.

- The risk committee which assesses the risk management strategy and ensures good functioning of the risk management function

- The remuneration committee which assists the Boards of Directors with the definition and execution of the remuneration policy for Directors and members the Executive Committee.

- The nomination committee which assists the Board of Directors with the definition and execution of the Fit & Proper policy for Directors and members of the Board of Directors.

The audit committee and the risk committee are exclusively composed of independent directors that fulfil the criteria imposed by article 526ter of the Company Code.

Together, the members of the audit committee have a general competency regarding the company's activities that relate to accounting and audit. At least one of the members of the committee has an individual competency regarding the accounting and audit activities.

The members of the risk committee each have the necessary knowledge, competencies, experiences and skills to allow them to understand and apprehend the risk strategy and the company's tolerance level to risk.

To ensure its optimal functioning, the Board of Directors proceeds to assessments of its members, its composition and functioning every year. During these assessments, the Board of Directors evaluates its needs as well as those of the specialised committees in terms of knowledge, experience and specialisation with a view on the defined collective competencies of the Boards of Directors. The Boards also ensures that its members allocate enough time to the exercise of their mandate and that they are able to justify the professional honourability required for the function.

The applicable principles regarding the remuneration policy of the directors and members of the Executive Committee are the following :

- The remuneration of directors and members of the Executive Committee is determined by the Board of Directors, based on the opinion of the remuneration committee.

- The remuneration of non-executive directors (including independent directors) consists of a fixed remuneration and attendance fees for each Board meeting they are assisting. Members of the specialised committees have a fixed remuneration, but they also benefit from additional attendance fees. The amount of attendance fees depends on the committees to which they belong. These remunerations can be revalued with market movements or changes in responsibilities of the members. These are not linked to the company's performance.

- Remuneration of Executive Committee members is based on collegiality and with a view on an efficient and transparent risk management. Remuneration is composed of :
  - A fixed amount depending on the market situation. This part is identical for each member, except for the Chairman who benefits from a higher remuneration;
  - A variable amount, based on an evaluation of the company's situation and the quality of management. The variable remuneration may not exceed 25% of the fixed amount;
- The remuneration of directors is calculated globally for all the mandates exercised at P&V Group.

As per 31 December 2017, P&V Group's bodies are composed as follows:

Board of Directors (*) Independent director

Non-executive directors

- Jean-Pascal LABILLE, Chairman
- Eric BERTHOUX
- Paul CALLEWAERT
- Victor FABRY
- Hugues FOURNIER
- Alfonso GALANTE
- Yves GODIN
- Patrick MARNEF
- Jean-Paul PHILIPPOT (*)
- Anne-Marie ROUMIEUX (*)
- Alain THIRION
- Freddy VAN DEN SPIEGEL (*)
- Phillip VANDERVOORT (*)
- Patrick VERERTBRUGGEN
- Nico WYCKAERT

Executive directors

- Marc BEAUJEAN
- Francis COLARIS
- Philippe DE LONGUEVILLE
- Martine MAGNEE
- Hilde VERNAILLEN

Audit committee

- Jean-Paul PHILIPPOT (*), Chairman
- Anne-Marie ROUMIEUX (*)
- Freddy VAN DEN SPIEGEL (*)
- Phillip VANDERVOORT (*)

Risk committee

- Freddy VAN DEN SPIEGEL (*),Chairman
- Jean-Paul PHILIPPOT (*)
- Anne-Marie ROUMIEUX (*)
- Phillip VANDERVOORT (*)

Remuneration committee

- Jean-Pascal LABILLE, Président
- Victor FABRY
- Freddy VAN DEN SPIEGEL (*)

Nomination committee

- Jean-Pascal LABILLE, Président
- Paul CALLEWAERT
- Patrick MARNEF
- Alain THIRION
- Freddy VAN DEN SPIEGEL (*)
- Nico WYCKAERT

Executive committee

- Hilde VERNAILLEN, Chairman
- Marc BEAUJEAN, Member
- Francis COLARIS, Member
- Johan DEKENS, Member
- Philippe DE LONGUEVILLE, Member
- Martine MAGNEE, Member

Auditor

KPMG Réviseurs d’entreprise is represented by Karel TANGHE

Risk governance

Charters and policies specify the risk governance that is in place at P&V Group. This governance has been defined in a way that it is consistent with the risk management strategy and its practical implementation. This is done with the Risk Management Framework that organises risk governance for organisational and decisional processes at every decision-making level.

Méthodologies

The charters and policies describe the methods used for the quantitative and qualitative evaluation and management of risks.

In accordance with the Non Financial Risk Management policy, the qualitative valuation of risks is mainly based on an evaluation of the risks and the quality of the operational controls, which is done by the operational teams ("Internal Control / Risk and Control Self-Assessment"). This process is a major component of the ORSA process, which is described in the ORSA policy.

For the quantitative evaluation of risks, P&V Group opted for the standard approach, which is provided in the first pilar of Solvency II. The relevance of the underlying hypotheses of the standard formula with ORSA has been verified by P&V Group and this approach is described in the ORSA policy.

Implementation and operations

Charters, policies, guidelines, other instruction notes and procedures describe how the Risk Management Framework is applied in the company.

The implementation and application of the Risk Management Framework on the level of operating activities is done with respect of the roles and responsibilities of the three defense lines.

Reporting

The different policies describe the reports that are put in place in order to ensure the active, consistent and transparent management of concerned risks as well as the recipient of these reports.

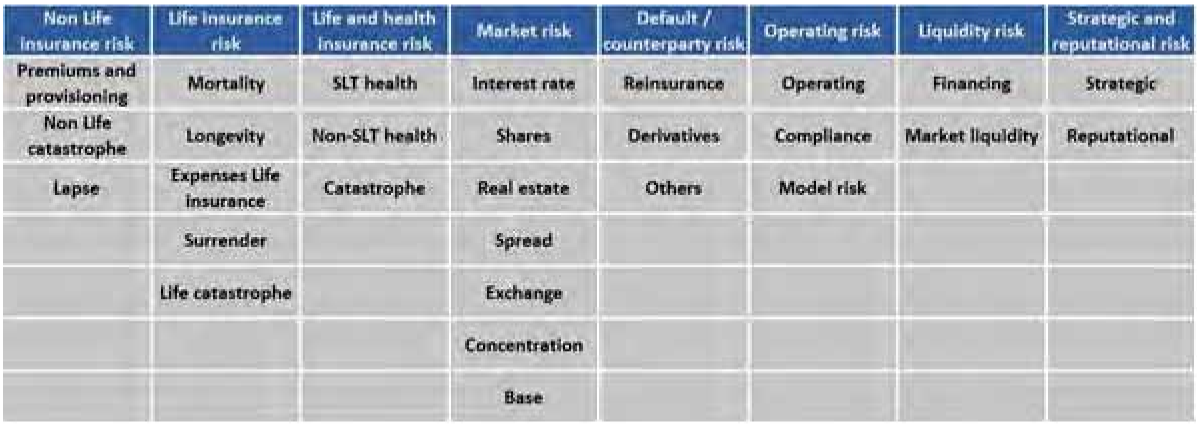
These reports include the ORSA, RSR and SFCR report for the Executive Committee and the Board of Directors which allows them to assess the evolution of the company's risk profile compared to the risk absorption capacity of the company, given its risk appetite.

Review

The Risk Management Framework stipulates that review is done, at least once a year, by the Executive Committee of the regulatory and strategic objectives. Conclusions of the committee on the governance efficiency are included in the annual reports..

IV.D.2 Main risks and uncertainties

The diagram below discloses, in a summarized way, the risks to which P&V is exposed, which are identified through the periodical risk review, and in particular through the internal assessment of risks and solvency.



Non Life insurance risk	Life insurance risk	Life and health insurance risk	Market risk	Default / counterparty risk	Operating risk	Liquidity risk	Strategic and reputational risk
Premiums and provisioning	Mortality	SLT health	Interest rate	Reinsurance	Operating	Financing	Strategic
Non Life catastrophe	Longevity	Non-SLT health	Shares	Derivatives	Compliance	Market liquidity	Reputational
Lapse	Expenses Life insurance	Catastrophe	Real estate	Others	Model risk		
	Surrender		Spread				
	Life catastrophe		Exchange				
			Concentration				
			Base				

Diagram – Risk taxonomy of Group P&V

The main risks to which P&V Group is exposed are the following:

- Market risk and more specifically risks arising from a low interest rate environment (especially for life insurance portfolios with a guaranteed interest rate and long durations) as well as stock and spread risk;
- Insurance risks which includes premium risk, reserve risk and catastrophe risk within Non-Life insurance;
- Non-financial risks which relate to necessary adjustments made in response to changes in its environment (regulatory, economic, socio-political, technical).

A set of strategic, tactical and operational risk policies defines the framework of rules regarding risk management. These rules cover the entire set of risks of P&V Group's taxonomy.

Risk mitigations are subject to regular follow-ups and revaluations.

Market risk

This risk relates to the level or volatility of market prices of financial instruments that impacts the value of the company's assets and liabilities. They reflect, in an appropriate manner, the structural mismatch between assets and liabilities. The main market risks for P&V Group are described below.

The management of these risks and liquidity risk is framed by an investment policy and ALM, setting the targets and limits of strategic allocation of different asset classes. The strategic allocation is established in such way that it optimizes the risk/return relation in the long term under certain contractual, commercial and regulatory constraints, considering the risk appetite of P&V Group.

This policy also includes a set of limits in order to manage credit and concentration risks.

- Interest rate risk:

  This risk relates to losses resulting from changes in interest rates and their impact on future cash flows. Changes in interest rates influence assets and liabilities in such a way that the impact of changes in interest rates on the economic value of the company will depend on the matching of assets and liabilities.

- Stock risk: :

  This risk relates to capital losses due to a decrease of market prices of stock held in portfolio. It also relates to the absence of stock return due to non distribution of dividends which is not compensated by a sufficient increase in stock prices.

- Spread risk:

  This risk relates to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads in relation to the risk-free interest rate curve.

Insurance risk

Management of these risk are framed by insurance and reinsurance policies. The insurance policy sets the framework and expectations regarding product design and the framework for insurance risk management. This policy acts as common thread to different insurance product policies which are leading tools for commercial, technical and operational activities and risk management..

Underwriting risk for life insurance and health “annuity”

In general, management of these risks is done following strict and clear instructions regarding the acceptance, risk selection and pricing policies. Moreover, price and contractual adjustments are carried out on a regular basis for group insurances (including work disability), taking into account the outcome of the profitability analysis;

The main risks involved for P&V Group are the following :

- Mortality risk :

  This risk relates to an increase in compensations the company has to pay, resulting from policy holders passing away earlier than expected. This can occur specifically with contracts for temporary insurance and outstanding balances.

- Disability risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of disability, sickness and mortality rates. In the insurance portfolio, this mainly relates to additional guarantees included in certain life insurance contracts.

- Expense risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of expenses incurred within the management of life insurance contracts. This risk is significant compared to other life insurance risks because of the high level of overhead costs related to this activity.

- Surrender risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of the reduction, maturity and policy surrender rate.

- Catastrophe risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting of important uncertainty linked to extreme or irregular events that weigh in on hypotheses regarding pricing and provisioning. It mainly relates to an accumulation risk.

Underwriting risk for Non-Life and health other than annuity

- Premium and reserve risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the moment of occurrence, the frequency and the severity of insured events (premium risk), as well as the moment of occurrence and the level of claims paid (reserve risk). The premium and reserve risk comes second by importance, in terms of quantification, after financial risks.

  Non-life premium risk mainly relates to the inadequacy of the prices applied to different portfolios. Except from the catastrophe risk, which is included in a specific category (see below), the management of these risks is done following strict and clear instructions regarding the acceptance, risk selection and pricing policies. Controls are undertaken on a regular basis by specialized actuaries on the basis of statistical analysis tools in order to guarantee an adequate adjustment of the proposed conditions.

  The Non-life reserve risk mainly relates to provisions that have been made after declaration of a claim. The “claim” department assesses the provisions as a fixed estimate and subsequently adjusts them based on an internal analysis. They do this case by case according to detailed procedures. At each stage of the case, the evaluations of payable amounts are reviewed taking into account additional information. Provisions for claims not yet declared (IBNR) are also established.

  The mentioned risk relates to a shortfall of provisions compared to the amount of compensations that will have to be paid ultimately. This risk is important for activity branches, for which the calculation of the total compensation can take longer (e.g. third party liability – bodily injury).

  Multiple statistical and actuarial methods are used in order to verify sufficiency of the provisions. An independent opinion on the provisions is also established by the actuarial function.

- Catastrophe risk :

  This risk relates to losses or adverse changes in value of insurance contracts resulting of important uncertainty linked to extreme or irregular events that weigh in on hypotheses regarding pricing and provisioning. The risk arises from the fact that

This risk mainly relates to natural events within Fire and property damage Auto, and non-natural in Fire. The last case refers to « man's made peril ».

The impact of such risks is limited thanks to the implementation of a prudent reinsurance program, which is specifically adapted to the covered risks and is reviewed annually.

- Non-financial risk :

  Non-financial risk corresponds to operational as well as strategic and reputational risk. The management of these risks is outlined in a specific policy that specifies the objectives and strategy related to management of these risks.

  As part of its internal valuation of risks and solvency, P&V Group performs an evaluation of these risks and, if needed, mitigation action plans are implemented. The main non-financial risks identified during the evaluation of 2016 can be linked to the capacity of the Group to successfully implement its transformation programs. For each identified risk, mitigation action plans are implemented.

- Operational risk :

  This risk of loss is impacted by :

  - Internal procedures, staff members, inadequate or defective systems, or external events ;
  - Non-compliance with applicable laws and regulations ;
  - Inadequate risk evaluation models.

- Strategic risk :

  This risk relates to losses or adverse changes in value resulting from the inability to implement appropriate business plans or strategies, take the right decisions, allocate resources or to adapt to changes in business environment.

- Reputational risk :

  This risk relates to negative publicity, founded or unfounded, regarding business practices or association with third parties, and the fact that this could lead to a loss of confidence from which the company benefits.

IV.E Subsequent events

As per 9/03/2018, P&V Assurances received a new hard offer for the acquisition of 100% of the Euresa Life shares. This offer is examined among other options. If the offer is accepted and authorised by the "Commissariat aux assurances", this would lead to the sale of the shares.

If the sale occurs, with the necessary authorisations, this would not impact the equity of the Group P&V.

The incremental revenue from Euresa Life is estimated at less than EUR 1 million on an annual basis.

At the beginning of 2018, P&V Group terminated its contractual relations with an important intermediary active in branch 26. This has been done following the established termination rules. A reimbursement plan of the receivable, amounting to EUR 3.9 million as per 31 December 2017, is still being negotiated. This is also the case for the conditions regarding the management of the run-off of these portfolios..

IV.F Human resources

	2017		2016	
	Amount	FTE*	Amount	FTE*
P&V Assurances	1,567	1,465.6	1,620	1,515.3
Arces	-	-	46	43.3
Other companies	40	36.7	48	43.9
Total group	**1,607**	**1,502.3**	**1,714**	**1,602.5**

*FTE : Full-Time Equivalent

As per 31 December 2017, P&V Group counts 1,567 employees, compared to 1,666 on 31 December 2016.

IV.G Application of the IFRS standards within P&V Group – significant accounting principles

IV.G.1 Principles of financial information

The IFRS standards that impact P&V Group are the following :

- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events after the Reporting Period
- IAS 12 Income Taxes
- IAS 16 Property, Plant and Equipment
- IAS 17 Leases
- IAS 18 Revenue
- IAS 19R Employee benefits
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 23 Borrowing Costs
- IAS 24 Related Party Disclosures
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation

- IAS 33 Earnings per Share
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Evaluation
- IAS 40 Investment Property
- IFRS 3 Business Combinations
- IFRS 4 Insurance Contracts
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair Value Measurement.

Adoption of new accounting standards or review of IFRS standards

Compared to the accounting period ending 31 December 2016, two new amendments to IFRS became effective :

- Amendments to IAS 12 :
  - This amendment is effective for the accounting periods starting from 1 January 2017 ;
  - This amendment has been analysed by the Group and will not have any impact on the Group's statements.
- Amendments to IAS 7 :
  - This amendment is effective for the accounting periods starting from 1 January 2017 ;
  - This amendment has an impact on the Group's statements ;
  - A new table has been created and is applicable from 1 January 2017 (See note II.E).

Four new IFRS standards will be applied by P&V Group, in the subsequent accounting periods :

- IFRS 15: Revenue from contracts with customers :
  - This IFRS standard will be effective for the accounting periods starting from 1 January 2018 ;

- P&V Group does not opt for early adoption of the standard ;
- This standard will impact the Group's statements and is currently analysed by the Group.

IFRS 16 : Leasing :

- This IFRS standard will be effective for the accounting periods starting from 1 January 2019 ;
- P&V Group does not opt for early adoption of the standard ;
- This standard will have a moderate impact on the Group's statements and is currently analysed by the Group.

IFRS 9 : Financial instruments :

- This IFRS standard will be effective for financial statements from 1 January 2021 ;
- P&V Group decided to apply this standard in parallel with IFRS 17 ;
- This standard will have an important impact on the Group's statements and is currently analysed by the Group. A work group will present its first conclusions at the end of 2018 ;
- P&V Group decided to opt for the temporary exemption of the standard. To do this, P&V Group had to prove 90% of its liabilities relate to insurance activities.

IFRS 17 : Insurance contracts :

- This IFRS standard will be effective for financial statements from 1 January 2021 ;
- This standard will have an important impact on the Group's statements and is currently analysed by the Group.

Although this standard will only be effective in a few years, the Group established a work group in order to analyse the impacts of the standard. The first outcome is expected to be delivered at the end of 2018.

IV.H Valuation at market value

P&V Group provides the necessary information needed to evaluate the assets and liabilities in the consolidated balance sheet that are valued at market value :

In thousands €	*Valuation date*	2017	2016	*Fair value hierarchy*
Assets at market value				
Investment property	*31/12/2017*	164,844	167,666	*Level 3*
Financial instruments	*31/12/2017*	17,802,231	17,362,885	*Note "financial instruments"*
Assets held for sale	*31/12/2017*	-	399,789	*Level 3*
Liabilities at market value				
Financial liabilities	*31/12/2017*	(166,454)	(103,973)	*Note "financial instruments"*
Liabilities held for sale	*31/12/2017*	-	390,388	*Level 3*

The main characteristics of the valuation parameters related to buildings are the following :

2016 :

	Discount rate applied	Rental value applied
Brussels - Centre	between 5,9% and 7,45%	Office rental value : 185 EUR/M2
Other buildings	between 7,75% and 8,2%	Office rental value : 118 EUR/M2

2017 :

	Discount rate applied	Rental value applied
Brussels - Centre	between 5,9% and 7,45%	Office rental value : 185 EUR/M2
Other buildings	between 7,75% and 8,2%	Office rental value : 118 EUR/M2

As stated below, the valuations of the quoted real estate companies are realised by an external and recognised expert that exploits this data and has the ability to track the evolution of the parameters. Nonetheless, this is done under supervision of the Group.

The investment properties represent an area of nearly 100,000 M2 of investment of which approximately 60% are located in Brussels - Center.
No investment property is subject to a major renovation plan within a 10-year horizon.

In 2017, 94% of the buildings were offices.

IV.I Intangible assets

The intangible assets of P&V Group mainly consist of “external software purchased” and “internal IT developments” that are recognised by the IFRS standards.

In thousands €	2017	2016
External software purchased	6,693	6,073
Internal IT developments	49,219	25,529
Net carrying amount at closing	55,913	31,602

The changes during the 2017 accounting period are disclosed below :

In thousands €	2017	2016
Gross carrying amount		
Opening balance	**57,731**	**39,115**
Investments	28,226	17,581
Transfer to other assets	36	1,036
Effect of consolidation	2,600	-
Closing balance	**88,594**	**57,731**
Depreciation and cumulated impairment losses		
Opening balance	**(26,130)**	**(22,021)**
Depreciation and impairment losses	(4,061)	(3,073)
Transfer to other assets	(8)	(1,036)
Effect of consolidation	(2,483)	-
Closing balance	**(32,681)**	**(26,130)**
Net carrying amount at closing	**55,913**	**31,602**

The intangible assets have a definite useful live and are depreciated as followed :

- External software purchased: 5 years;
- Internal IT developed: 5 to 10 years.

The main changes regarding the intangible assets are the following :

- Implementation of projects regarding a new platform used for management of non-life claims valued at EUR 2.5 million, inbound/outbound digitalisation valued at EUR 2.2 million, a Non-life policy management platform (Non Life Business Transformation) valued at EUR 15.3 million and a Life policy management platform (Life Business Transformation) valued at EUR 6.0 million ;
- New license acquisition for EUR 2.2 million ;
- Allocation of depreciation on IT licenses of EUR 1.6 million and allocations on the IT developed internally of EUR 2.3 million.

Acquisitions during the accounting period

The value of internally developed intangible assets during the accounting period of 2017 amounts to EUR 26 million. These intangible assets have a definite useful life (a claim management platform Claims 2.0 phase 1 – auto and inbound/outbound digitalisation) and some of them have already been used during 2016. Regarding the phase 2 – fire insurance part of Claims 2.0 project this has been implemented during the 2nd semester of 2017. Furthermore, new licenses have been acquired for an amount of EUR 2.2 million.

IV.J Tangible assets

In thousands €	2017		
	Buildings	Others	Total
Net carrying amount on 1 January 2017	**83,308**	**5,435**	**88,742**
Gross carrying amount			
Opening balance	**149,603**	**27,965**	**177,568**
Investments	2,711	2,654	**5,365**
Sales to third parties	-	(76)	**(76)**
Effect of consolidation	-	-	**-**
Transfer to other assets	(1,458)	(1,153)	**(2,611)**
Closing balance	**150,856**	**29,391**	**180,246**
Depreciation and cumulated impairment losses			
Opening balance	**(66,296)**	**(22,530)**	**(88,826)**
Impairment losses	(4,181)	(1,828)	**(6,009)**
Reversal of impairment losses	-	16	**16**
Effect of consolidation	-	-	**-**
Transfer to other assets	57	1,256	**1,313**
Closing balance	**(70,420)**	**(23,086)**	**(93,506)**
Net carrying amount at closing 31 December 2017	**80,436**	**6,305**	**86,741**

In thousands €	2016		
	Buildings	Others	Total
Net carrying amount on 1 January 2016	**88,213**	**5,265**	**93,478**
5			
Gross carrying amount			
Opening balance	**148,841**	**27,520**	**176,361**
Investments	1,843	1,107	**2,950**
Sales to third parties	(1,080)	(628)	**(1,709)**
Transfer to other assets	-	(34)	**(34)**
Closing balance	**149,603**	**27,965**	**177,568**
Depreciation and cumulated impairment losses			
Opening balance	**(60,628)**	**(22,256)**	**(82,883)**
Impairment losses	(6,138)	(743)	**(6,881)**
Reversal of impairment losses	470	435	**905**
Transfer to other assets	-	34	**34**
Closing balance	**(66,296)**	**(22,530)**	**(88,826)**
Net carrying amount at closing 31 December 2016	**83,308**	**5,435**	**88,742**

IV.J.1 Buildings

In thousands €	2017		2016	
	Carrying Amount	Market Value (Level 3)	Carrying Amount	Market Value (Level 3)
Buildings	80,436	110,192	83,308	108,303

As per 31 December 2017, the net book value of the buildings in use amounts to EUR 80.4 million compared to EUR 83.3 million on the 31st of December 2016, corresponding to a decrease of EUR 2.9 million.

The gross book value of the buildings in use went up from EUR 149.6 million in 2016 to EUR 150.9 million in 2017, for an increase of EUR 1.3 million.

The fair value, defined by IFRS 13 and IAS 16, corresponds to the price received or paid for an asset in a transaction between informed market participants. The fair value must integrate the existing lease contracts, the expected cash flows as well as the reasonable assumptions made regarding the potential lease revenues and associated costs.

The tangible assets of P&V Group will be revalued at least once every five years.

The buildings in use are subject to revaluation if the external expert valuation is lower than the book value in the IFRS balance sheet.

On the basis of expert valuations, no value adjustments have been recognised for the buildings in use during 2017.

Amortisation of buildings

The buildings in use are depreciated following the component-based method. This approach implies that significant parts of a tangible asset, which are recognised as a single asset, may have different useful lives or may produce economic benefits at a different pace than the asset as a whole. A component of a tangible asset is defined as such when the cost of the component is material compared to the total cost of the asset.

When the different components have been identified, the next step consists of establishing the useful lives of the components as well as the depreciation methods to be used and calculating the residual values of the components. The assets are booked and depreciated linearly and separately according to their different useful lives.

P&V Group splits all their owner-occupied buildings into 4 components, which have the following useful lives :

- Land – non-depreciated ;
- Structural Work – from 30 to 40 years ;
- Special techniques – from 15 to 20 years ;
- Completion – 10 years.

The accumulated depreciation went up from EUR 66.3 million at the end of 2016 to EUR 70.4 million at the end of 2017. The means there has been an increase of EUR 4.1 million, which can mainly be explained by depreciations in 2017.

IV.J.2 Others

The other tangible assets include IT equipment, car equipment, desk equipment such as furniture as well as kitchen equipment and security equipment. These tangible assets are treated on a conservatively estimated useful life and follow depreciation rules in respect with the IFRS standards.

Others tangible assets	Estimated lifetime
IT hardware	3 to 10 years
Cars	5 years
Office equipments	10 years
Equipments and tools	5 to 10 years

The net book value of the other “tangible assets” amounts to EUR 6.31 million on 31 December 2017. This value was EUR 5.44 million on 31 December 2016 and, thus, there is an increase of EUR 0.9 million due to :

- Investments during the 2017 accounting period for an amount of EUR 2.7 million;
- Depreciation for an amount of EUR -1.8 million.

IV.K Investment properties

In thousands €	2017	2016
Opening balance	**167,666**	**194,413**
Investments	13,617	5,579
Revaluation at fair value (gain)	-	2,614
Revaluation at fair value (loss)	(4,059)	(655)
Transfer to other assets	(5,670)	(31,521)
Sales to third parties	(6,710)	(2,763)
Closing balance	**164,844**	**167,666**

The value of the investment properties amounts to EUR 164.8 million on 31 December 2017. There has been a decrease of EUR 2.8 million as the value of investment properties amounted to 167.7 million on 31 December of 2016.

This decrease is mainly due to :

- Acquisitions during the period for an amount of EUR 13.6 million ;
- Transfers to other assets mainly consisting of :
  - Reclassification of finance lease buildings into receivables following the conclusion of long-term lease contracts (emphyteusis) for an amount of EUR -13.0 million ;
  - Reversal of classification of buildings as “assets held for sale” under IFRS 5, in 2016 for an amount of EUR 5.8 million ;
- Impairments on buildings for an amount of EUR -4.1 million ;
- Sale of buildings in Mechelen, Oostende, Bruges and Antwerp (Frankrijklei) for an amount of EUR -6.7 million.

Revaluation at fair value

Since 2016, investment property is subject to an external revaluation every 5 years, compared to every 3 years in the past. Investment property which is measured at fair value is systematically revalued depending on the results of the expertise (upwards or downwards).

Between the planned external valuations, that take place every five years, a potential change in value of these buildings is monitored through parameters such as the occupancy rate, price per square meter, or others, allowing therefore the P&V to adjust the value by requesting an immediate revaluation when major changes occur.

Therefore, the disclosed value of buildings does not necessarily correspond to the fair value at closing, in accordance with the IFRS standards, for each building.
As from the end of 2018, the fair value of buildings will be remeasured, independently of the size of the gaps. At this level, it is not possible to evaluate the potential gaps between the disclosed values and the values that would be disclosed after remeasurement at closing.

In accordance with IFRS 13 and IAS 40, the capitalisation of the rental value is used as valuation method. According to this method, the market value is based on the annual rental value of the rentable area. This market value is capitalised using a discount rate. The return is based on the market growth, the condition of the property as well as the following elements :

- Market reports: supply and demand for similar properties, the evolution of the rates of return, the inflation forecast, the interest rates and their forecast, etc.
- Location: the neighbourhood of the property, access to the public transport, parking possibilities, etc.
- The property: rental and occupancy charges, construction type and finishing of the property, the state of repair, etc.

As the inputs used for these assets are non-observable data, these will be classified as level 3 in the fair value hierarchy.

The non-observable data can be summarised as follows :

- The estimated rental value (ERV)
- The discount rate
- The residual useful life of lease contracts
- The hypothesis used regarding the vacancies (vacancies based on the actual lease contract and long-term vacancies)
- The amount of m^2 of the property

The model used is particularly sensitive to the estimated rental value and the discount rate used.
There is a link between the vacancy hypothesis and the estimated rental value. The vacancy rate influences the estimated rental value as a high vacancy risk (due to market conditions, the condition of the building…) results in lower rental value.

IV.L Financial instruments

P&V Group decided to apply the temporary exemption of the IFRS 9 standard.

In order to do this, P&V Group has to prove that 90% of its liabilities relate to insurance activities.

Correspondingly, 95% of liabilities held by P&V Group relate to insurance activities as per the end of 2017. Same percentages are observed at the end of 2016 and 2015 as disclosed in the table below :

In thousands €	*Notes*	2017	2016	2015
Subordinated debt		260,034	260,017	268,517
Liabilities related to insurance contracts		13,161,749	13,032,205	12,403,564
Financial liabilities - investment contracts with participation features		2,065,182	1,973,164	1,797,103
Financial liabilities - investment contracts without participation features		687,310	308,941	274,738
Insurance liabilities		381,539	372,806	374,830
Liabilities related to non current assets held for sale		-	390,388	426,715
Items considered as liabilities link to the insurance business		**16,555,813**	**16,337,521**	**15,545,467**
% of liabilities link to the insurance business		**95%**	**95%**	**95%**

According to the results of the test, P&V Group fulfils the criteria to be temporary exempt from the IFRS 9 standard.

On this basis, P&V Group classifies its financial assets according to IAS 39. These assets can be classified as financial assets at fair value through profit and loss, financial assets held-to-maturity, loans and receivables or assets available for sale.

P&V Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the asset has been acquired.

Loans and receivables are non-derivative financial assets with specified maturities that are not quoted on an active market and are (i) assets that have been acquired without any intention to sell them in the short term (ii) not classified as assets at fair value through profit and loss or available for sale at initial recognition (iii) assets for which the acquirer could not claw back the entire investment, or at least substantially, for other reasons than credit deterioration; otherwise they are classified as available for sale.

Financial assets held-to-maturity include assets with fixed or determinable revenues and fixed maturities that P&V Group intends to hold to maturity. These assets are recognised at amortised cost under the effective interest method. The amount at which a financial asset has been recognised initially minus principal reimbursements and reduced or increased by accumulated depreciation of any difference between the initial amount and the amount at maturity.

Financial assets available for sale are non-derivative assets that are classified as being available for sale which are not loans and receivables, assets held-to-maturity or financial assets at fair value through profit and loss.

Financial liabilities[1] are mainly composed of derivatives with a negative fair value and debt on repo operations..

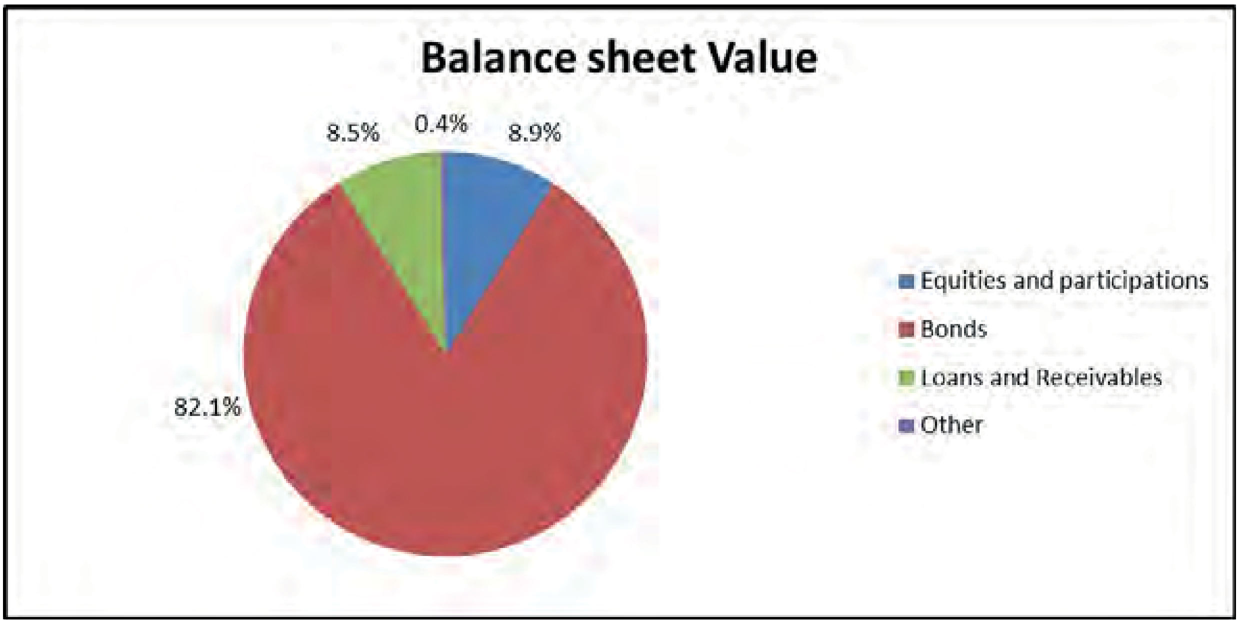
Subsequent measurement of financial instruments depends on their classification.

The financial instruments (assets and liabilities) are subdivided into the following categories :

In thousands €	2017	2016
Available for sale	15,789,592	15,897,825
Fair value though income statement	-	-
Held until maturity	275,737	5,817
Loans & receivables	1,503,264	1,175,976
Derivatives	233,639	283,266
Total financial instruments in asset balance sheet	**17,802,231**	**17,362,885**
Short term debts (repo's)	127,979	-
Other financial debts	1,030	-
Derivatives	37,445	103,970
Total financial debts	**166,454**	**103,970**
Total financial instruments (assets and liabilities)	**17,635,777**	**17,258,915**

The derivatives are recognised at fair value through profit and loss except for the hedging derivatives which are recognised at fair value through other comprehensive income via a cash flow hedge reserve, a distinctive component of the other comprehensive income. P&V Group only holds hedging instruments that fall into the category of “cash flow hedge”.

The breakdown of asset classes (financial assets below) is disclosed in the pie chart :



[1] Financial liabilities are presented in the liabilities section IV.V

In 2017, the net amount of financial instruments (assets and liabilities) amounts to EUR 17.6 billion. This constitutes an increase of EUR 376.9 million from 2016 to 2017, representing 90.4% of the total assets, compared to 89.9% in 2016.

The financial assets available for sale have decreased from EUR 15.9 billion in 2016 to EUR 15.8 billion in 2017. Loans and receivables have increased in 2017 from EUR 1,176.0 million to EUR 1,503.3 million, which is EUR 327.3 million higher than in 2016. The net amount of derivatives amounts to EUR 196.2 million in 2017 compared to EUR 179.3 million in 2016, which represents an increase of EUR 16.9 million.

The decrease in financial assets available for sale can be partially explained by an increase in interest rates during 2017 and partial sales of the USD and shares portfolios.

The increase in assets held-to-maturity is explained by an increase in investment products linked to Dutch mortgage loans.

The increase in loans and receivables (EUR +328 million) is due to the increase in mortgage loans on the Belgian market. This results from the good performances of brokers and agents for this type of contracts and the will of P&V Group to reinforce the position of this asset class in its investments.

The net increase in derivatives (from EUR 179.0 million in 2016 to EUR 196.0 million in 2017) is mainly explained by an increase in value of the existing derivative instruments in P&V Group's portfolio (See note IV.L.8 2nd table).

The exposure of financial instruments of P&V Group in different currencies is disclosed in the following table :

In thousand €	2017	2016
EUR	17,372,574	16,361,291
USD	259,666	894,356
CHF	2,171	1,853
CAD	1,333	1,409
Other	33	5
Total currency exposure of financial instruments (excluding currency hedges)	**17,635,777**	**17,258,915**

The exposure to US dollar has considerably increased during 2017 following the sale of American government and corporate bonds. The Group's objective for 2018 is to dispose of all the American corporate bonds. Nevertheless, this exposure to US dollar has been hedged for the whole year.

Taking into account hedge, the financial instruments of P&V Group (both Assets and liabilities) are covered for 99.97% in euros, with regards to foreign exchange risk.

IV.L.1 Evaluation

The assets available for sale, those classified at fair value through profit and loss, and derivatives are measured at their fair value. However, the financial assets held-to-maturity and the loans & receivables are measured at amortised cost.

The fair value corresponds to the price received or paid for an asset within a transaction between market participants at a measurement date.

The fair value measurement assumes that the transaction occurs on the principal market where the asset is traded. This market corresponds to the one where the biggest volume[2] of the asset is traded (IFRS 13).

IFRS 13 does not impose the use of a specific method regarding fair value measurement but favours valorisation techniques based on observable and pertinent data, minimising the use of non-observable input. Fair value measurement can be ranked into three different levels regarding data used for measurement:

- **Level 1**: input includes quoted (not adjusted) prices on an active market, accessible at measurement date by the entity, for assets and liabilities ;
- **Level 2**: input includes directly or indirectly observable prices for assets and liabilities which are not included in level 1 input ;
- **Level 3**: input on assets and liabilities are those that are based on non-observable data.

When an active market exists, the market price will be used to determine the fair value of an asset or liability. Indeed, a quoted price on an active market (e.g. stock market) is the most reliable price that can be found to determine the fair value of a financial instrument. In this case, the bid price will be used.

However, in the absence of an active market, other valuation techniques will be used. In this case, the most appropriate valuation technique for which sufficient data is available will be used considering the different circumstances.

IV.L.2 Hierarchy of fair values

The distribution between the levels of the fair value hierarchy for the net financial instruments of the P&V Group (assets or liabilities)[3], as defined by IFRS 13, is the following:

In thousands €	2017				
	At cost	Level 1	Level 2	Level 3	Total
Available for sale	-	14,527,832	493,333	768,426	15,789,592
Fair value through income statement	-	-	-	-	-
Held until maturity	275,737	-	-	-	275,737
Loans and receibables	1,503,264	-	-	-	1,503,264
Short term debts	(127,979)	-	-	-	(127,979)
Other financial liabilities	(1,030)	-	-	-	(1,030)
Derivatives	-	-	196,193	-	196,193
Total	**1,649,992**	**14,527,832**	**689,527**	**768,426**	**17,635,777**

[2] In the absence of a principal market, the transaction is supposed to occur on the most advantageous market. This corresponds to the market that maximises the amount received for the sale of the asset or minimises the payable amount for the transfer of a liability.

[3] For the loans and receivables as at 2017, see note IV.L.7

In thousands €	2016				
	At cost	Level 1	Level 2	Level 3	Total
Available for sale	-	14,909,290	370,342	618,194	15,897,825
Fair value through income statement	-	-	-	-	-
Held until maturity	5,817	-	-	-	5,817
Loans and receibables	1,175,976	-	-	-	1,175,976
Short term debts	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Derivatives	-	-	179,296	-	179,296
Total	**1,181,794**	**14,909,290**	**549,638**	**618,194**	**17,258,915**

The table provides us with a detailed overview of the valuation techniques used for each type of financial instruments as well as the input used to assess the fair value.

Classification	Financial Instruments	Valuation principles	Level of fair value	Valuation Models	Data used	Fair Value 2017	Fair Value 2016
Available for sale	**Equities (excl funds)**					**777,709**	**764,905**
	Listed Equities	Fair Value	1	Market valuation	Quoted market price ("bid" price)	762,584	752,643
	Unlisted equities	Fair Value	3	Techniques based on balance sheet data: revalued net assets, own funds, amount of paid-up capital	Annual accounts	15,124	12,260
	Warrants - strips	Fair Value	3	Market valuation	Quoted market price ("bid" price)	1	1
	Investment funds*					**686,277**	**563,534**
	Funds (Regular Net Asset Value)	Fair Value	1	Asset Value calculated by the fund	Asset value	218,160	232,150
	Funds (Irregular Net Asset Value)	Fair Value	3	Asset Value calculated by the fund	Asset value	463,202	323,924
	Funds (without NAV)	Fair Value	3	Present value of future cash flows	Estimates cash flows, discount rate of comparable risk assets	2,828	3,257
	Private equity	Fair Value	3	Asset Value calculated by the fund	Asset value	2,088	4,203
	Participations	Fair Value	3	Several techniques used: Equity (less a possible haircut of illiquidity), discounting expected dividends, acquisition value, recent transaction	Annual accounts, haircut of illiquidity	**117,006**	**124,481**
	Bonds (excl funds)					**14,208,600**	**14,444,905**
	Listed bonds (active markets)	Fair Value	1	Market valuation	Quoted market price ("bid" price)	13,547,088	13,924,497
	Listed bonds (non active markets)	Fair Value	2	Market valuation	Quoted market price ("bid" price)	493,333	370,342
	Unlisted bonds	Fair Value	3	Present value of future cash flows or price provided by external valuator	Estimated cash flows, discount rate of comparable risk assets	168,179	150,067
Fair value through income statements		Fair Value	1	Quoted market price ("bid price)	Quoted market price ("bid" price)	-	-
Held until maturity	**Bonds** *Unlisted bonds*	At cost	NA	Amortized cost		**275,737**	**5,817**
Loans and receibables		At cost	NA	Amortized cost		**1,503,264**	**1,175,976**
Short term debts (repo's)		At cost	NA	Amortized cost		**(127,979)**	**-**
Other financial debts		At cost	NA	Amortized cost		**(1,030)**	**-**
Derivatives	**Swaps (IRS)**	Fair Value	2	External valuator model	Market data	**16,504**	**23,553**
	Forward Swaps	Fair Value	2	External valuator model	Market data	**(2,738)**	**26,927**
	Swaptions	Fair Value	2	External valuator model	Market data	**4,615**	**1,326**
	Options	Fair Value	2	External valuator model	Market data	**(6)**	**(2)**
	Forward Bonds	Fair Value	2	External valuator model	Market data	**174,506**	**165,387**
	Currency Forwards	Fair Value	2	External valuator model	Market data	**3,312**	**(152)**
	Currency Swaps	Fair Value	2	External valuator model	Market data	**-**	**(37,744)**
TOTAL						**17,635,777**	**17,258,915**

* FLEMALLE GRANDE (CIM) VP and LAK VMM GENT securities are counted in investments funds (EUR 2.83 million).

Level 1

The financial instruments of level 1 are those which are traded on an active market, meaning they are traded at a sufficient frequency and volume in such a way that the market provides us with continuous price information on the assets or liabilities.

Assets and liabilities that fall into this category are :

- **Listed stocks** held by P&V Group that are traded in major European stock exchanges. These stocks are valued at their stock price (“bid” price) ;
- **Investment funds** publishing a Net Asset Value (NAV) on a periodic basis and on which transactions are based. Valuation is based on the NAV published ;
- **Bonds** for which a sufficient number of market providers publish quotations with a relatively small bid/ask spread, on a regular basis. These bonds are valued by using the bid prices published by market providers, which are selected by P&V Group.

Level 2

The financial instruments of level 2 are those not traded on an active market, but for which it is possible to obtain observable data in the markets, which will be used for fair value measurement.

Assets and liabilities that fall into this category are :

- **Bonds listed on a non-active market**, for which there are not enough market providers and/or brokers, and the bid/ask spread is higher. Valuation is based on the bid price provided by the market provider selected by P&V Group ;
- **Derivatives** which are valued by an external valuation service.

Level 3

The financial assets of level 3 are not quoted on an active market and the valuations are based on techniques using, at least substantially, non-observable data.

Assets and liabilities that fall into this category are :

- **Unlisted stocks** held by P&V Group, which are not traded on an active market. The valuation methods for these assets rely primarily on the balance sheet data; these various approaches could be based on the revaluation of net assets, the amount of equity or the paid-up capital ;
- **Investments funds** for which no Net Asset Value (NAV) is published on a regular basis. For these funds, the period between publication of the NAV and reporting date may be long. This implies that the NAV cannot be considered observable on the reporting date. These investment funds are valued based on the NAV published by the investment funds ;
- **Investment funds** for which no Net Asset Value (NAV) is published. In this case, internal valuation models will be used (discounted future cash flows) ;
- **Private equity funds** for which no Net Asset Value (NAV) is published on a regular basis. These assets are not considered as tradable on active markets. The valuation is based on the NAV published by the funds ;

- **Unlisted bonds** which are not valued by any of the market providers. Some of these bonds are valued using internal models based on discounted future cash flows, using discount rates of comparable assets in terms of risk. Other bonds in this group are priced based on external valuations ;

- **Non-consolidated equity shares** for which there is no observable market price. These assets are priced with internal valuation models based on balance sheet data. The following pricing techniques are applied: use of the company's own equity (less any haircut for liquidity risk), the discounting of the expected cash flows from dividends, the use of acquisition value or reference values of recent transactions.

For level 3 in particular, valuation techniques are disclosed in detail below, including data and parameters used for fair value measurement.

- **Unlisted stocks (EUR 15.12 million)**

The most important positions in this category are valued using the following methods :

- For the vast majority of assets, the adjusted net asset valuation technique is used (EUR 14.13 million). The asset side is mainly composed of listed stocks. Consequently, the asset side is valued using the quoted price of these stocks. The liability side consists of a debt towards P&V that is valued using the valuation techniques disclosed below (see part on unlisted bonds).
- A second important part (EUR 0.98 million) is valued using the equity of the company.

- **Unlisted funds (EUR 466.0 million)**

The valuation techniques used are the following :

- For the majority of funds we use the NAV (Net Asset Value) received by asset managers. This can be calculated monthly, quarterly or annually.
- We also use the "discounted cash flow" technique. In this case, we discount the cash flows using a discount rate from similar assets.

- The underlying assets of these funds are mainly European assets (76%). The remaining are invested in OECD countries.
- The underlying assets are composed by shares for 56% and by debt instruments for 43%. The remaining percentage are real estate investments.
- The underlying "shares" consist of investments in property shares for 40%, in infrastructure for 52% and in infrastructure shares for 52%.
- The debt instruments are composed by property debt for 59% and by corporate bonds for 41%.

- **Private equity funds (EUR 2.09 million)**

These assets are valued using the prices obtained from asset managers.

- **Unlisted bonds (EUR 168.18 million)**

Unlisted bonds include the following instruments :

- Structured Notes funds (EUR 107.24 million)

These funds are valued using the NAV from asset managers

- Bonds (EUR 60.94 million)

Unlisted bonds are valued using the discounted cash flows model. The most important element in such valuation model is the discount rate.

At purchase date, the bond spread is determined using the swap curve. The spread is defined as the difference between the yield to maturity of the bond and the swap curve ; An illiquidity premium is estimated by "judgement expert" by our asset managers. The bond spread is then adjusted by this illiquidity premium ; A market credit spread is also calculated. This spread represents the average spread of bonds having a BBB rating and the swap curve ; Subsequently, we determine a spread factor representing the relation between the issuance spread and the market spread.

At valuation date, the market spread is again determined ; We then determine the bond yield as being the product of the spread factor and the market spread (adjusted by the illiquidity premium). This yield is ultimately used for bond valuation.

- **Equity shares (EUR 117 million)**
- The majority of equity shares are valued on the basis of the adjusted net asset or equity, taking into account an illiquidity discount of 25%, applied in certain cases.
- If the position of equity shares held is lower than EUR 50,000, the estimated value will remain at the carrying amount, unless the losses on this equity would justify a recognition of a lower value.
- The "Discounted Dividend Model" valuation technique, which is based on the expected dividends, is only used in one single case (EUR 65 million).

	Description	Fair value (in MEUR)	Valuation technique(s)	Data used	Numerical data
Share and investment funds	**Unlisted shares**	14.13	Adjusted net asset	- Company equity - Assets : loss - Labilities (debt towards P&V) : loss on debt	58,856,844.42 -44,934,311.10 -207,976.95
		0.98	Equity	Equity Shareholders	21,902,123.00 4.46%
	Unlisted funds (with NAV)	463.20	Net Asset Value	n/a	n/a
	Unlisted funds (without NAV)	2.80	Discounted cash-flows	Cash-flow forecast Interpolated OLO rates Market return on Belgian property - 10 years	Provided by the issuer between 1% and 2% between 4,5% et 5,5%
	Private equity funds	2.09	Net Asset Value	n/a	n/a
Funds / Unlisted notes	**Structured Notes funds**	107.24	Net Asset Value	n/a	n/a
	Property certificates at fixed rate	3.9	Net Asset Value	n/a	n/a
	Bond issue	21.6	External valuation	n/a	n/a
		35.4	Discounted cash-flows	Bond yield to maturity Swap curves at issue and at the valuation date Illiquidity premium Curves for BBB issue, at issue and at the valuation date	between 2 and 6% between -0,5 and 3% between 0,25 and 3% between -0,25% and 5%

Transfers between levels

Below table discloses the movements that occurred in 2017 between level 2 and level 3.

In thousands €	2017	
	Level 2	Level 3
Opening balance	**549,638**	**618,194**
Transfer from level 1 to level 2	-	-
Transfer from level 2 to level 1	(12,239)	-
Transfer from level 2 to level 3	-	-
Investments	210,691	168,542
Sales	(4,445)	(33,308)
Reimbursement	(74,679)	-
Change in fair value	20,563	14,999
Closing balance	**689,527**	**768,426**

In thousands €	2016	
	Level 2	Level 3
Opening balance	**478,053**	**550,300**
Transfer from level 1 to level 2	3,213	-
Transfer from level 2 to level 1	(76,116)	-
Transfer from level 2 to level 3	(1,293)	1,293
Investments	81,997	105,780
Sales	-	(23,048)
Reimbursement	(5,203)	(14,997)
Change in fair value	68,986	(1,133)
Closing balance	**549,638**	**618,194**

The increase of the amount in level 2 can be explained by the acquisition of assets that fall in this category. Furthermore, valuation of assets in this category has increased for an amount of EUR 20.6 million during the period.

The increase of the amount in level 3 is also largely due to acquisition of unlisted investment products (most of these acquisitions are investment funds).

The acquisitions in level 2 mainly consist of investments in commercial paper, but also bonds and swaptions.

Acquisitions in level 3 mainly consist of non listed funds, although there are also non listed shares.

IV.L.3 Assets held-to-maturity

P&V Group has established a portfolio of assets linked to Dutch mortgage loans, which are classified as held-to-maturity.

IV.L.4 Assets available for sale

Of the financial assets available for sale held by P&V Group, 10.0% consist of shares, equity shares (participations) and SICAV funds and 90.0% consist of bonds[4][5]. In 2016, the percentages were respectively 9.1% and 90.9%.

In thousand €		2017				
		Market value	Purchase value	Net acquisition value	Impairment	OCI
Shares, participations & SICAV	Unlisted	597,414	519,706	482,819	(35,775)	114,595
Shares, participations & SICAV	Listed	980,745	901,500	689,208	(211,667)	291,537
Total shares		**1,578,158**	**1,421,206**	**1,172,027**	**(247,442)**	**406,131**
Bonds	Corporate	4,081,547	3,888,934	3,866,878	(15,057)	214,669
Bonds	Sovereign	10,129,887	7,978,364	8,105,927	-	2,023,960
Total bonds		**14,211,433**	**11,867,298**	**11,972,805**	**(15,057)**	**2,238,629**
Total		**15,789,592**	**13,288,503**	**13,144,831**	**(262,499)**	**2,644,760**

In thousand €		2016				
		Market value	Purchase value	Net acquisition value	Impairment	OCI
Shares, participations & SICAV	Unlisted	464,863	471,262	342,802	(128,469)	122,061
Shares, participations & SICAV	Listed	984,794	1,060,578	675,148	(384,304)	309,646
Total shares		**1,449,657**	**1,531,841**	**1,017,950**	**(512,773)**	**431,707**
Bonds	Corporate	3,975,026	3,695,136	3,717,653	(15,057)	257,373
Bonds	Sovereign	10,478,960	8,096,748	8,243,519	-	2,235,441
Total bonds		**14,453,985**	**11,791,884**	**11,961,171**	**(15,057)**	**2,492,814**
Total		**15,903,643**	**13,323,725**	**12,979,122**	**(527,830)**	**2,924,521**

The net acquisition value corresponds to the amortised cost for bonds and to the difference between acquisition value and impairments for shares.

The financial assets available for sale include equity and debt instruments. Equity instruments classified as available for sale are those which are not classified as asset held for trading or booked at fair value through profit and loss. The debt instruments classified as available for sale are those which the entity is planning to hold during an undetermined period and which could be sold when liquidity needs occur or when market conditions change.

[4] In the table, market value of bonds takes into account accrued interest not yet due of EUR 230.9 million.

[5] Government bonds also include supranational bonds and bonds issued by regions with the same guaranteed spread as the government bonds.

After initial recognition, financial assets available for sale are recognised at fair value. Changes in fair value (impairments) are recognised in profit and loss or in the AFS reserve (OCI), in accordance with the IFRS standards.

The amortised cost column takes into account other elements such as the currency change.

In the profit and loss statement, the impact of “IFRS impairments” amounts to EUR 12.6 million for P&V Group for 2017.

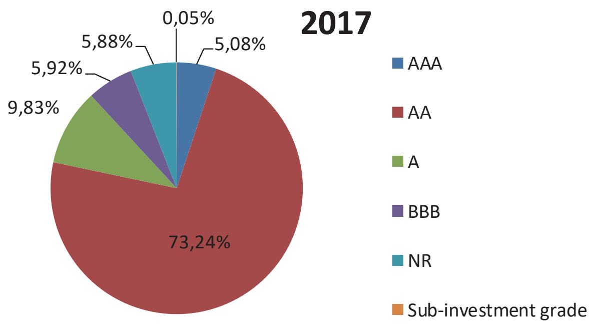
Bond portfolio

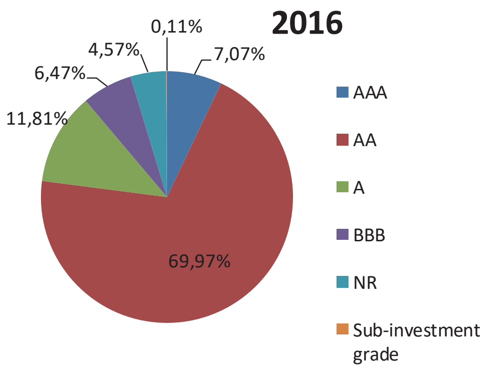
Rating agencies issue ratings to bonds, informing investors on the credit risk linked to the issuer of the bond. The rating is issued for the entire life of the bond, but changes may occur in credit ratings. A bond rating can be upgraded or downgraded.

P&V Group authorises a maximum investment of 5% in bonds without credit ratings. This is applied on the individual level as well as the consolidated level.

The table below discloses the distribution of bonds, owned by P&V Group, according to their rating :

In thousand €	2017		2016	
AAA	721,809	5.08%	1,022,170	7.07%
AA	10,408,275	73.24%	10,113,731	69.97%
A	1,396,956	9.83%	1,706,434	11.81%
BBB	841,383	5.92%	935,606	6.47%
Credit rating	**13,368,423**	**94.07%**	**13,777,940**	**95.32%**
Sub-investment grade	7,564	0.05%	15,350	0.11%
NR	835,447	5.88%	660,695	4.57%
Total	**14,211,433**	**100.00%**	**14,453,985**	**100.00%**





The following tables disclose the maturities and type of instruments that are included in the bond portfolio of the group :

In thousand €	2017					
	1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Fixed rate financial instruments	15,132	149,383	115,273	2,675,068	10,785,482	13,740,339
Variable rate financial instruments	-	-	7,371	92,909	29,247	129,527
No interest bearing financial instruments	49,993	43,036	83,868	4,299	160,371	341,568
TOTAL	**65,125**	**192,419**	**206,512**	**2,772,276**	**10,975,101**	**14,211,433**

In thousand €	2016					
	1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Fixed rate financial instruments	-	18,780	221,280	2,659,862	11,199,269	14,099,191
Variable rate financial instruments	-	17,053	-	78,828	38,280	134,161
No interest bearing financial instruments	22,496	11,994	23,136	4,328	158,679	220,634
TOTAL	**22,496**	**47,828**	**244,416**	**2,743,018**	**11,396,227**	**14,453,985**

In 2017, financial instruments with maturities higher than 5 years amount to EUR 3.4 billion for instruments with a maturity between 5 and 10 years, to EUR 3.0 billion for instruments with a maturity between 10 and 15 years, to EUR 2.1 billion for instruments with a maturity between 15 and 20 years and EUR 2.4 billion for instruments with a maturity higher than 20 years.

➢ *Sensitivity analysis*

The table below discloses the sensitivity of the profit and loss and equity elements of P&V Group after simulating changes in interest rates applied to the portfolio. The estimations are based on the "modified duration" of bonds, without taking into account shadow accounting.

Shadow accounting has significantly mitigated the impact on equity (approximately 90% of the impact).

2017		
Bonds (In thousands €)	Impact on profit and loss	Impact on equity
Interest rate + 100bp	-	(1,271,337)
Interest rate + 50bp	-	(635,669)
Spreads + 100bp	-	(181,822)
Spreads + 50bp	-	(90,911)

2016		
Bonds (In thousands €)	Impact on profit and loss	Impact on equity
Interest rate + 100bp	-	(1,345,918)
Interest rate + 50bp	-	(672,959)
Spreads + 100bp	-	(203,762)
Spreads + 50bp	-	(101,881)

The first two scenarios simulate a parallel increase of the interest rate curve by 50bp and by 100bp, while the two following scenarios only affect the corporate spreads of bonds by 50bp and by 100bp.

The investment strategy is guided by ALM. The aim is to ensure the Group is able to face its engagements and obligations towards the policyholders and to protect the Group's solvency. Given the measures taken for years by the Group regarding solvency, the gap between the weighted average of the duration of insurance assets and insurance liabilities (duration gap) is at such a low level (less than one) that changes in interest bearing assets have a mirror effect on liabilities. Only the "credit risk" part of financial instruments generates, in a residual manner, a gap that cannot be covered. Furthermore, "payer swaptions" have been used as hedging instruments in order to protect the Group from liquidity risk that could arise from a possible sudden increase of interest rates on the market.

➢ *Government bonds*

The government bonds portfolio is mainly composed of Belgian government bonds (74.1%). The exposure to PIIGS[6] countries only represents 0.36% of the portfolio.

Sovereign bonds (In thousand €)	Market Value
Belgium	7,501,260
France	1,903,059
Germany	189,898
Luxembourg	405,696
Austria	6,803
Netherland	39,315
Canada	30,326
Irland	21,888
Poland	16,931
Italy	12,618
Spain	2,094
Total	**10,129,887**

[6] PIIGS : Portugal – Ireland – Italy – Greece – Spain

➢ *Corporate bonds*

The corporate bonds portfolio is mainly composed of bonds of European corporations. Diversification has been done by country and industry.

Corporate bonds (In thousand €)	Market value
France	1,228,179
USA	552,698
Belgium	549,640
Netherland	489,615
Other: Europe	503,018
Great Britain	243,141
Italy	120,909
Germany	372,558
Other: Non Europe	21,789
Total	**4,081,547**

The first industry represented in the corporate bond portfolio of P&V Group is the "oil & gas" industry with 12.0%. This represent 3.4% of the outstanding bond portfolio. In 2016, the "oil & gas" industry was also the first one with 3.9% of the outstanding portfolio.

Corporate bonds (In thousand €)	Market value
Oil & Gas	488,841
Industrial Goods & Services	480,745
Utilities	416,369
Agency bonds	323,706
Financial Services	317,626
Health care	261,884
Automobiles & Parts	240,373
Real estate	220,443
Technology	194,348
Telecommunications	161,996
Chemical products	147,622
Banks	143,869
Food & Beverage	126,095
Retail	125,768
Media	113,732
Personal & Households Goods	103,164
Construction & Materials	100,475
Insurance	57,446
Travel & Leisure	52,034
Basicl ressources	4,333
Consumer services	679
Total	**4,081,547**

IV.L.5 Shares, equity shares and SICAV funds

The "shares, equity shares and SICAV funds" portfolio has mainly investments in France and includes a wide range of financial instruments (shares, bonds, infrastructure,..). The underlying instruments of the SICAV fund are numerous: shares, bonds, but also real estate liabilities, buildings, infrastructure, high yield, etc..

Shares (In thousand €)	Market value
France	451,194
Belgium	372,073
Luxembourg	384,887
Netherland	132,194
Germany	83,078
Other: Europe	79,728
Other: Non Europe	50,714
Italy	24,291
Total	**1,578,158**

The main industry represented in the "shares, participation and SICAV" portfolio are financial services (45.2%). This is explained by a large amount of SICAV funds classified under this section (EUR 652.1 million from the total EUR 714 million).

Shares (In thousand €)	Market value
Financial Services	713,968
Chemicals	127,734
Participations holding portfolio	100,218
Insurance	28,912
Retail	54,774
Personal & Households Goods	33,422
Oil & Gas	50,941
Construction & Materials	40,349
Industrial Goods & Services	50,867
Real estate	71,001
Health care	59,824
Technology	45,584
Utilities	47,487
Banks	38,940
Telecommunications	25,266
Automobiles & parts	14,710
Food & Beverage	38,027
Media	12,684
Services to the person participations	7,512
Insurance companies participations	3,445
Travel & Leisure	4,567
Real estate exploitation participations	892
Other	2,094
Mortgage participations	3,417
Social action and others participations	1,090
Distribution and related activities particpations	384
Management consultancy participations	43
Fund/pool management participations	5
Total	**1,578,158**

- ***Sensitivity analysis***

The table below discloses stress testing on the share portfolio and its impact on the profit and loss statement and on the equity of P&V Group. A decrease of 10%, 20% and 30% of the stock markets have been used for the different scenarios.

2017		
Shares (In thousands €)	Impact on profit and loss	Impact on equity
Shares -30%	(202,807)	(268,362)
Shares -20%	(59,919)	(254,193)
Shares -10%	(23,040)	(134,016)

2016		
Shares (In thousands €)	Impact on profit and loss	Impact on equity
Shares -30%	(164,810)	(270,087)
Shares -20%	(79,104)	(210,827)
Shares -10%	(34,704)	(110,262)

IV.L.6 Fair value through profit and loss

These financial assets are booked at fair value with changes in fair value being recognised through profit and loss.

In 2017, P&V Group did not hold any financial asset classified in this category.

IV.L.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined maturity that are not quoted on an active market. These investment are initially recognised at their acquisition cost corresponding to the fair value of transaction price. The transaction costs, that are directly attributable to the acquisition of the financial asset, are also recognised in the acquisition cost. After initial recognition, loans and receivables are valued at amortised cost, following the effective interest method, reduced by amortisations.

This section includes,among others, finance lease receivables and mortgage loans.

In thousands €	2017		2016	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
Loans and receivables	1,032,429	1,142,748	791,318	905,616
Non current finance leases	102,940	133,383	72,971	99,879
Other loans	367,894	398,733	311,688	320,490
Total other loans and receivables	**1,503,264**	**1,674,864**	**1,175,976**	**1,325,984**

The change in loans and receivable is due to an increase in mortgage loans.

For more information, please refer to note IV.N.2 and IV.O in this report.

IV.L.8 Derivative financial instruments

The ISDA/CSA contracts have been completed between P&V Group and the majority of bank counterparties with which P&V Group concluded derivatives. These contracts secure over-the-counter derivative transactions, allowing the application of “netting” of positive and negative fair values in case of default of a counterparty. They also provide margin and deposit calls (collateralisation) for any remaining net exposure. A CSA contract is a document that regulates the management of collaterals between two counterparties for a loan, while ISDA contract regulate the general contractual basis between two parties that negotiate derivative instruments over-the-counter.

	2017			2016		
	Fair value			Fair value		
	Positif	Negatif	**Net**	Positif	Negatif	**Net**
Interest rate swaps	22,984	-8,977	**14,007**	52,426	-30,463	**21,963**
Currency swaps	0	0	**0**	5,057	-4,893	**164**
Swaption	4,615	0	**4,615**	2,821	0	**2,821**
Options on shares	415	-422	**-6**	0	0	**0**
IRS forwards	0	-25,673	**-25,673**	0	-35,491	**-35,491**
IRS forwards - hedging instruments*	22,935	0	**22,935**	0	-12,688	**-12,688**
Bond forward - purchase	174,506	0	**174,506**	127,932	0	**127,932**
Bond forward - sale	0	0	**0**	27,399	-635	**26,763**
Currency forward	3,312	0	**3,312**	0	0	**0**
Currency swap forward	0	0	**0**	0	-5,459	**-5,459**
Total fair value of derivatives	**228,768**	**-35,071**	**193,697**	**215,635**	**-89,629**	**126,006**
Interest rate swaps - accrued interest	4,871	-2,374	2,497	7,664	-4,739	2,925
Total derivatives	**233,639**	**-37,445**	**196,194**	**223,299**	**-94,368**	**128,931**

** cash flow hedge*

The financial derivatives are valued at fair value through profit and loss, except in case of hedge accounting (hedging derivatives) and when derivatives are not held for trading (except for options on shares). Revaluation of cash flow hedging derivatives is booked in equity.

The table below shows the important movements in the derivative portfolio that have occurred during 2017 (at fair value) :

	01-Jan-17						31-Dec-17	
	Nominal value	Fair value	Acquisitions	Sale	Maturity	(Re)valuation	Nominal value	Fair value
			(Nominal value)	(Nominal value)	(Nominal value)			
Interest rate swaps	**0**	**0**	0	0	0	0	**0**	**0**
Currency swaps**	**791,000**	**20,807**	0	0	-210,000	-6,800	**581,000**	**14,007**
Swaption	**944,400**	**-37,744**	585,240	0	-1,529,640	37,744	**0**	**0**
Options on shares	**691,010**	**1,326**	875,000	0	-186,010	3,289	**1,380,000**	**4,615**
IRS forwards	**0**	**-2**	276,148	-783	-275,323	-5	**1,057**	**-6**
IRS forwards - hedging instruments*	**200,000**	**-19,403**	0	0	0	-6,269	**200,000**	**-25,673**
Bond forward - purchase	**700,000**	**46,330**	0	0	0	-23,395	**700,000**	**22,935**
Bond forward - sale	**410,000**	**187,778**	0	0	-40,000	-13,272	**370,000**	**174,506**
Currency forward**	**230,000**	**-22,391**	0	0	-230,000	22,391	**0**	**0**
Currency swap forward**	**25,000**	**-152**	2,343,112	0	-2,108,612	3,464	**259,500**	**3,312**
	3,991,410	**176,550**	**4,079,500**	**-783**	**-4,579,585**	**17,147**	**3,491,557**	**193,697**

** cash flow hedge*

*** Nominal value in USD*

The amounts in the “maturity” column are those that relate to derivatives that matured during 2017. The amounts are disclosed at their nominal value.

IV.L.8.a *Swap (IRS)*

In 1999, P&V Group subscribed to swaption contracts with maturities between 2001 and 2009 to partially protect itself against a possible decrease in long term interest rates.

These contracts give right to P&V Group to subscribe to a 10-year swap contract – fixed rate receiver and floating rate payer, floating rate being the 6-months Euribor.

P&V Group exercised this right at each maturity between 2001 and 2009, except for 2005, taking on some short term interest rate risk exposure.

In order to hedge this risk, P&V Group subscribes to a reverse swap at each maturity at which it exercises its rights. This gives P&V the right to receive the short term 6-months Euribor rate for the payment of a fixed interest rate during 10 years.

The global amount received by P&V Group during 2017, which relates to the swap and reverse swap contracts, amounts to EUR 6.8 million.

During the 2017 accounting period, four IRS matured, amounting to total nominal value of EUR 210 million.

IV.L.8.b *Forward Swap (IRS) – hedging instruments*

In 2015, P&V Group set up a forward swap portfolio designated as cash flow hedging derivatives for a total nominal amount of EUR 700 million. The portfolio remained constant during 2017. The goal of these derivatives is to ensure the return of future investments. P&V Group plans to purchase, at maturity of the IRS forward, a fixed rate debt of the same maturity as the IRS. The Group has an investment policy that results in regular bond purchases which meet this condition and, therefore, covers the highly probable future transactions (e.g. purchase of fixed rate bonds). The hedged risk corresponds to the fluctuations of the interest rate at which P&V Group could invest in the future.

The table below discloses the different maturities of the forward swaps.

December 31, 2017

Year	Nominal value
2019	250,000
2020	450,000
	700,000

IV.L.8.c *Swaption*

In 2012, P&V Group established a portfolio of options on swaps in order to hedge an increase in long term interest rates. Option maturities vary between 3 and 8 years and the underlying swap has a duration of 10 years. The nominal amount of the swaptions amounted to EUR 1,380 million in 2017 compared to EUR 691 in 2016.

Five contracts of a nominal value of EUR 186 million, which matured in 2017, have not been exercised.

IV.L.8.d *Forward bond*

In 2013, the P&V Group established a portfolio of bond forwards. These bonds are French and Belgian government bonds with a 4 to 6-year maturity, with purpose to ensure a minimum return at present.

Since 2014, P&V Group uses bond forwards to hedge itself for a possible increase in interest rates. A forward hedge constitutes a future sale of a bond with a future maturity date against a fixed price. Doing so, P&V Group hedges actual unrealised gains for these underlying bonds, relating to a future accounting period.

The nominal amount of the long bond forwards portfolio is EUR 370 million at the end of 2017, while the short bond forwards matured in 2017 and have not been renewed.

IV.L.8.e *Forward bonds – hedging derivatives*

A hedging bond forward is defined as a cash flow hedge because the aim of this transaction is to ensure a fixed cash flow at the moment of sale. The forward hedges are considered to be totally effective, because the future price is already known. The bond forward hedge can been considered as an “all-in-one” hedging instrument. Fair value changes of this derivative are recognised in the cash flow hedge reserve of equity.

P&V Group did not use any forward bonds as hedging instruments anymore in 2017.

IV.L.8.f *Currency swaps – forward contracts*

Since 2015, P&V Group established a portfolio of currency swaps (USD) and forward contracts in order to hedge exchange risk for the exposed US government and corporate bonds, which the Group acquired in 2016. Nevertheless, P&V Group divested from its US government bonds portfolio in 2017. As per 31 December 2017, P&V Group did not hold any currency swaps anymore and the nominal value of the forward portfolio amounted to USD 259.5 million.

The following table discloses the hedging ratio of the portfolio of bonds and residual USD cash. Given that P&V Group has a hedge of USD 259.5 million, the hedging ratio is 99.46% on the 31st December 2017.

December 31, 2017

Product	Nominal value	Fair value (incl. accrued interest not yet due)	
US bonds*	241,329	245,047	(2)
USD cash*	15,855	15,855	(3)
FX derivatives**	259,500 (1)	259,500	
Coverage ratio	99.46%	(1)/[(2)+(3)]	

**Nominal value and fair value in USD*

*** Nominal value in USD*

December 31, 2016

Product	Nominal value	Fair value (incl. accrued interest not yet due)	
US bonds*	817,581	948,685	(2)
USD cash*	3,344	3,344	(3)
FX derivatives**	949,400 (1)	-37,896	
Coverage ratio	99.72%	(1)/[(2)+(3)]	

*Nominal value and fair value in USD

** Nominal value in USD

IV.L.8.g Stock options

During 2017, P&V Group sold call and put stock options for a total amount of EUR 275.3 million. From these options, 80 expired or have been exercised (for a total amount of EUR 213.7 million) and the positions of 20 other options (for an amount of EUR 61.6 million) were closed prematurely with the purchase of opposite options.

These over-the-counter sales of options are part of management of the shares portfolio.

IV.L.9 Transfer of financial assets

Financial instruments that have been transferred by P&V Group but without being entirely derecognised are mainly assets transferred as part of a REPO agreement. The associated liabilities are short term debts which correspond to the security lending transactions.

A REPO is a transaction in which bonds (often government bonds) are deposited as a guarantee in exchange for liquidities. A REPO transaction itself is not very risky, as long as the company gives a bond in exchange for cash. The rate paid on this type of transactions is a floating rate (Euribor, Eonia). Market value fluctuations of the collateral are managed by delivering additional collateral (when long term interest rates go up) or by recovering collateral (when long term interest rates go down). A repo transaction creates a short term debt.

In 2017, P&V Group engaged in repo transactions for an amount of 128 million.

IV.M Financial investment Unit Link (Branch 23)

The assets of branch 23 amount to EUR 553.7 million in 2017 compared to EUR 201.4 million in 2016. The technical reserves for investment contracts without participation features amount to EUR 687.3 million in liabilities. These two items relate to investment contracts of branch 23. Financial liabilities also include contracts of branch 26 (collective capitalisation contracts) of EUR 127.4 million.

The financial instruments of branch 23 are distributed between the different fair value levels as following :

In thousands €	2017	2016
Assets		
At cost	-	-
Level 1	439,387	201,359
Level 2	-	-
Level 3	114,298	-
Financial investments "Unit Link"	***553,685***	***201,359***
Liabilities		
Financial liabilities - Investment contract without participation features	***687,310***	***308,941***

The financial assets in level 1 are government bonds and investment funds publishing a Net Asset Value (NAV).

The addition of financial results from Branch 23 of Euresa Life explains the increase in assets as well as liabilities compared to 2016. These assets and liabilities were initially classified as assets and liabilities held for sale.

IV.N Other assets

IV.N.1 Reinsurance assets and reinsurance receivables

In thousands €	2017	2016	Change
Receivables from policyholders	53,743	54,575	(832)
Receivables from insurance brokers	24,061	21,067	2,994
Receivables from reinsurance operations	4,829	7,438	(2,610)
Insurance receivables	***82,633***	***83,080***	***(448)***
Reinsurance assets	313,935	324,829	(10,894)
Total	**396,568**	**407,909**	**(11,341)**

This section includes :

- For direct insurance, the direct recoverable amount of premiums and contributions that matured which were issued by the company;;
- Receivables from agents, brokers and other insurance intermediaries;
- Reinsurance assets that mainly consist of the reinsurance part in the technical provisions of the company

Reinsurance assets decreased by EUR 10.9 million, which is mainly explained by the utilisation of the IBNR reserve and the extension of the retirement age following the update of the corresponding claim records and the recovery of paid claims.

Insurance receivables have also decreased by EUR 0.45 million due to :

- An increase of EUR 3.0 million of the net balances of insurance intermediaries, compensated by receivables from reinsurance operations of EUR 2.6 million following the recovery of these receivables and a significant increase of technical non-life results in 2017;
- A decrease of EUR 0.8 million in receivables from policyholders following the increase of premiums still to be written and client accounts, compensated by an increase of impairment losses mainly coming contracts in branch 26.

Reinsuance assets and insurances receivables timetable

In thousands €	2017	2016	Change
Other long-term assets			
Reinsurance assets	313,935	324,829	(10,894)
Insurance receivables	-	19	(19)
Total other long-term assets	**313,935**	**324,848**	**(10,913)**
Other short-term assets			
Insurance receivables	82,633	83,061	(428)
Total other short-term assets	**82,633**	**83,061**	**(428)**
Total	**396,568**	**407,909**	**(11,341)**

In 2017, short term assets are influenced by the level of insurance receivables (decrease in reinsurance receivables and in the number of policyholders).

In thousands €	2017			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Reinsurance assets	-	313,935	-	313,935
Insurance receivables	82,633	-	-	82,633
Total	**82,633**	**313,935**	**-**	**396,568**

In thousands €	2016			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Reinsurance assets	-	324,829	-	324,829
Insurance receivables	83,061	19	-	83,080
Total	**83,061**	**324,848**	**-**	**407,909**

IV.N.2 Other receivables

In thousands €	2017	2016	Change
Other receivables	140,349	143,477	(3,128)
Current leasing receivables	2,641	5,066	(2,425)
Prepaid expenses and accrued income	9,534	7,138	2,396
Total	**152,524**	**155,680**	**(3,156)**

Other receivables mainly consist of current lease receivables, recoverable taxes and provisions for expected debt recovery (EUR 56 million in 2017).

The decrease of “other receivables” (- EUR 3.2 million) is explained by a decrease of the amounts allocated to mortgage loans and the reimbursement of the loan within the long term lease (emphyteusis) of the building called “Triamant”, compensated by the increase from the anticipated payment of taxes.

Maturities of other receivables

In thousands €	2017	2016	Change
Other long-term assets			
Other receivables	75,144	69,100	6,044
Total other long-term assets	**75,144**	**69,100**	**6,044**
Other short-term assets			
Other receivables	65,205	74,377	(9,171)
Current leasing receivables	2,641	5,066	(2,425)
Prepaid expenses and accrued income	9,534	7,138	2,396
Total other short-term assets	**77,380**	**86,580**	**(9,200)**
Total	**152,524**	**155,680**	**(3,156)**

For the other receivables, there was an increase in the long term but a decrease in the short term.

In thousands €	2017			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Other receivables	65,205	66,950	8,194	140,349
Current leasing receivables	2,641	-	-	2,641
Prepaid expenses and accrued income	9,534	-	-	9,534
Total	**77,380**	**66,950**	**8,194**	**152,524**

In thousands €	2016			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Other receivables	74,377	60,225	8,875	143,477
Current leasing receivables	5,066	-	-	5,066
Prepaid expenses and accrued income	7,138	-	-	7,138
Total	**86,580**	**60,225**	**8,875**	**155,680**

IV.O Rentals and leasing

P&V Group owns more land and buildings which are classified as finance leases than as operating leases.

The classification of the leases between finance lease and operating lease is determined at the beginning of the contract on the basis of transfer of risks and premiums. If the lessee bears the risks and premiums, then P&V Group will consider the contract as a finance lease. All other contracts will be operating leases.

IV.O.1 Finance leases

In thousands €	2017	2016
Current receivables	2,641	5,066
Non current receivables	102,940	72,971
Total	**105,581**	**78,037**
Net change in finance lease contracts	**(27,544)**	

Finance leases and non-current receivables are classified as financial assets in the "Loans and receivable" section. All other receivables are grouped in the "Other receivables" section.

In thousands €	2017			
	Gross investment	**Present value of payments**		**Unguaranteed residual value**
		Capital	**Interest**	
A 1 an	2,641	2,661	3,128	-
De plus de 1 an à 5 ans	24,192	28,090	17,448	-
De plus de 5 ans	78,748	73,543	20,966	7,728
Total	**105,581**	**104,294**	**41,542**	**7,728**

In 2017, a new emphyteutic contract has been concluded on the Triamant building and the existing emphyteutic contract on the Belliard building has been extended.

Ongoing leases on property assets will mature between 2020 and 2031.

The main property leases are concluded with the European Commission for durations of five years. The lease payments are indexed.

Except from the leases described above, the Group does hold a significant amount of lease contracts.

IV.O.2 Operating leases

P&V Group as lessor

In thousands €	2017	2016
Future minimum rental receivables from lease contracts		
Less than 1 years	7,012	6,891
Between 1 and 5 years	11,706	15,616
More than 5 years	7,374	7,297
Total	**26,091**	**29,803**

The operating leases represent the amount of lease payments P&V Group needs to receive on its investment property. The analysis based on maturities of leasing contracts without taking into account any possible amendments of these contracts.

P&V Group as lessee

P&V Group has operating lease contracts. Debt associated to the lease are classified as commercial debt.

In thousands €	2017	2016
Future minimum rental payables from lease contracts		
Less than 1 years	268	287
Between 1 and 5 years	355	571
More than 5 years	-	48
Total	**623**	**906**

The minimum payments recognised as an expense amount to EUR 315 thousands in 2017 compared to EUR 288 thousands in 2016.

IV.P Non-current assets held for sale and discontinued operations

In 2015, the company Euresa Life was offered for sale, which led to reclassification of debt related to insurance contracts and related assets to non-current assets and liabilities held for sale.

During 2017, the Group has encountered difficulties in the sale of Euresa-Life and, therefore, P&V Group decided to keep the company in run-off.

This run-off has been communicated to the Group's personnel as well as the controlling authorities.

A run-off corresponds to a situation with reduced growth due to the absence of commercial activity and the limitation or withdrawal of guaranteed interest on amounts invested by clients.

As a consequence, the reclassifications in previous years under IFRS 5 are not applicable anymore in 2017.

We note that each asset and liability related to the insurance activities has been reclassified and that there have not been any impairments of assets or liabilities. This comes from the amendments to IFRS 5 "non-current assets held for sale" in which it is specified that IAS 39 remains applicable for assets and that IFRS 4 remains applicable for liabilities. Because of this, the cancellation of the reclassification of assets and liabilities as “non-current assets held for sale” did not impact the Group’s results in 2017.

There have not been any additional impairments under the scope of IFRS 5. The activities on the asset and liability side are recognised at their actual value in the consolidated financial statements.

The 2016 results were not presented in a discontinued manner, given the low level of materiality.

The net result of Euresa Life, given the deposit accounting applied on the Branch 23 activities (representing the majority of its activities), can be summarised as follows (amounts recognised in accordance with IFRS standards) :

In thousands €	2017	2016
Total of current fiancial revenue	2,978	2,837
Total expenses	-8,538	-3,349
Net result of the year	-5,560	-512

Expenses have sharply increased during 2017, given that expenses related to personnel redundancies have been taken into account during the year. This is in compliance with the IFRS standards and the results of the audit of the 2017 financial statements.

The financial position of Euresa Life can be summarised as follows (amounts recognised in accordance with IFRS standards and before elimination of equity as part of consolidation) :

In thousands €	2017	2016
Financial instruments	26,830	27,786
Financial investment "Unit Link"	335,629	360,088
Other assets	10,695	13,121
Total assets	**373,155**	**400,994**
Building include in the accounts but not reclassify in IFRS 5	0	7,050
Total assets reclassify in IFRS 5	**373,155**	**393,944**

In thousands €	2017	2016
Equity	8,252	11,140
Financial liabilities - investment contracts without participation features	334,450	358,556
Other liabilities	30,452	31,869
Total liabilities	**373,155**	**401,566**
Deferred taxes link to building not reclassify in IFRS 5	0	38
Total liabilities reclassify in IFRS 5	**373,155**	**390,388**

IV.Q Cash and cash equivalents

The cash positions of P&V Group are disclosed in the table below :

In thousands €	2017	2016	2015
Cash	251,215	281,264	166,844
Short-term deposits	10,122	14,052	133,536
Total cash position	**261,337**	**295,315**	**300,380**
Net change in cash and cash equivalents	**(33,979)**	**(5,064)**	

The cash equivalents mostly consist of monetary euro elements or equivalent investments that satisfy criteria described in IAS 7.

The “Group treasury” line item comprises mainly cash and cash equivalents, and deposit accounts held by different entities of P&V Group.

Short term deposits include short term investments such as term deposits with a maximum period of 3 months.

Cash and cash equivalent are entirely available to P&V Group.

The decrease of liquidities is explained by the following items :

- A decrease of the Group’s treasury by EUR 30.1 million;
- A decrease of term deposits by EUR 3.9 million.

IV.R Equity

In thousands €	2016			2017
		Reclassification	Changes	
Issued capital and capital reserves	571,093	(129,966)	-	441,127
Other reserves and non-controlling interest	1,389,724	129,966	102,614	1,622,304
Total equity	**1,960,818**	**-**	**102,614**	**2,063,432**

Issued capital and capital reserves

The authorised share capital did not change during the accounting period of 2017.

Other reserves related to share capital include reserves not available for distribution, legal reserves and untaxed reserves of P&V Assurance.

The decrease of these reserves is due to a transfer following the distribution of the 2016 results.

IV.S Technical liabilities and insurance liabilities

IV.S.1 Technical provisions

In thousands €	2017		
	Insurance contracts	Reinsurance part	Net provisions
Life insurance contracts	10,757,598	-	10,757,598
Non life insurance contracts	2,404,151	(312,471)	2,091,680
Total insurance contracts (liability)	**13,161,749**	**(312,471)**	**12,849,278**

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Life insurance contracts	10,605,740	-	10,605,740
Non-life insurance contracts	2,426,465	(323,187)	2,103,278
Total insurance contracts (liability)	**13,032,205**	**(323,187)**	**12,709,017**

Technical provisions correspond to the measurement, at closing, of the Group's engagements towards insured persons, beneficiaries and policyholders.

This section includes:

- The provision for unearned premiums, which is the amount corresponding to the fraction of gross premiums that are allocated to subsequent periods in order to cover claim expenses, overhead costs and investment management fees.
- The provisions for outstanding risks, which is established in addition to provisions for unearned premiums when the overall costs related to claims and overhead costs, linked to outstanding contracts after the end of the period, are higher than the total unearned premiums and premiums related to these contracts.
- The provision for claims: the total estimated cost for the company of all claims that occurred during the period, declared or not, and deducted by the amount that has already been paid for these claims.
- This includes compensations and allowances that have to be paid following the occurrence of events before the closing date as well as fees related to internal and external management of above-mentioned claims.
- For the Life branch, provisions correspond to accrued benefits but not terminated at closing date and related external and internal management fees.

Provisions related to insurance contracts increased by EUR 129.5 million before taking into account reinsurance contracts (disclosed on the balance sheet under insurance receivables – see note IV.N.1).

Life insurance contracts are impacted by the decrease in shadow accounting. This can be explained by the decrease in the AFS reserve, which is caused by the increase in interest rates in 2017. This impact was compensated by the natural increase of technical provisions within the normal course of activities.

Reserves related to Life insurance contracts represent 81.7% of the technical provisions, while reserves related to Non-life insurance contracts represent 18.3% of those provisions. These technical provisions are covered by financial investments. P&V Group has an excess coverage compared to its technical provisions and shows that this can be used to face its obligations.

The reinsured part of Non-life insurance contracts only amounts to 13.00%. This percentage has slightly decreased compared to 2016. This is explained by good performances of the technical Non-life section..

IV.S.1.a *Non-life technical provisions*

In thousands €	2017		
	Insurance contracts	Reinsurance part	Net provisions
Provisions for claims declared by policyholders	2,036,073	(309,471)	1,724,845
Provisions for IBNR claims	73,596	-	75,354
Provisions for IBNER claims	15,920	-	15,920
Expenses related to internal treatment of claims	77,646	-	77,646
Outstanding provisions for compensation *	***2,203,235***	***(309,471)***	***1,893,764***
Provisions for unearned premiums	136,871	(3,001)	133,871
Provisions for outstanding risks	7,280	-	7,280
Total non-life insurance liabilities	**2,347,386**	**(312,471)**	**2,034,915**

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Provisions for claims declared by policyholders	2,042,906	(312,491)	1,730,414
Provisions for IBNR claims	77,927	(7,672)	70,254
Provisions for IBNER claims	27,199	-	27,199
Expenses related to internal treatment of claims	77,898	-	77,898
Outstanding provisions for compensation *	***2,225,930***	***(320,164)***	***1,905,766***
Provisions for unearned premiums	138,406	(3,024)	135,382
Provisions for outstanding risks	5,300	-	5,300
Total non-life insurance liabilities	**2,369,636**	**(323,187)**	**2,046,449**

* The table above takes into account the expected debt recovery, amounting to EUR 56.8 million in 2017, and which can be found on the asset side of the balance sheet.

The provisions for pending compensations have decreased by EUR 22.7 million **before taking into account reinsurance**.

Regarding the provision for pending compensation **net of reinsurance**, there is a decrease of EUR 12.0 million mainly explained by the decrease in provision for claims by policyholders and for IBNER claims.

Provisions for pending compensations

In thousands €	2017		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**2,225,930**	**(320,164)**	**1,905,766**
Provisions for claims occurred during the period	335,536	(43,801)	291,735
Payment of claims from previous periods	(222,130)	16,836	(205,294)
Change in provision for claims from previous periods	(136,101)	37,658	(98,443)
Closing balance	**2,203,235**	**(309,471)**	**1,893,764**

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**2,168,942**	**(332,881)**	**1,836,061**
Provisions for claims occurred during the period	349,379	(48,985)	300,393
Payment of claims from previous periods	(223,106)	28,654	(194,452)
Change in provision for claims from previous periods	(69,284)	33,049	(36,235)
Closing balance	**2,225,930**	**(320,164)**	**1,905,766**

The provision for claims can be estimated as the total cost for the company of all claims that occurred during the period, declared or not, and deducted by the amount that has already been paid for these claims. These estimates reviewed at least once a year on the basis of new elements from the file or in the absence of movements. Therefore, it is usual to have increasing provisions during the periods following its establishment, within the normal course of activities.

Provisions for unearned premiums

In thousands €	2017		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**138,406**	**(3,024)**	**135,382**
Written premiums during the period	692,597	(3,001)	689,596
Earned premiums during the period	(694,131)	3,024	(691,108)
Closing balance	**136,871**	**(3,001)**	**133,871**

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**149,519**	**(117)**	**149,402**
Written premiums during the period	688,090	(3,024)	685,067
Earned premiums during the period	(699,204)	117	(699,086)
Closing balance	**138,406**	**(3,024)**	**135,382**

The provision for unearned premiums has decreased compared to 2016. This provision is only calculatedfor the Non-Life activity branch. The gross Non Life insurance premiums have decreased by EUR 24.1 million.

Claims development table

The claims development table below includes the triangle of cumulative payments, net of recourse and gross of reinsurance, for the "Direct Business" branches. It does not include the claims paid in form annuities for the "Workplace Accident Insurance" and "Sick Pay Insurance" branches as well as reinsurance matters.

The claim payment policy did not undergo any changes during 2017.

The claims development table allows P&V Group to estimate the necessary reserves based on historical data. The calculation of reserves is done by extrapolating past trends into the future. Dates disclosed horizontally correspond to the year of occurrence of the claims, while the ones disclosed vertically correspond to the year of payment (cumulated).

In thousands €	< 2006	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
2006		134062	156687	155931	164987	168984	167030	175055	177807	189325	181370	174736	168185	
2007		211510	237547	242383	246824	261535	254640	259640	266969	281520	265602	274851,7		
2008		232675	260592	267009	264415	282875	275766	280819	286909	299588	287153			
2009		249091	277188	285686	279005	295445	287028	295341	297985	312555				
2010		266798	288999	300307	291276	307180	296145	303387	309612					
2011		274726	296769	311618	301998	313058	306057	312301						
2012		282983	302558	321020	308350	317976	312007							
2013		288808	307275	329356	313390	321002								
2014		293342	311211	335031	316665									
2015		297078	314336	338738										
2016		299432	316577											
2017		300555												
Cumulativ payments (I)		300555	316577	338738	316665	321002	312007	312301	309612	312555	287153	274851,7	168185	
Outstanding claims provision (II)	199700,54	31483	43736	47982	50607	40671	47323	66888	75513	93974	129448	154469,7	228665	1210462
Provisions relatives to worker's compensation activities and activities not included in this triangle														397431,2
Other provision not included in this table														595342
Provision for pending compensation														2203235
Total claims expenses by year of occurence (I+II)		332038	360313	386721	367273	361674	359331	379188	385125	406530	416601	429321,4	396850	

This table allows readers of the financial statements to have a view on historical payments and the amounts that have been provisioned for this purpose. The table discloses the past 12 years (current year included) in detail in order to make it easier to read, without jeopardising the content of the provided information.

This table allows the reader of the financial statements to make an assessment between the payments made in a historical manner and the amounts still provisioned for this purpose. Without harming the information provided but in order to make the table easier to read, only the last twelve years (including the current year) are presented in detail in the table.

The evolution of the outstanding provisions is the following:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outstanding claims provision - situation 2016 (A)	29375	49898	53692	53527	42495	56649	75105	87120	110305	153021	211232
Outstanding claims provision - situation 2017 (B)	31483	43736	47982	50607	40671	47323	66888	75513	93974	129448	154469,7
Provision evolution (B-A)	2108	-6162,1	-5709,6	-2919,6	-1823,5	-9325,6	-8217,4	-11607	-16331	-23573	-56762,33

Provisions for outstanding risks

In thousands €	2017		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**5,300**	**-**	**5,300**
Incurred during the period	7,280	-	7,280
Used during the period	(5,300)	-	(5,300)
Closing balance	**7,280**	**-**	**7,280**

In thousands €	2016		
	Insurance contracts	Reinsurance part	Net provisions
Opening balance	**8,462**	**(2,918)**	**5,544**
Incurred during the period	5,264	-	5,264
Used during the period	(8,426)	2,918	(5,508)
Closing balance	**5,300**	**-**	**5,300**

A provision for outstanding risks is established for the group of contracts for which the premiums of previous periods (proportion of unearned premiums) do not cover the amount of risks that occurred.

The branches that relate to this provision for outstanding risks are the Auto branch in third party liability where an increase occurred for an amount of EUR 0.87 million as well as the collective third party liability where the increase amounts to EUR 0.91 million.

IV.S.1.b *Technical provisions for Life insurance*

In thousands €	2017	2016
Opening balance	**10,605,740**	**10,024,477**
Premiums	561,791	556,881
Liabilities paid in case of death, maturity, surrender and claims	(502,266)	(463,460)
Change in provisions (risk premium,..)	(44,929)	(88,181)
Surplus deduction	(45,534)	(46,517)
Allocation of guaranteed interest in branch 21, participation features in branch 21 and financial returns in branch 23	277,153	284,104
Acquisition/sale of portfolios	(38,805)	16,122
Shadow accounting	(163,179)	265,219
Other changes in provisions	107,626	57,096
Closing balance	**10,757,598**	**10,605,740**

The Life insurance technical provisions have increased by EUR 151.9 million in 2017 partly due to the movements in the shadow accounting of EUR – 163.2 million (See note VI.O.2 – last table). Without impact from shadow accounting, the change would have amounted to EUR 315.0 million, explained by the natural growth of the life insurance technical provisions (more details in the table above).

In 2017, the impact of shadow accounting is further explained by the increase in interest rates on bonds which impacts the AFS reserve. However, the impact of shadow accounting led, in 2016, to an increase of technical provisions in Life following the decrease in interest rates on the bond portfolio.

Premiums increased by EUR 4.9 million in 2017 compared to 2016. Liabilities paid in case of death, maturity or surrenders increased by EUR 38.8 million in 2017.

Provisions (risk premium ...) and changes in other provisions are due to other movements related to the life of the contracts (reduction of guarantees, modification of contracts…)

IV.S.2 Investment contracts

In thousands €	2017	2016
Investment contract with participation features	2,065,182	1,973,164
Investment contract without participation features	687,310	308,941
Total investment contracts	**2,752,492**	**2,282,105**

The investment contracts with participation features have increased by EUR 92.0 million in 2017. This is due to an increased number of individual life pension plans and decreased shadow accounting for an amount of EUR -22.8 million (see last table of this note).

Investment contracts with participation features

In thousands €	2017	2016
Opening balance	**1,973,164**	**1,797,103**
Premiums	282,392	266,108
Liabilities paid	(122,551)	(133,739)
Change in provisions (risk premium,..)	(9,998)	(9,735)
Increments deducted	49,132	49,338
Allocation of guaranteed interest in branch 21, participation features in branch 21 and financial returns in branch 23	(7,890)	12,077
Acquisition/sale of portfolios	(22,781)	52,169
Shadow accounting	(76,287)	(60,155)
Other changes in provisions		
Closing balance	**2,065,182**	**1,973,164**

The increase is mainly due to growth of the life insurance portfolio and the related premiums. The liabilities paid decreased in 2017, compared to 2016, for an amount of EUR 11.2 million.

Investment contract without participation features

In thousands €	2017	2016
Opening balance	**308,941**	**274,738**
Deposits received	70,974	52,761
Withdrawals	(75,800)	(27,936)
Increments deducted	(4,595)	(281)
Allocation of financial return in branch 23	11,145	8,220
Acquisition/sale of portfolios	3,670	1,439
Shadow accounting	-	-
Other changes in provisions	372,975	-
Closing balance	**687,310**	**308,941**

The received deposits are explained by the increase in income from branch 26 and branch 23, compared to last year.

Other changes in provisions in 2017 (EUR 372,9 million) relate to the cancellation of the reclassification of Euresa-life's activities as debt related to non-current assets held for sale.

The table below discloses the unrealised gains on bonds from technical provisions (following shadow accounting). These unrealised gains are mainly influenced by changes in interest rates on bonds allocated to these contracts and explain changes in technical provisions.

In thousands €	2017	2016
Insurance contracts	1,610,004	1,773,183
Investment contract with participation features	297,532	320,313
Total	**1,907,537**	**2,093,496**

Liability adequacy test (Life and Non-life)

A liability adequacy test (LAT) is undertaken by P&V Group for every business line.

This adequacy test is carried out at each annual closing for Non-life as well as life liabilities.

The aim of this test is to ensure sufficiency of insurance provisions in the liabilities of the Group in view of future liabilities.

To do this, the accounting provisions (including amounts related to shadow accounting) are compared to a Best Estimate, which represents the present value of future cash flows discounted for the rate of return on assets' portfolio.

Shadow accounting is defined as an additional provision on the reserve for insurance contracts with participation features. This provision is based on unrealised gains of bonds (AFS reserve) at the end of the period.

The assumptions used for calculating the Best Estimate (surrenders, mortality...) are consistent with those used for other modelling such as Solvency II.

For the part related to Life insurance, the test includes the cash flows arising from operating activities (future profit participation) and the behaviour of the insured persons (surrender rate).

The forecast model generates cash flows related to liabilities and cash flows related to assets (mainly in order to model their impact on the participation feature and the dynamic behaviour). These cash flows are generated for 5,000 possible future real-world economic scenarios. These scenarios are generated by an economic scenario generator that uses data provided by Moody's. These 5,000 scenarios each have their own vision of the future regarding the returns of different asset classes such as government bonds, corporate bonds, shares, real estate, etc. The average return of these scenarios represents the average return expected by Moody's and P&V in the long term. For each scenario, the present value of the future cash flows from liabilities is calculatedbased on market returns realised from that scenario. The average of these present values of the 5,000 scenarios lead to the best estimate which will be compared to the available book value as indicated below (BGAAP technical provisions – additional life provisions + shadow accounting). The test is undertaken for all life contracts.

Sensitivity tests are also conducted in order to ensure robustness of the calculations.

Each inadequacy in the consolidated financial statements is adjusted through profit and loss.

At this point, technical provisions for life insurance are sufficient. Indeed, there is a surplus of EUR 367 million in 2017, compared to EUR 182 in 2016.

IV.S.3 Insurance liabilities

In thousands €	2017		
	Liabilities from direct insurance activities	Payables from reinsurance activities	Total
Opening balance	**170,759**	**202,048**	**372,806**
Allocation	191,750	9,086	200,836
Utilisation	(181,319)	(10,785)	(192,103)
Closing balance	**181,190**	**200,348**	**381,539**

In thousands €	2016		
	Liabilities from direct insurance activities	Payables from reinsurance activities	Total
Opening balance	**163,953**	**210,877**	**374,830**
Allocation	149,551	9,625	159,176
Utilisation	(142,754)	(18,454)	(161,208)
Conversion gaps	8	-	8
Closing balance	**170,759**	**202,048**	**372,806**

P&V Assurances accounts for more than 99.3% of insurance liabilities. They have increased by EUR 8.7 million.

Amounts received from intermediaries or clients but not yet linked to a contract or an agreement are classified under the section “insurance liabilities”. The evolution of this section depends on the amounts collected on the Group’s accounts at the end of the period, and which are only treated by the operating departments within the following weeks. This section also includes received amounts which the Group cannot allocate yet to insurance contracts because the insurance cover is not active yet (payment before maturity).

IV.T Pensions and other liabilities

Description of main retirement plans and related benefits

In Belgium, collective agreements regulate the rights of personnel employed the insurance industry. These agreements, which are applicable to personnel of P&V Group hired before 1 April 2013, allow affiliates to benefit from a capital. This capital is calculated using a formula that takes into account annual salary at the end of the employee’s career and seniority at the moment of retirement. This is a defined benefit scheme.

P&V Group has various defined benefit plans that apply to a portion of its employees. These are financed by allocations. The annual allocations to be paid by the employer are determined by actuarial expertise. This is done to ensure that legal minimum payments and long term financing of the benefits are done.

Personnel, who were hired before 1 April 2013, are entitled to a defined contribution plan. The obligations arising from these pension plans are financed mostly through the insurance companies of P&V Group.

P&V Group also provides its employees with other benefits such as seniority bonuses (jubilees) and early retirement plans.

Liabilities of P&V Group on the balance sheet

In thousands €	2017	2016
Defined benefits	264,032	252,931
Defined contributions	49,371	45,281
Provisions for early retirement	9,032	13,604
Seniority bonuses	5,163	5,209
Pensions and other post-employment benefits	**327,598**	**317,024**

The amounts above correspond to reserves that have been established for the Group's engagements. These reserves are composed by insurance premiums or estimated provisions in accordance with the standards.

P&V Group is its own group insurance provider for its personnel. Therefore, there is no plan asset as stated in IAS 19.

IV.T.1 Defined benefits

The changes in discounted value of obligations arising from defined benefits are disclosed in the table below :

In thousands €	2017	2016
Opening balance	**252,931**	**251,491**
Service costs	11,994	11,022
Interest costs	3,724	5,322
Taxes paid on premiums	(1,324)	(1,425)
Benefits paid	(12,001)	(7,907)
Actuarial gains and losses	2,939	(5,572)
Transfer	5,770	-
Closing balance	**264,032**	**252,931**

The cumulated actuarial gains and losses recognised in equity amount to EUR 2.9 million as per 31 December 2017. In 2016, this amount was EUR -5.6 million. This movement of EUR +8.5 million during 2017 is due to a decrease in interest rates used in the assumptions of the actuarial calculations.

P&V Group expects to pay premiums for an amount of EUR 12.8 million, in 2018, for its defined benefit and defined contribution plans.

Actuarial assumptions

The main assumptions are :

	2017	2016
Discount rate	1.42%	1.42%
Mortality table	MR /FR-5	MR /FR-5
Inflation rate	1.80%	1.80%
Wage increase with indexation	2.20%	2.20%
Turnover	3.60%	2.80%

The average duration of the contracts of the population is between 9 and 17 years.

The standardisation of the internally used rates for different calculations impacted by those factors (discount rate and inflation) allows P&V Group to ensure consistency in its internal valuations.

The resulting figures correspond to the IAS 39 principles according to the estimations made by the management.

Sensitivity analysis :

A quantitative sensitivity analysis was prepared, on 31 December 2017, for the main assumptions used :

Assumptions	Discount rate		Increase of future wages		Rotation	
Degree of sensitivity	0.25%	-0.25%	0.25%	-0.25%	0.25%	-0.25%
Impact on net defined benefits in the pension account in liabilities	(9,378)	9,383	9,317	(8,709)	(817)	832

IV.T.2 Defined contributions

Personnel hired before 1 April 2013 benefit from the defined contribution plans. Note that, law imposed an average minimum annual return of 3.25% on employers' contributions and an average minimum annual return of 3.75% on contributions paid for employees. A potential deficit would be charged to the employer.

At the end of 2015, a change in the law on supplementary pension impacted the minimum return on assets of the plan. From 2017, the minimum return corresponds to a percentage of the average return of the past 24 months of 10-year linear bonds.

For measurement under IFRS, minimum guarantees imposed by the legislator are taken into account, such as "goal to achieve" contracts.

The amount of reserves disclosed above (EUR 49.371 million) has been determined using the projected unit method. The rate used for the calculation are the following :

- A rate of return of 3.25% for the employee contributions before 1/1/2016
- A rate of return of 3.75% for the employer contributions before 1/1/2016
- A rate of return of 1.75% for all contributions from 1/1/2017

IV.T.3 Other benefits to personnel

A decrease of early retirement provisions in IFRS is due to internal analysis of the Collective Labour Agreement conditions and current governmental measures.

IV.U Components of deferred tax

In thousands €	2017		2016	
	Throught balance sheet	Throught profit and loss	Throught balance sheet	Throught profit and loss
Losses carried forward	2,762	(6,075)	8,096	(52,686)
Tax provisions	77,567	(23,464)	101,031	30,404
Provisions and other temporary differences	(7,645)	352	(7,708)	18,059
Impairment of assets	(346)	(45)	(32)	(63)
Insurance related items	378,165	27,389	564,222	(10,167)
Fair value adjustments on acquisition	(17,012)	6,642	(24,665)	(446)
Pension scheme deficit	25,926	(178)	34,485	207
Net unrealised gains on investment securities	(676,068)	9,369	(953,155)	(25,149)
Other	-	894	(2,359)	10,889
Net deferred tax assets / (liability)	**(216,650)**	**14,884**	**(280,084)**	**(28,951)**

The first major component is the deferred tax calculated on the difference between book value and fair value of financial instruments. This difference amounts to EUR 676.1 million and can be separated into gains and losses. For financial instruments that have to be booked at fair value under IAS 39, deferred tax has to be booked for the amount corresponding to the difference between book value (tax base) and fair value, excluding any adjustments on shares. There is no temporary difference between those two given that those elements are not subject to tax.

Another important source relates to tax losses, which amount to EUR 80.3 million after applying the recoverability test.

The technical provisions booked in local GAAP, which remain unrecognised within the frame of reference of IFRS (equalisation and catastrophe, flashing light provisions...) form another source of deferred tax. This impact is balanced with shadow accounting, according to IFRS 4. Consequently, the net impact amounts to EUR 378.2 million.

IV.V Other liabilities

In thousands €	2017	2016	Change
Subordinated debt	260,034	260,017	17
Financial debt	166,454	103,973	62,481
Other debts	170,634	205,271	(34,637)
Total	**597,121**	**569,260**	**27,861**

The net carrying amount of subordinated debt amounts to EUR 260.03 million as per 31 December 2017. Fair value is defined by IAS 39 as the price paid or received for the transfer of a liability between two market participants at measurement date. The fair value measurement assumes that the transaction occurs on the principal market where the asset is traded. This market corresponds to the one where the biggest volume of the asset is traded (IFRS 13). Fair value has only been calculatedfor subordinated debt because these are long term debts for which parameters remain stable. This is not the case for other types of debt.

The fair value of subordinated debt amounts to EUR 311.5 million as per 31 December 2017.

In thousands €	2017		2016	
	Book value	Fair value (Level 3)	Book value	Fair value (Level 3)
Subordonated debt	260,034	311,499	260,017	324,837

Following cancellation of subordinated loans carried out by P&V Group, subordinated loans have maturities from 1 to 5 years included (EUR 195.0 million) or maturities lower than 1 year (EUR 65.0 million). Accrued interest not yet due is classified as less than 1 year (EUR 0.8 million).

Financial liabilities have increased by EUR 62.5 million, increasing from EUR 104.0 million in 2016 to EUR 166.5 million in 2017. This is explained by repo transactions of EUR 128 million, partially compensated by the valuation of negative value derivatives.

The other liabilities have decreased by EUR 34.6 million due to a decrease in tax liabilities following the assessment by the tax authorities and the restructuring provision within the personnel retirement plan Horizon 2020.

This provision turned out to be overestimated by EUR 11.4 million, given the rate of response to the Group's propositions and the conditions negotiated regarding the plan proposed to social partners.

The costs related to this provision are expected to occur between 2018 and 2020.

The economic benefits that arise from the decrease of the salary cost will have a positive impact from 2019 and the following years.

IV.V.1 Classification and maturity profile of other liabilities

The other liabilities are presented as short or long term in the below table.

In thousands €	2017	2016	Change
Long-term interest bearing liabilities			
Subordinated debt	195,000	259,200	(64,200)
Financial debt	33,582	58,539	(24,957)
Other debts	36,099	50,436	(14,337)
Total long-term interest bearing liabilities	**264,681**	**368,175**	**(103,494)**
Short-term interest bearing liabilities			
Subordinated debt	65,034	817	64,217
Financial debt	132,871	45,434	87,438
Other debts	134,535	154,835	(20,300)
Total short-term interest bearing liabilities	**332,440**	**201,086**	**131,355**
Total	**597,121**	**569,260**	**27,861**

Long term financial liabilities went down from EUR 58.5 million in 2016 to EUR 33.6 million in 2017. This is mainly due to the change from derivatives on the liability side (See note "financial instruments").

Short term financial liabilities went up from EUR 45.4 million in 2016 to EUR 132.9 million in 2017. This is explained by repo loans and the decrease in the short term derivative liabilities.

Maturities of other liabilities

In thousands €	2017					
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Undetermined	Total
Subordinated debt	65,034	195,000	-	-	-	260,034
Financial debt	132,871	33,160	422	-	-	166,454
Other debts	134,535	36,095	3	-	-	170,634
Total	**332,440**	**264,256**	**425**	**-**	**-**	**597,121**

In thousands €	2016					
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Undetermined	Total
Subordinated debt	817	-	62,500	-	196,700	260,017
Financial debt	45,434	15,444	431	8,414	34,250	103,973
Other debts	154,835	50,433	3	-	-	205,271
Total	**201,086**	**65,876**	**62,935**	**8,414**	**230,950**	**569,260**

The other liabilities include provisions for risks, costs and litigations for an amount of EUR 2.5 million. These provisions are classified in the category of maturities between 1 and 5 years given their uncertain nature and the fact that legal proceedings often take more than one year.

Interest rates on subordinated debt vary between 6.1% and 9.47% depending on the contract. Certain contracts (nominal amount of EUR 120 million) include a mechanism that increases the interest rate up to 2%.
The vast majority of financial debts bear only a minimal interest expense with respect to the 1-year maturity and the level of interest rates currently observed on the financial markets.
Other debts are not interest bearing.
Therefore, the schedule mentioned above does not include amounts for these items.
In terms of subordinated debt, the estimated annual interest expense is EUR 7 million at one year and EUR 19 million for the next five years.
However, the group has embarked on a program to revise its regulatory capital structure with the potential effect of modifying (downward) this interest flow schedule.

IV.V.2 Details on provisions and other liabilities

Other liabilities mainly consist of trade, social, and tax liabilities. The most important changes arise from tax and trade liabilities.

See below for a detailed disclosure of other liabilities :

In thousands €	2017	2016
Provisions	40,073	50,433
Taxes	21,044	71,169
Remuneration and social security costs	34,735	37,880
Accrued expenses	3,651	3,587
Trade liabilities	71,130	42,203
Total other liabilities	**170,634**	**205,271**

Provisions have decreased by EUR 10.4 million and can be explained by the change in provisions for the social plan Horizon 2020, recognised under the “other” line item in the detailed provisions.

Tax liabilities have decreased by EUR 50.1 million due to the tax provision from Vivium in 2015, which is a subsidiary of P&V Assurance since the absorption in 2016, coming from the assessment by the tax authorities in 2017.

Trade liabilities have also increased by EUR 28.9 million due to an increase in amounts outstanding in the accounting systems, to be settled.

Details of provisions

Provisions for risks and charges and provisions for litigation costs are disclosed in below table :

In thousands €	2017					2016			
	Other liabilities and expenses	Litigations	Others	Total		Other liabilities and expenses	Litigations	Others	Total
Opening balance	**1,260**	**1,531**	**47,642**	**50,433**	**-**	**1,170**	**1,829**	**8,738**	**11,737**
Allocation	141	678	4,814	5,634	-	202	28	39,544	39,775
Utilisation	(783)	(822)	(1,055)	(2,660)	-	(12)	-	-	(12)
Surpluses	-	(75)	(13,818)	(13,893)	-	-	(397)	-	(397)
Reclassification	404	155	-	559	-	(101)	70	(460)	(491)
Change in scope	-	-	-	-	-	-	-	(180)	(180)
Closing balance	**1,023**	**1,467**	**37,583**	**40,073**	**-**	**1,260**	**1,531**	**47,642**	**50,433**

The other provisions have decreased by EUR 10.1 million in 2017 due to changes in restructuring provisions related to the Horizon 2020 plan. A provision had initially been established in 2016 for an amount of EUR 39.5 million. On the basis of different plans proposed during 2017, a new provision has been established for EUR 26.9 million. This provision includes a more precise valuation of the provision allocated in 2016 as well as an allocation for new plans proposed by the Group within the Horizon 2020 plan. Restructuring provision has also been allocated in 2017 by Euresa Life for an amount of EUR 3.0 million.

Provisions for litigations have decreased by EUR 0.06 million. Which is due to the utilisation of these provisions in 2017 (see below)

IV.W Hedging instruments

There are two types of hedging instruments that have been transferred as guarantee for liabilities :

- Government bonds transferred within repo transactions for an amount of EUR -125.4 million.
- Government bonds and SICAV bonds transferred within reinsurance operations for an amount of EUR 1.3 million.

IV.X Statutory Auditors' Fees

(Amount before VAT)

In thousands €	2017	2016
Fees for statutory audit and certification of local and consolidated financial sta	**706**	**452**
Other certification services	-	161
Fees for fiscal advice	15	-
Other fees for non-audit services	47	-
Fees for exceptional services or special engagements performed within the company by the statutory auditor	**62**	**161**
Fees for exceptional services or special engagements performed within the company by other parties related to the auditor	**-**	**-**
Total remuneration	**767**	**613**

P&V Group has been audited by “Kleynveld Peat Marwick Goerdeler (KPMG) Bedrijfsrevisoren cvba / Réviseurs d’Entreprises scrl”. KPMG is represented by Mr. Karel Tanghe.

V Notes related to the consolidated profit and loss statement (*)

V.A Premiums

En milliers €	2017	2016R	2016
Gross premiums from insurance and investment contracts			
Life insurance	845,357	820,008	866,608
Non-life insurance	693,962	718,018	718,018
Change in provisions for unearned premiums	(361)	7,450	7,450
Total gross premiums	**1,538,958**	**1,545,477**	**1,592,076**
Premiums paid to insurance and investment contract reinsurers			
Life insurance	(3,176)	(2,109)	(2,109)
Non-life insurance	(35,827)	(36,660)	(36,660)
Change in provisions for unearned premiums	(23)	(12)	(12)
Total premiums paid to reinsurers	**(39,026)**	**(38,780)**	**(38,780)**
Total of received premiums net of reinsurance	**1,499,932**	**1,506,697**	**1,553,296**
Received fees and commissions			
Management fees (branch 23)	3,773	4,170	4,170
Reinsurance commissions	4,409	4,675	4,675
Total received fees and commissions	**8,183**	**8,845**	**8,845**
Net premiums	**1,508,114**	**1,515,541**	**1,562,141**

The tables above, relating to premiums from 2016, have been reviewed to take into account the deposit related to branch 26. This correction leads to the fact that premiums are not recognised as “gross premiums from Life insurance” and that “Life insurance technical charges” did not change by the amount of EUR 46.6 million.

These premiums and related changes in technical expenses that are not recognised in profit and loss but liabilities, the income statement has been reviewed without changing the net result.

As a reminder, deposit accounting leads to recognition of premiums of financial contracts without participation features in the balance sheet and not in the income statement, as stated in the accounting principles. Only loadings to clients are recognised in profit and loss. This is applicable for branch 23 contracts without death coverage as well as contracts from branch 26. Same logic applies to changes in financial debt (without participation features) in liabilities, which leaves the net result unchanged. Only presentation of the result is impacted.

Premiums of Life insurance represent 54.9% of the gross premiums of P&V Group.

The gross Life premiums increased following the increase of individual Life premiums by 3.19% and the increase of group insurance premiums by 2.96%.

The increase in volume of group insurance premiums mainly comes from branch 21 (+1.1% for recurring premiums and +19% for single premiums).

The gross non-life premiums decreased by EUR 24.1 million. This decrease of 3.5% is due to the end of the collaboration with the business partner Aedes, the termination of activities within the Third Party Logistics branch and sanitation efforts made since 2016. However, there has been an increase in the Corporates segment thanks to the renewed improvement in that market.

Premiums ceded to reinsurers remain stable during 2017, which is the case for each business line. Ceded premiums to reinsurers mainly cover Non Life contracts. Management fees from branch 23 have decreased by EUR 0.4 million as well as the reinsurance commissions, which have decreased by EUR 0.3 million.

V.B Technical expenses

In thousands €	2017	2016R	2016
(a) Compensations and claims paid gross of reinsurance			
Life insurance contracts	625,605	579,672	598,109
Non-life insurance contracts	428,722	449,418	449,418
Total compensations and claims paid gross of reinsurance	**1,054,326**	**1,029,089**	**1,047,527**
(b) Part transferred to reinsurers			
Life insurance contracts	(576)	27	27
Non-life insurance contracts	(17,565)	(34,538)	(34,538)
Total claims transferred to reinsurers	**(18,141)**	**(34,511)**	**(34,511)**
Insurance expense - net	**1,036,186**	**994,578**	**1,013,016**
(c) Changes in provisions gross of reinsurance			
Changes in life insurance contracts	466,712	488,142	516,305
Changes in non-life insurance contracts	(20,571)	63,420	63,420
Changes in investment contracts without participation features	8,388	10,232	10,232
Total changes in provisions gross of reinsurance	**454,529**	**561,795**	**589,957**
(d) Changes in provisions transferred to reinsurers			
Changes in life insurance contracts	(789)	(1,517)	(1,517)
Changes in non-life insurance contracts	12,121	14,837	14,837
(d) Total changes in provisions transferred to reinsurers	**11,332**	**13,320**	**13,320**
Other technical expense - net	**465,861**	**575,115**	**603,277**
Total net of reinsurance claims and compensations	**1,502,047**	**1,569,693**	**1,616,293**

The table above relates to technical expenses from 2016 that have been reviewed to take into account deposit accounting from branch 26.

The compensations and claims paid gross of reinsurance (a) have increased by EUR 25.2 million, which is explained by an increase of Life insurance contracts by EUR 45.9 million and a decrease of Non Life insurance contracts by EUR 20.7 million.

The increase in in Non-Life insurance is mainly due to the absence of major claims and natural disasters in 2017 (compared to 2016) as well as the improvement in the claims rate, following the consolidation efforts made since 2016.

The reinsurance share (b) mainly consists of Non Life insurance contracts which decreased by EUR 17.0 million due to the absence of natural disasters in 2017, which was not the case in previous years.

Changes in gross reinsurance provisions (c) in the Life insurance contracts sharply decreased in 2017, due to the increased amount of compensations paid. The changes in gross reinsurance provisions for Non Life insurance contracts also decreased by EUR 84.0 million, which is due to the reversal of IBNR provisions regarding the extension of the retirement age and the existing estimates as well as the end of the collaboration with the business partner Aedes since 1 July 2017. The absence of natural disasters in 2017 as well as the profitability improvement measures applied in a structured and consistent manner during the past years in Non Life, intensified this decrease compared to 2016.

Changes in provisions ceded to reinsurers (d) slightly increased for life insurance contracts in 2017, while, for Non Life insurance contracts, they went down from EUR 14.8 million in 2016 to EUR 12.1 million. This is explained by the reversal of IBNR provisions related to the extension of the retirement age and the existing estimates.

V.C Financial revenue

In thousands €		**2017**	**2016**
Interest revenues		411,875	413,596
Dividends received		4,318	3,933
Financial assets available for sale		***416,193***	***417,529***
		-	0
Interest revenue from loans and receivables		17,569	14,666
Accrued interest on loans and receivables net of impairment losses		101	555
Interest revenu from cash and cash equivalents		870	230
Other financial revenues		51,333	47,449
Gains on investments	(1)	224,698	234,484
Reversal of value adjustments		117,228	127,534
Revenue on land and buildings		12,431	12,544
Total investment revenue		**840,423**	**854,991**
Financial revenue - net of market impact and realised gains		*498,497*	*492,973*
Financial revenue - market impact and realised gains		*341,926*	*362,018*
		840,423	**854,991**

Investment products include interest revenue, value adjustments, realised gains on investments, as well as revenue from land and buildings.

Interest revenue on assets available for sale have decreased by EUR 1.7 million due to the decrease of the average rate of return of the bond portfolio (reinvestment in bonds with lower revenues). This effect is mitigated by increased income from investment funds following the investments made in 2017, and interest received on the mortgage portfolio, mainly explained by a significant increase in volume of these financial instruments.

Realised gains on investments (1) mainly consist of gains on bonds and shares and have decreased by EUR 9.8 million compared to 2016. This is mainly due to a decrease in gains on the sale of bonds, but is compensated by the sale of shares from the portfolio in 2017.

The value adjustments mainly relate to derivatives (EUR 93 million) and bonds (EUR 10 million).

For value adjustments on derivatives, two separate impacts can be presented:

- On the one hand, there's an impact of EUR 41 million on the currency derivatives that corresponds to the reversal of impairments following the maturities of these instruments;
- On the other hand, there has been a positive change of EUR 52.0 million in fair value of derivatives during 2017.

The amount of value adjustments on bonds relates to the recognition of the indexation effect for index-linked bonds.

Income from land and constructions include income from property leases which are considered as investments. There were no significant changes regarding investment property, except for a few sales which explain the slight decrease in lease income.

V.D Financial expenses

In thousands €		2017	2016
Interest expense on bank overdrafts		(1,581)	(1,459)
Current loan		***(1,581)***	***(1,459)***
Banking fees		(15)	(10)
Other financial charges		(21,590)	(22,627)
Realised losses on investments	(2)	(146,917)	(79,323)
Interest on loans		(24,013)	(24,577)
Losses on currency derivatives		(90)	(37,693)
Derivative expense		(36,702)	(57,328)
Impairment losses on shares and sicav funds		(12,600)	(22,940)
Management fees		(35,399)	(25,835)
Total financial expenses		**(278,907)**	**(271,793)**
Financial expenses - net of market impact and realised loss		*(67,610)*	*(67,628)*
Financial expenses - market impact and realised loss		*(211,297)*	*(204,165)*
		(278,907)	**(271,793)**

Financial expenses include bank interest charges, banking fees, value adjustments, losses on investments, etc.

Losses on investments have increased by EUR 67.6 million compared to 2016. This increase is explained by :

- The impact of foreign exchange losses that was larger in 2017, amounting to EUR 62.6 million. This is due to the sales within the American government bond portfolio. This portfolio was subject to a currency hedge. The realisation of this hedge, after sale of the USD bond portfolio, is recognised in financial revenue (V.C);
- Losses on short bond forwards at maturity amounting to EUR 16.6 million.
- The amount in the "derivative charges" section corresponds to the change in fair value of derivatives in 2017, which is mainly due to the change in interest rates. All derivatives are recognised in profit and loss, except those used for hedge accounting.
- The "impairment losses on shares and sicav funds" section includes impairment losses that are recognised under IFRS. The main impairment losses relate to shares (EUR 8.5 million) and SICAV funds (EUR 3.8 million).

In thousands €		2017	2016
Realised gains		147,717	163,357
Realised losses		(4,466)	(4,538)
Financial assets available for sale		***143,251***	***158,819***
Gains and losses on investments		5,531	15,121
Other realised gains and losses		(71,001)	(18,779)
Total realised gains and losses	**(1)+(2)**	**77,781**	**155,161**

As stated before, the gains on financial assets available for sale decreased during the accounting period.

The "gains and losses on investment" represent gains and losses on the sale of tangible or intangible assets. The decrease is explained by gains on a long the-term lease agreement (emphyteusis) contracted in December 2016 for the Mérode building which positively impacts results by EUR 12.7 million. Note that, a new long-term lease contract (emphyteusis) has been concluded and an extension of an existing one has been established this year. This positively impacts the results by EUR 9.1 million.

The "Other gains and losses" are mainly impacted by currency hedge instruments relating to the sales in the USD bond portfolio.

V.E Operational and administrative expenses

In thousands €	2017	2016
Acquisition costs	158,200	145,499
Other expenses on acquistion costs	67,856	67,444
Changes in acquisition costs on the assets side	564	842
Administrative charges	107,530	166,502
Reinsurance commissions and profit sharing	(4,409)	(4,675)
Others	95	102
Total other operational and administrative expenses	**329,835**	**375,714**

Changes in operational and administrative expenses (- EUR 45.9 million) are mainly due to:

- A decrease of EUR 59.0 million (or 54.9%) of administrative costs from EUR 166.5 to EUR 107.5 million. This decrease is explained by the change in restructuring provision within the Horizon 2020 plan, following the allocation of EUR 39.5 million in 2016.
- An increase of "Other expenses on acquisition costs" by EUR 12.7 million.

V.F Income tax

The breakdown of tax expenses is disclosed below :

In thousands €	2017	2016
Current tax	(9,192)	(5,413)
Deferred tax	14,884	(28,951)
	5,692	**(34,364)**

The expense on income tax is EUR 40.1 million lower than in 2016.

Current income tax

In thousands €	2017	2016
Income tax	(9,098)	(2,708)
Prior year adjustment	1,727	(223)
Other taxes	(1,820)	(2,481)
Total current tax	**(9,192)**	**(5,413)**

The expenses on current income tax have increased by EUR 3.8 million compared to previous accounting period. This increase was low despite the increase in income. This is explained by utilisation of deferred tax losses.

Deferred tax

In thousands €	2017	2016
Origination of temporary differences	14,884	(28,951)
Total deferred tax	**14,884**	**(28,951)**

The recycling of deferred tax relates to its activation (i) on loss carry-forwards (ii) on temporary differences between tax revenue and accounting revenue (iii) on recycling in the consolidated accounts.

The result of deferred tax is mainly influenced by the difference between book value and fair value of financial instruments that has an impact of EUR +9.4 million in 2017, compared to EUR -25.1 million in 2016. Another influencing factor is that the technical provisions are accounted under local GAAP, and are not recognised under IFRS.

Reconciliation between the tax expense and the applicable tax rate

In thousands €	2017	2016
Corporate tax fiscal year	(9,192)	(5,413)
Deferred tax	14,884	(28,951)
Corporate tax and DT	***5,692***	***(34,364)***
Result after tax	172,396	120,091
Taxable theoretical result	**166,704**	**154,455**
Normal tax rate (tax proof)	*33.99%*	*33.99%*
Theoretical tax charge	**(56,663)**	**(52,499)**
Normal foreign rate (en %)	*27.08%*	*29.22%*
Difference normal Belgium rate / Foreign rate (in %)	*6.91%*	*4.77%*
Incidence difference normal Belgium rate /foreign rate	***(492)***	***(44)***
Tax recovery	29,193	(7,427)
NDE	17,035	48,070
Notional interest	214	227
Previous losses	16,404	(22,691)
Income (charge) of reel tax	**5,692**	**(34,364)**
Average effective tax rate	***-3.41%***	***22.25%***

The average effective tax rate amounts to -3.41% in 2017 compared to 22.25% in 2016. The 2017 tax rate is impacted: by the amount of taxed revenue following the utilisation of deferred taxes of P&V Assurances at the end of December 2017; by untaxed income related to realised gains on the share portfolio; and by the new applicable tax rates following the deferred tax reform by tax authorities in 2017.

V.G Dividends

A dividend distribution of EUR 40,880 as well as the profit sharing for an amount of EUR 671,081 for staff members within the sectoral agreements will be proposed at the General

Meeting. Furthermore, bonuses for an amount of EUR 1,000,000 are planned for the P&V Foundation and the ASBL Assuraccess, a non-profit organisation whose purpose is to promote access to insurance. The balance will be transferred to the unavailable reserves.

V.H Management of the Group's capital

The Group's general strategy in terms of capital or equity management consists of finding the optimal capital structure that allows P&V Assurances to maintain its independence and its cooperative structure as well as meeting the following four objectives:

- maintaining the independence of P & V and its cooperative structure
- Efficient support of the general strategy of P&V Assurances and the competitive
- differentiation by limiting the cost related to the structuring of capital
- Respect of regulatory ratios and risk appetite

In order to do this, actions undertaken by P&V Group comply with sector practices and are in line with specific characteristics that apply to cooperative companies.

The first pilar of Solvency II requires quantitative data for the calculation of technical provisions and the recognition of eligible equity.

Insurance companies have to calculate the Solvency Capital Requirement (SCR) using the standard formula or an internal model. P&V Group uses the standard formula provided by the regulation to calculate the SCR.

The Solvency Capital Requirement (SCR) is a capital measure that is necessary in order to guarantee the ability of the insurance company to fulfil its commitments during the 12 upcoming months with a high probability (at least 99.5%). This refers to the capital required to support various risks to which the company is exposed, given the impact of mitigation measures regarding these risks.

The Minimum Capital Requirement (MCR) is the minimum capital level that is required for the company to face its engagements. If the capital falls below this level, a prudential intervention is triggered which means the entity loses its accreditation. Therefore, companies are required to hold capital level that at least equal this Minimum Capital Requirement.

Financing of the Group's prudential capital is done through the statutory reserves as well as through issuance of subordinated debt (EUR 260.034 million on balance sheet at 31/12/2017 – see balance sheet).

Note that capital as referred to in Solvency II cannot be compared to capital defined by IFRS because measurements do not take into account the entire set of elements.

The level of prudential capital as per 31/12/2017 is disclosed in the table below :

In million €	2015	2016	2017
Regulatory capital	1,749	1,669	1,885
Required risk coverage	1,103	1,154	1,096
Coverage ratio	158.6%	144.6%	172.0%

VI Branch presence (*)

P&V Assurances established a branch in the Grand Duchy of Luxembourg on 15 March 1971. However, when the P&V Group refocused its activities on the Belgian market, the insurance business line at this branch was ended on 1 January 2014. Based on the accounts for the period ending 31 August 2017, P&V Assurances SCRL wound up and closed its branch in Luxembourg.

VII Conflicting interests (*)

During the 2017 financial year, the Board of Directors did not have to deal with any operation or decision leading directly to provisions regarding conflicting interests being implemented.

VIIIContingent assets and liabilities (*)

During the 2017 financial year, the Board of Directors did not have to deal with any disputes.

IX Research and development (*)

In connection with a series of new technological challenges, the company is developing research projects on managing files and digitalisation, which aim to improve the current infrastructure and the services on offer. Some developments have incurred deductions as part of tax-incentive measures relating to research and development.

X The company's social responsibility (*)

X.A Introduction

The P&V Group is a Belgian cooperative insurance group which provides insurance products and services. The P&V Group was created through the merger of several Belgian insurance companies, which has enabled it to provide its customers with a comprehensive and high-quality service.

X.B The P&V Group's vision and mission

The P&V Group enlists its expertise so that everyone can be protected against everyday risks and plan for the future. By making insurance accessible to as many people as possible, the P&V Group reflects its commitment to a caring and sustainable society. As a Belgian cooperative group, we focus on:

X.B.1 Accessibility

P&V provides insurance that people really need, at a reasonable price. The solutions provided are simple and transparent, and address the current and future needs of private individuals, self-employed individuals, companies and institutions.

X.B.2 Prevention

Insurance expertise is combined with modern technologies in order to find innovative solutions which limit or prevent the risks faced by the parties that we insure.

X.B.3 Sustainability

The P&V Group's strategy and all of its achievements play a role in moving the company and society in general forward. They play a role in economic, social and community development.

The P&V Group ensures that all of its actions, both core and fringe operations, fit perfectly within the vision and mission set out above.

This therefore applies to Corporate Social Responsibility as well. As part of this approach, we will address the following 3 main areas:

- Core operations: P&V's positioning on its market, the products that it provides, and the role of its employees and the way that they are managed
- Community influence
- Environmental impact

X.C Customers as our central concern

X.C.1 Responsible products and services

P&V aims to enable as many people as possible to access high-quality protection. We provide a wide range of insurance solutions to private individuals, self-employed individuals, companies, institutions and the public sector.

1.1. We want to be an active, loyal and close partner to our distribution partners and customers. In order to do this, the P&V Group actively involves them in its strategy and in developing its products. As a result, the real needs of customers are the foundation of both the insurance coverage and the post-accident service.

1.2. The P&V Group focuses solely on the Belgian market, which it knows extensively. This local presence ensures that customers, distribution partners and intermediaries enjoy the stability that they need.

1.3. The profits made are reinvested in our group, in order to ensure our financial stability, as well as the quality of our products and services.

X.C.2 Protecting the collective interest with due diligence by combating fraud and corruption

The P&V Group has developed a policy which sets out the formal framework which governs actions to combat fraud and corruption, which are phenomena which hurt the collective interest of the parties which it insures. This policy adopts the approach and guiding principles followed by the group, as well as the governance set up in order to combat fraud via uniform processing, which ensures that it will be detected and reported. This policy complies with the Assuralia code of conduct. It must enable every department/service and every employee to have the information required to prevent fraud properly and to process cases of fraud or fraud attempts.

X.C.3 Assessing our action

As a fraud coordinator has been appointed in each department, this has enabled us to implement a centralised system. All cases of fraud are processed by an "Enquiry Committee", whether it is proven, attempted or suspected fraud. The most serious or complex cases are referred to the "Fraud Committee".

X.D Empowering employees - Human resources

X.D.1 The Group's policy and its commitments

The group's employees are its most important asset. They are key to the company's success and this is why building a long-term relationship with them is essential. Therefore, the group has developed and committed to different initiatives to increase employee satisfaction at work, develop their talents and enable them to develop a healthy work-life balance.

X.D.2 Remuneration policy

The P&V Group has recently concluded a memorandum of understanding with staff representatives, which has made it possible to harmonise salary and working conditions for all of its workers. The new salary policy will be implemented in 2018. It includes all types of remuneration, which include incentives (in line with performance management) and are modern (the introduction of a canteen scheme) and competitive in order to ensure that salaries are in line with the market.

X.D.3 Organisation of work

The P&V Group is progressively implementing a "new way of working" in order to support worker motivation, teleworking, a collaborative approach to services, developing employees, reducing paper and building team spirit.

X.D.4 Performance management

As part of the social dialogue, the recently signed memorandum of understanding set out that there should be performance management for all of the group's employees from 2018. It aims to give clear feedback to each employee about his or her work. This evaluation makes it possible to implement remedial actions where weaknesses have been noted. The process has been simplified and a user-friendly tool has been developed so that it can be carried out more widely in 2018.

X.D.5 Developing talents

Training and development

The P&V Group has continued with its training efforts. A budget accounting for 0.36% of our wage bill was spent on training in 2017.

Social indicators

Area	Data	2009	2010	2011	2012	2013	2014	2015	2016	2017
Staff	Headcount	***1.675***	***1.608***	***1.684***	***1.728***	***1.710***	***1.660***	***1.646***	***1.625***	***1.568***
	FTE total	*1.493*	*1.408*	*1.467*	**1.541**	***1.538***	***1.542***	***1.536***	***1.518***	***1.467***
	FTE new hires (external recruits only)	*43*	*17*	*105*	**137**	***116***	***121***	***96***	***65***	***149***
	Average age	*45*	*45,7*	*46,22*	**46**	***45***	***45***	***46***	***46***	***47***
	Average tenure (in years)	*18,8*	*19,9*	*19,9*	**19**	***17,4***	***17,7***	***17,9***	***17,9***	***18,5***
	Training expenditure as a % of the wage bill		*0,24*	*0,41*	*0,71*	***0,91***	***1,31***	***0,36***	***0,24***	***0,36***
	Average number of training hours per employee	*NA*	*9,1*	*10,9*	*15,3*	***15,3***	***18,3***	***14,6***	***18,8***	***10,8***

Recruitment and internal mobility

The P&V Group prefers an internal-mobility policy: every vacant post is advertised internally before being opened up to the wider public. However, we also have to recruit specific profiles from the market in order to provide skills which are missing within the group. We use our website and/or help from external agencies to recruit these specific skills. In 2017, social media, such as LinkedIn, were used increasingly.

X.D.6 Diversity and equality

In terms of gender balance, there is an excellent gender balance among employees at the P&V Group, with 48.5% men and 51.5% women. In 2017, the amount of female executives was 32.6%.

When it comes to diversity, more than 10 different nationalities are represented among the current staff. The recruitment service has been told not to differentiate on the basis of discriminatory criteria such as sex, nationality, race, national or ethnic origin, health, religious beliefs, sexual orientation or age.

Social indicators										
Area	Data	2009	2010	2011	2012	2013	2014	2015	2016	2017
Diversity	Women (in %)	*50.2*	*50.8*	*49.6*	*50.1*	***50.12***	***50.42***	***50.12***	***49.78***	***51.47***
	Men (in %)	*49.8*	*49.2*	*50.4*	*49.9*	*49.9*	*49.6*	*49.9*	*50.2*	*48.5*
	Women executives (in %)	*NA*	*NA*	*27.8*	*30.1*	***28.57***	***32.56***	***35.64***	***34.65***	***32.63***

X.D.7 Health and well-being (including safety, ergonomics and more)

The group has committed to its initiatives relating to its employees' health, such as health check-ups for the oldest employees, flu vaccines and the "Midis de la Santé" organisation, which specialises in children's meals. A working group from the CPPT (the Committee for Accident Prevention and Protection at Work) has developed a policy aiming to make it easier for employees to return to work after a period of incapacity.

X.D.8 Assessing the P&V Group's action

Based on the results of the satisfaction survey conducted on staff, the P&V Group has found that there has been progress, thanks to the increase in average employee satisfaction and the fall in average stress. However, it has also noted that it needs to see the efforts made continue.

Indicators linked to gender distribution, the percentage of accidents in the workplace and long-term illnesses are being monitored across the organisation. The last satisfaction survey was conducted in 2013 and an analysis of psychosocial risks was performed more recently at the end of 2017.

X.D.9 Burn-out

Members of staff who are burned out or are close to it may receive personalised checks from a specialised psychologist.

Of course, this action is only taken when an employee requests it and the procedure is completely confidential. This support remains free for employees.

X.E Supporting our community

X.E.1 Support provided by the P&V Group

The P&V Foundation

The promotion of active, committed participation from citizens, and more specifically young people, through concrete projects, means a certain democratic ideal can take shape. The P&V Foundation wants to inspire a willingness to fight for one's ideals in everyone, without exception, and to contribute to the building of a fairer society. Therefore, the foundation really drives the P&V Group's

socially conscious initiatives outside of the insurance sphere. This non-profit foundation combats the marginalisation of young people and discrimination against them. Furthermore, it encourages them to increase their civic engagement.
The actions and operations of the P&V Foundation are based around 4 principles, inspired by values associated with the social economy: solidarity, empowerment, citizenship and participation. In 2016, the P&V Foundation issued a call for "My Future, Our Society" projects aimed at organisations that work with and for young people. It aims to show young people the benefits of collective action and starting dialogues with other parties, including public bodies, while working on specific projects, in order to resolve the daily problems that they face or to make their dreams come true.

Many projects are submitted to the P&V Foundation each year. One of the most recent projects to date is the awareness-raising campaign for unaccompanied foreign minors by the non-profit organisation "Couleur Café". Through workshops and projects that make the wider public more aware of their situation, young people, through this non-profit organisation, can reflect and work together in order to take control over their lives. All information about the current projects can be found on the P&V website (www.pv.be).

Prévidis

Prévidis has the same awareness-raising objective that focuses on the areas of well-being (psycho-social problems), health (work-related illnesses) and safety (workplace accidents). The young company (created in 2015) mainly strives to prevent burn-outs, as well as enable employees to return to work after a long-term absence.

Prévidis provides the Prévidis Award (for customers who have workplace accident insurance from P&V) in order to reward companies and organisations that implement a broad-base accident-prevention approach in the workplace that puts people first.

X.E.2 Assessing our action

The P&V Group's action is assessed by different committees, which decide projects which fit with the social and community policy that has been adopted.

X.F Protecting the environment

X.F.1 Carbon footprint

The P&V Group is committed to its efforts to reduce its carbon footprint. Its CO2 target is 10,000 tonnes by 2020, which is a 20% reduction compared to 2012.

Social indicators

Area	Data	2009	2010	2011	2012	2013	2014	2015	2016	2017
CO^2-balance	*Electricity consumption (equivalent in tonnes of CO^2)*	*181*	*164*	*197*	*182*	*172*	*159*	*153*	*149*	*156*
	Gas consumption (equivalent in tonnes of CO^2)	*773*	*907*	*761*	*931*	*949*	*601*	*704*	*936*	*730*
	Fuel consumption (equivalent in tonnes of CO^2)	*2,335*	*2,030*	*1,988*	*1,986*	*1,922*	*1,870*	*2,024*	*2,051*	*1,984*
	Air travel (equivalent in tonnes of CO^2)	*3,309*	*2,767*	*1,782*	*2,662*	*2,820*	*2,820*	*1,838*	*1,242*	*1,087*
	Other consumption (equivalent in CO^2)	*6,215*	*5,749*	*5,207*	*5,342*	*5,533*	*5,636*	*5,385*	*5,233*	*5,566*
	Total equivalent in tonnes of CO^2	***12,812***	***11,616***	***9,936***	***11,103***	***11,397***	***11,086***	***10,104***	***9,612***	***9,523***
	Total equivalent in tonnes of CO^2 by FTE	***8.58***	***8.25***	***6.77***	***7.20***	***7.41***	***7.19***	***6.58***	***6.33***	***6.49***

When it comes to sustainable mobility, the P&V Group continues to encourage employees to use shared bikes (through a full reimbursement policy) and to use public transport for their journeys between home and the workplace. Furthermore, the P&V Group takes part in Brussels Mobility Week, encourages employees to use the train as much as possible for business travel and allows teleworking. All of these measures aim to reduce the number of (unsustainable) journeys.

X.F.2 The P&V Group's purchasing policy

The Group P&V also strives to make its consumption more sustainable. This is particularly the case when it comes to buying and managing buildings, energy consumption and office equipment (IT infrastructure, paper and more), but also food and drink for the company canteen and vending machines, or even cleaning products.

By managing our waste effectively, and our water and energy consumption more responsibly, we can also reduce our ecological footprint.

Digitalisation also enables us to reduce paper consumption. The P&V Group initiated a transition procedure in the "new way of work", also known as W@W. This action aims to raise awareness among employees about reducing their reliance on paper and mainly storing their documents digitally.

XI Application of IFRS standards within P&V Group – significant accounting principles (*)

XI.A Summary of significant accounting policies

The following paragraphs present the main financial principles that apply to P&V Group regarding their financial statements.

XI.A.1 Insurance contracts and financial instruments with discretionary participation features.

IFRS 4 is applicable for all contracts that have a significant insurance risk (insurance contracts) and the investment contracts with discretionary participation features.

The investment contracts without discretionary participation (mainly contracts from branch 23 and branch 26) fall under IAS 39, although their legal form corresponds to an insurance policy. In this case, deposit accounting is used.

Deposit accounting is defined as the recalculation of premiums not in profit or loss but directly to the item of financial debts - investment contracts without PB. Only the fees collected for the management are recorded in results.

Recognition of **Non-life insurance** contracts

Issued premiums are recognised at inception of the contract. Premiums are recognised proportionally, in profit and loss, to the coverage duration of the contract. The provision for unearned premiums corresponds to the issued premiums that relate to the period that still needs to be covered.

The provision for outstanding risks, which is established in addition to provisions for unearned premiums when the overall costs related to claims and overhead costs, linked to outstanding contracts after the end of the period, are higher than the total unearned premiums and premiums related to these contracts.

The commissions allocated during the period include the received amounts yet to be paid to intermediaries of the Group (brokers and agents). These amounts are disclosed in the "Administrative and operating expenses" in the income statement. Eventually, a proportion of the charges may be transferred to the next period. The override commissions (commissions related to specific marketing operations paid to brokers and agents) are recognised in this same section.

Premiums ceded to reinsurers include all premiums paid or to be paid for reinsurance contracts concluded. These premiums are recognised during the period in which they occur and reduce the earned premiums of the Group.

The insurance expenses in the income statement include the claims paid during the period. This includes compensations and allowances that have to be paid following the occurrence of events before the closing date as well as fees related to internal and external management of above-mentioned claims.

Insurance expenses also include the estimated claim charges (provision on the liability side in BEGAAP, called "Liabilities related to insurance contracts"). This provision is established for every claim that occurred during the period, declared or not, and deducted by the amount that has already been paid for these claims. The estimated amounts are determined based on the company's experience regarding the management of such files (actuarial studies) as well as expert reports and represents the total cost of that claim for the company.

These amounts are not discounted..

A decrease in insurance expenses is realised with the establishment of an asset in order to recognise the expected recoverable amount of interventions of the company, with policyholders and third parties, interventions of reinsurers, recoverable franchises. This decrease in expenses is recognised in the same section than the expense taken into account by the company, which leads to the recognition of a net amount.

The paid amounts that relate to the "Fond Commun de Garantie Automobile" and other indirect charges to an insurance contract are recognised by the company in the "Other technical expenses" section.

The reinsurance part of the estimated and paid claims constitute a receivable for the Group from reinsurers and is disclosed in the "reinsurance assets" part.

Liabilities adequacy tests are conducted to ensure a sufficient level of debt related to insurance contracts. This test is based on the Best estimate of future cash flows, claim management costs (in Non-life) and overhead costs as well as the rate of return of the underlying assets of these engagements. Insufficiencies are recognised in the income statement.

Recognition of **Life insurance contracts and investment contracts with participation features**

Premiums related to long-term Life insurance contracts and investment contracts with participation features are recognised from the moment they are due by the policyholder.

Altough reinsurance is limited for Life insurances, ceded premiums to reinsurers include all premiums paid or to be paid for reinsurance contract concluded by the insurance company. These premiums are recognised during the reinsurance period..

Commissions allocated during the period include the acquired amounts yet to be paid to the Group's intermediaries (brokers and agents). These amounts are disclosed in the "administrative and operating expenses" in the income statements.

Acquisition costs are not activated and depreciated, but immediately recognised in the income statement.

The override commissions (commissions related to specific commercialisation operations paid to brokers and agents) are recognised in this same section.

Life insurance liabilities are established when receiving premiums from Life insurance contracts (qualified as insurance contracts by IFRS 4 or as investment contract with participation features) in order to ensure there is enough capital to cover future expenses related to these contracts.

The amounts related to these provisions constitute an expense in the income statements which can be found in the "provisions for Life insurance" section.

These amounts include received premiums and interests from policyholders. The received interests are proportionally recognised as expenses, although no premiums was paid, which increases the provisions.
These amounts consist of premiums collected and interest earned on the insured.
Interest accrued in proportion to the amount of time that passes also, even in the absence of premium, constitutes a charge which increases the provisions.

The debts related to the insurance contracts therefore constitute the commitment of the company to the beneficiaries, taking into account the reserved premiums and the interest earned, taking into account the life tables that apply.

The financial debts - investment contract with PB therefore constitute the commitment of the company in relation to the beneficiaries taking into account the reserved premiums and vested interests.

Discretionary participation features are determined by the Group depending on the global rate of return of the contract the Group wishes to reach on top of the guaranteed rate. The provision related to the participation features is established at the end of the period and is qualified as discretionary because it arises from a group decision. These participation features become “Life insurance provisions” starting from the next period and have to be allocated to contracts, in a detailed manner, within the next seven years.

The reinsurance part of the estimated and paid claims constitute a receivable for the Group from reinsurers and is disclosed in the “reinsurance assets” part.

Unrealised gains and losses on bond assets have a direct effect on the measurement of insurance liabilities related to this activity branch.

P&V Group decided to apply shadow accounting[7] so that gains on bond assets (allocated to the coverage of the Group’s engagements for these contracts) increase insurance liabilities through other comprehensive income for the Life insurance contracts and investment contracts with participation features.

Unrealised losses on bond assets are not recognised as an asset.
This way, losses on investments (bonds) do not influence the Group’s equity by artificially increasing (or decreasing) it. They will be associated to the insurance contract they cover.

If the underlying assets are liquid at the moment of presentation of the financial statements, then total market value would be invested at the applicable rate at closing for the benefit of policyholders.
Liability adequacy tests are conducted to ensure a sufficient level of debt related to Life insurance contracts and investment contracts with participation features. This test is based on the Best estimate of future cash flows and administrative expenses as well as the rate of return of underlying assets of these engagements.

Insufficiencies are recognised in the income statement.

[7] Shadow accounting is a principle coming from the IFRS 4 Phase I standard. This principle allows an insurer to change its accounting methods to ensure that an unrealised gain or loss on an asset affects the insurance liability in the same way than a realised gain or loss.

XI.A.2 Financial instruments

XI.A.2.a *Financial assets*

Initial recognition and evaluation

P&V Group classifies its financial assets in accordance with IAS 39 as financial assets at fair value through profit and loss, loans and receivables, or assets available for sale.

P&V Group determines the classification of the assets upon recognition. The classification depends on the objective for which the asset has been acquired or issued. Financial assets are classified at their fair value through profit and loss when the investment strategy of P&V Group consists of managing the financial investments at fair value, given that related liabilities are also managed on this basis, or if they contain derivatives that are not closely related. Loans and receivables are non-derivative financial assets with specified maturities that are not quoted on an active market and are (i) assets that have been acquired without any intention to sell them in the short term, (ii) asset not classified as assets at fair value through profit and loss or assets available for sale, or (iii) assets for which the holder could not sell a substantial part of the portfolio, for other reasons than credit deterioration; these are otherwise classified as available for sale. Financial assets available for sale are non-derivative assets that are classified as being available for sale which are not (a) loans and receivables, (b) assets held-to-maturity or (c) financial assets at fair value through profit and loss.

The sale and purchase of financial assets that require a delivery of the asset within a certain timeframe established by regulation or market convention (standardised deadline) are recognised at transaction date. This is the date at which P&V Group commits to purchase or sell an asset.

The financial assets of P&V Group include cash, short term deposits, receivables from customers and other receivables, loans and receivables, quoted and non-quoted financial instruments and derivatives.

Subsequent evaluation

Subsequent measurement of financial assets depends on their classification :

- ***Financial assets at fair value through profit and loss***

For financial instruments recognised at fair value through profit and loss, the following criteria must be satisfied:

- The designation eliminates or significantly reduces an inconsistent treatment which could value assets and liabilities or accounting of profit and loss on a different basis ;

Or

- Assets and liabilities are part of a group of financial assets, liabilities or both, that are managed and for which the performance measurement is based on fair value in accordance with a documented risk management strategy or investment strategy.

Also, if a contract contains one or several embedded derivatives, the entity can designate the entire hybrid contract as a financial asset at fair value through profit and loss, unless: (a) the embedded derivatives do not modify, in a significant manner, cash flows that would have been required by the contract; or (b) it is clear, without extensive analysis, that when a similar hybrid instrument is considered for the first time, the separation of the embedded derivate is prohibited. This is the case for prepayment options embedded in a loan that allow the holder to pay the loan in advance at amortised cost.

Therefore, if the entity is unable to measure the embedded derivative separately at acquisition or at closing date, the entire hybrid contract will be recognised at fair value through profit and loss. Similarly, if the entity is unable to measure the embedded derivate separately when a separate measurement has to be done due to a reclassification of a hybrid contract outside the portfolio of assets at fair value through profit and loss, then this reclassification is not allowed. In such circumstances, the hybrid contract remains classified at fair value through profit and loss.

These investments are initially recorded at fair value. After initial recognition, the instruments are revalued at fair value. The gains and losses arising from changes in fair value are booked in profit and loss.

The value of a call or put option on a bond is correlated to the value of the underlying asset. The embedded derivative does not have to be separated.

Perpetual debt securities are included in the financial assets at fair value through profit and loss.

- ***Financial assets available for sale***

The financial assets available for sale include equity instruments, debt instruments and cash flow hedging instruments (see chapter “cash flow hedging instruments”). Equity instruments classified as available for sale are those which are neither classified as asset held for trading nor designated at fair value through profit and loss. The debt instrument classified as available for sale are those which are intended to be held by the entity during an undetermined period and which could be sold when liquidity needs occur or when market conditions change.

After initial recognition, financial assets available for sale are measured at fair value through other comprehensive income until (i) the asset is derecognised and the unrealised gains or losses are recognised under other operating income or (ii) the asset is amortised and the unrealised cumulated losses are recognised in profit and loss as finance costs and removed from the available-for-sale reserve. Revaluation of cash flow hedging derivatives will impact, for its effective part, a variable equity account. The inefficient part is recognised in profit and loss.

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at their acquisition cost corresponding to the fair value paid by the counterparty for the acquisition. Direct transaction costs are also included in the investment. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss when investments are derecognised or amortised.

Reclassification of financial assets

P&V Group values its financial assets at fair value through profit and loss (held for trading) and assets available for sale to determine whether the capacity and intention to sell the assets in the near term is still appropriate. In case P&V Group is unable to sell these financial assets due to market inactivity or in case the short term intentions of direction significantly change, the P&V Group can, in rare circumstances, reclassify these financial assets. Reclassification to loans and receivables or assets available for sale depends on the nature of the assets. This reclassification does not affect any financial assets designated at fair value through profit and loss using the fair value option at designation.

For a financial asset reclassified out of the available for sale category, gains and losses previously recognised in equity is depreciated in profit and loss on the residual useful life of the investment using the EIR method. Differences between the new amortised cost and the expected cash flows are also depreciated on the residual useful life of the asset using the EIR method. If the asset is considered as depreciated, then the amount in equity will be reclassified in profit and loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when :

- The rights to receive cash flows from the asset have expired ;
- P&V Group retains its rights to receive cash flows from the asset but (a) has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or (b) P&V Group has transferred substantially all the risks and rewards of the asset, or (c) P&V Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, or P&V Group has neither transferred nor retained substantially all the risks and rewards of the asset, neither transferred control of the asset, then P&V Group continues to recognise the transferred asset to the extent of its continuing involvement. If the continuing involvement constitutes a guarantee on the transferred asset, then the continuing involvement is measured as the lower of the initial carrying amount, and the maximum reimbursement that P&V Group could be obliged to reimburse.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that P&V Group has retained.

Impairment of financial assets

P&V Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate used to measure the impairment losses is the actual EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to P&V Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

For the purpose of a collective evaluation of impairment, future cash flows on a group of financial assets are valued based on historical losses of assets with similar credit risk characteristics to those in the group.

- ***Financial assets available for sale***

For available for sale financial assets, P&V Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment, and 'prolonged' compared to period in which the fair value was lower than its original cost, so that the equity instruments have unrealised losses exceeding 25% of the initial cost at the closing date, or any unrealised losses during four or more accounting periods (quarters) before the closing date.

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI and additional decreases are considered as additional amortisations recognised in profit and loss.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss, increasing the book value of the available for sale receivable to its fair value. Differences between fair value at recognition and its new fair value will be recognised as unrealised losses in other comprehensive income.

If the credit event did not reverse amortisation entirely, but an improvement of a borrower's solvency has occurred, then differences between the book value and fair value has to be recognised in profit and loss. If the credit event did not entirely reverse amortisation and there has not been any improvement in solvency, the difference between book value and fair value has to be recognised in other comprehensive income.

XI.A.2.b *Financial liabilities – Initial recognition and subsequent evaluation*

Initial recognition and evaluation

Financial liabilities are classified, in accordance with IAS 39, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. P&V Group determines the classification of financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

P&V Group's financial liabilities include investment contracts without discretionary participations, net asset value attributable to unitholders of branch 23 contracts, trade and other payables, borrowings, insurance payables and derivative financial instruments.

Subsequent evaluation

The subsequent evaluation of financial liabilities depends on their classification, as described below :

- ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

P&V Group also designated investment contracts with discretionary participation features and the net asset value attributable to unitholders as at fair value through profit and loss at initial recognition. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

- ***Interest bearing loans and borrowings***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

XI.A.2.c *Derivative financial instruments*

Initial and subsequent evaluation

P&V Group classifies its derivative financial instruments as held for trading unless they are designated as effective hedging instruments. P&V Group does not hold derivative financial instruments designated as hedging instruments.

Embedded derivatives are treated as separate derivatives and recorded at fair value if the economic characteristics and their risks are not closely related to the related host contract and the host contract is not recorded at fair value through profit and loss. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Derivative financial instruments held for trading are initially recognised at fair value. Subsequent to recognition, these instruments are re-measured at fair value.

Gains and losses arising from changes in fair value are recognised in profit and loss, except if the instruments are used for hedge accounting.

- ***Hedging derivative financial instruments***

According to IAS 39, a company recognises derivatives at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the hedge accounting operations.

IAS 39 indicates that, under certain circumstances, a company may account changes in fair value of derivatives at the same moment as the modification of the underlying asset's value. The use of hedge accounting by P&V Group implies that P&V Group must periodically report the efficiency of its hedge accounting operations (present and future). The company can apply three models:

- Cash flow hedges;
- Fair value hedges;
- Hedges on net investments in foreign activities (this model is not developed here).

- ***Cash flow hedges***

Cash flow hedges relate to a particular risk linked to a recognised asset or liability or to a highly probable transaction that arises from variable rates and prices. In a cash flow hedge, variable cash flows are fixed.

If a hedging relationship complies with the requirements (from documentation at the beginning of the hedging relationship and the periodic efficiency test), the company can recognise changes in fair value of the derivative in the "cash flow hedge reserve", which is a component of equity. The inefficient part of the hedge is recognised in profit and loss. Amounts in other comprehensive income have to be reclassified from equity to profit and loss as a reclassification in the same period or during the period in which the hedge transaction influences the profit and loss statement.

- ***Fair value hedges***

A fair value hedge is one that limits the exposure to fluctuations of fair value of an asset, liability or a firm commitment. Changes in fair value are due to a specific risk and implies an impact on net results.

If the hedging relationship complies with the requirements, the company has to book changes in fair value of the derivative through profit and loss. Changes in value of the underlying asset also have to be booked through profit and loss in order to limit the impact of the hedging instrument in profit and loss statement, to the extent that there is a total efficiency relation of the hedge.

- ***Conditions for hedge accounting***

A company must fulfil following conditions:

- Relationship between the hedged element and the derivative instrument has to be documented as well as the aim and the adopted strategy. This has to be done at latest when the hedge takes effect. The strategy corresponds to the method used to demonstrate the hedge effectiveness;
- The hedge relationship must be effective in a prospective and retrospective way and the future cash flows must be highly probable;

- The hedge effectiveness must be tested periodically. Ineffectiveness is allowed provided that the hedging relationship reaches a return between 80% and 125%;
- The hedged position is exposed to changes in fair value or a cash position, which could impact the profit and loss statement.

➢ ***Novation: Renewal of hedging instruments***

Novation of a derivatives designated as a hedging instrument is not considered as an event that could lead to termination of hedge accounting if following criteria are respected:

- Novation resulting from legislation or publication of laws or regulations
- One or several counterparties replace their original counterparty
- Changes in the terms of the new hedging instrument are limited only to those, which are necessary for the replacement of the counterparty

Changes include modifications to structural counterparties as well as intermediaries such as clearing houses. For novations that do not meet criteria for this exception, entities shall consider changes in the hedging instrument while assessing the criteria for derecognition of financial instruments, and general requirements to apply hedge accounting.

Adjustment are retroactive for annual periods from 1 January 2014.

➢ ***Discontinuity***

Hedge accounting must be interrupted if:

- The hedging instrument comes to maturity or is sold, discontinued or exercised;
- The hedge does not meet the hedge accounting criteria anymore (e.g. not efficient anymore);
- For cash flow hedges, if the transactions will not occur;

Or

- The entity cancels the hedge.

If cash flows hedge accounting is interrupted because the transaction will not occur, then profits and losses that had been recognised in equity should be transferred to profit and loss. If the transaction is still happening but the hedge relationship is interrupted, then the amount remains in equity until the hedged transaction is recognised in profit and loss or until the moment where we expect the transaction not to happen anymore.

- ***Bond forward hedge***

A bond forward hedge is a sale of a “future” bond with a future maturity in exchange for a fixed price in order to hedge a possible increase in spreads on the bond market.

A forward contract meets the definition of an intended transaction and a hedge relationship.

Fluctuations of cash flows related to future sales may lead to the need of fixing the sell prices. The future sale for a fixed price is included in cash flow hedge accounting because the received amount is variable. The received amount equals the sum of the determined amount and the real value of the hedge element that is recognised as an asset and fluctuates over time.

A bond forward hedge can be considered as an “all-in-one” hedge which implies there are no inefficiencies. Changes in fair value are treated in a cash flow hedge reserve, which is a distinctive component of equity (other comprehensive income).

When derecognising bonds forward hedges, cumulated gains and losses in the cash flow reserve are treated in the profit and loss statement..

- ***Forward Swaps***

A forward swap is an interest rate swap for which the start date is a future date.

P&V Group can designate forward swaps as derivative cash flow hedging instruments provided that following conditions are met. The aim of this hedge is to ensure the return of the future reinvestment and P&V Group commits to purchase a fixed rate asset, at maturity of the forward IRS, with the same maturity as the IRS. The investment policy of P&V Group includes regular purchases of bonds that meet this condition and, therefore, P&V Group hedges highly probable future transactions. The hedged risk is the one related to fluctuations of the fixed interest rate at which P&V Group could invest in the future. The inefficiency of the IRS, which should be calculated for counterparty risk (CVA and/or DVA) during its life, should go to profit and loss, except before maturity according to the maturity of the bond in which will be invested.

After maturity date of the forward, realised revenue at cash settlement of the IRS remains in OCI and will progressively be transferred to profit and loss according to the duration of the bond purchased. This bond shall be marked and the amount in OCI should be transferred to profit and loss if the bond is sold before maturity.

Compensation of financial assets

Financial assets and liabilities compensate for each other and the net amount is disclosed in the consolidated financial statements if and only if there is a legal enforceable right to compensate the accounted amounts and if there is an intention to settle, on a net basis, or to realise assets and liabilities simultaneously. Revenues and expenses will not compensate each other in the consolidated profit and loss statement except if this is permitted or required by an accounting standard or interpretation, as indicated in the accounting regulations of P&V Group.

Fair value of financial instruments

The fair value of financial instruments that are exchanged on financial markets is based on the quoted bid price for the assets and quoted ask price for liabilities at closing of the markets, without any deduction for transaction costs.

For financial instruments for which there is no active market, fair value is determined using appropriate valuation techniques. The discounted cash flow model, the comparison with other similar instruments for which observable market prices exist, the option price fixing model, the credit model and other relevant valuation methods can be used. Some financial instruments are recognised at fair value using valuation techniques because market transactions or market data are not available. The fair value is measured by using the valuation technique that has been tested with real market prices or transaction data and by using the most adequate assumptions. The models are adjusted to reflect the gap between the bid and ask price as well as the transaction costs, the counterparty credit risk, the liquidity margin and the limits of the model. Gains and losses on such instruments, when they are recognised for the first time (Day One Profit), are only deferred and recognised when observable data arises or at derecognition of the instrument.

For the discounted cash flow model, the estimated cash flows rely on the best estimates of management and the discount rate is the market rate of similar instruments. Fair value of variable interest rate deposits and day-to-day deposits with credit institutions corresponds to their book value. The book value corresponds to the historical deposit costs, increased by accrued interest. The fair value of deposits with fixed interests is determined using the discounted cash flow model. The estimated cash flows are discounted using the current market rate for similar instruments at closing date.

If fair value cannot be measured reliably, the financial instruments are measured at cost, which corresponds to the fair value of the compensation paid for the acquisition of these investments or the received amount for the issue of the financial liability. All direct transaction costs are included in the investment cost.

XI.A.3 Tangible assets

Tangible assets are valued at acquisition price or manufacturing cost, deducted by cumulated depreciation and cumulated impairment losses.

If significant components of tangible assets have to be replaced at regular intervals, P&V Group recognises these components as individual assets with a specific useful life and depreciation. Maintenance and reparation costs are recognised as expenses when they occur.

Depreciations are calculated on a linear basis and based on the estimated useful life of the assets as disclosed below:

- Building: between 10 and 40 years, using the component-based approach:
    - Structural work;
    - Special techniques;
    - Completion.
- Tangible assets: between 3 and 10 years.

A significant initially recognised element of a tangible asset can be derecognised when the asset is disposed or when no future economic benefits are expected from the use or disposal of this asset. Gains and losses arising from derecognition of the asset (difference between disposal value and book value) are recognised in the profit and loss statement at derecognition.

The residual value of the asset, its useful life and the depreciation method are examined at each closing and adjusted prospectively if needed.

XI.A.4 Investment property

Investment properties are buildings held to generate rental income, or to increase value of invested capital, or both. Investment property held as part of a finance lease is qualified as investment property when it meets the definition of investment property and is treated as a finance lease.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer rights, legal fees, and initial lease commissions necessary to prepare the property for its intended operating use. Carrying value includes replacement costs of existing components of an investment property at the moment at which the cost is incurred, if criteria are met. The carrying value does not include routine maintenance costs of investment property.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Gains and losses resulting from derecognition of an investment property are determined as the difference between net gains and the carrying value of the asset in the previous full period financial statements.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, P&V Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

XI.A.5 Intangible assets

Initial evaluation

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Internally generated intangibles, in accordance with IAS 38, are only capitalised for the amount of development costs. Development expenditures on an individual project are recognised as an intangible asset when P&V Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;

- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

If not, expenditures are recognised in profit and loss during the period in which they occurred. Research costs are always recognised as expenses when they arise.

Depreciation

After initial recognition, an intangible asset is recognised at cost less cumulated depreciation and impairment losses.

Depreciation of the asset starts when development is completed and the asset is ready for use. The asset will be depreciated depending on its useful life.

Useful lives and amortisation

The useful life of an intangible asset can be finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual accounting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss (other operating and administrative expenses).

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

- ***Licences***

Licences for the use of intellectual property are granted for periods ranging between five and ten years depending on the specific licences. The licences may be renewed at little or no cost to P&V Group if licence conditions are met. As a result, those licences are assessed as having an indefinite useful life.

XI.A.6 Impairment of assets

Initial recognition

P&V Group has to indicate, at each reporting date, if there are any indications of impairment losses on assets. In case of presence of such indication, or if an annual amortisation test is required, P&V Group proceed to the estimation of the recoverable amount of the asset. The recoverable amount of an asset or a CGU is defined as the higher of fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless it does not generate cash flows that are independent from other cash flows from assets or asset classes. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In order to determine the value in use, the future estimated cash flow are discounted at pre-tax interest rate that takes into account the time value of money and the risks specific to the assets. To determine fair value reduced by cost to sell, recent market transactions are taken into account (if available). If no transactions are available, an adequate valuation model will be used. These calculations are corroborated by valuations multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

P&V Group uses detailed budgets and forecasts, for each CGU to which individual assets are allocated, in order to calculate impairment. These budgets and forecast calculations usually cover a 3-year period. In case of extended periods, a long term growth rate is applied to forecast future cash flows after year 5.

Impairment losses of continuing activities are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, P&V Group will evaluate the recoverable amount of cash flow generating asset or CGU. An impairment loss recognised in previous periods has to be recovered if and only if there has been a change in estimates used to determine the recoverable amount of the asset since the last recognition of an impairment loss. The reversal is limited so that the carrying amount does not exceed its recoverable amount nor exceed the carrying amount (net of depreciation) that would have been obtained if no impairment losses had been recognised for this asset in previous periods. This recovery is recognised in the profit and loss statement.

Following criteria are also applied when evaluating the amortisation of specific assets :

- ***Intangible assets***

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the CGU level, or when there are indications of impairment losses.

XI.A.7 Leasing

P&V as a lessee

Finance leases, with substantial transfer of risks and rewards of ownership of an asset to P&V Group, are capitalised at the commencement of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease contracts without substantial transfer of risks and rewards of ownership of the asset to P&V Group are operating leases. Operating lease payments are recognised as expenses in profit and loss on a straight line basis over the lease term. Contingent rentals are recognised during the period in which they occur as an expense.

P&V as a lessor

Lease contracts without substantial transfer of risks and rewards of ownership of the asset to P&V Group are classified as operating leases. Direct costs initially incurred during negotiation and establishment of the operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenues during the period in which they are earned.

XI.A.8 Consolidation – scope and related principles

Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which P&V Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are established for the same reporting period as P&V using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses arising from intra-group transactions and intra-group dividends are entirely offset.

Losses of a subsidiary are attributable to the non-controlling interest although this leads to a deficit balance.

A change of ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If P&V Group loses control of a subsidiary, they must:

- Derecognise the asset (goodwill included) and liabilities of the subsidiary, the carrying amount of any non-controlling interests as well as the cumulative translation differences recorded in equity;
- Recognise the fair value of the consideration received and of any investment retained;
- Recognise surpluses or deficits in profit and loss;
- Reclassify the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

Investment in an associate

P&V Group's investment in its associate is accounted for using the equity method. An associate entity is an entity in which P&V Group has a significant influence. Under the equity method, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

The statement of profit or loss reflects the P&V Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, P&V Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The share of profit of an associate is shown on the face of the statement of profit or loss. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interest in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with P&V Group's.

After application of the equity method, P&V Group determines whether it is necessary to recognise an additional impairment loss on P&V Group's investment in associates. P&V Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, P&V Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, P&V Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. P&V Group's investments in its associate and joint venture are accounted for using the equity method.

A joint venture stops using the equity method from the moment joint control over the entity ceases. In case of loss of control, P&V Group evaluates and books the remaining investment at fair value. Differences between carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit and loss.

XI.A.9 Employee benefits

Short term benefits

Short term benefits are booked when an employee has delivered services in exchange for those benefits.

Post-employment benefits

Post-employment benefits are classified as defined contribution plans or defined benefit plans.

- ***Defined contribution plans***

Contributions due for a defined contribution plan are proportional to the services delivered to the entity by employee and are booked as personnel costs. Unpaid contributions are recognised as a liability.

Other post-employment benefits which do not meet the conditions to be recognised as defined contribution plans will be classified as defined benefit plans.

IAS 19.51 states that when an employee has rendered service to an entity during a period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid.

These plans are not defined benefit plans as described in IAS 19, given the minimum guaranteed rates of return in Belgium. However, the IAS 19 standard does not address the recognition of hybrid plans and the change of the law from 1 January 2016 facilitated the recognition of these plans using the projected credit units method. Hence, the Group estimated the liabilities related to the defined contributions at 1 January 2016 in accordance with IAS 19.

- ***Defined benefit plans***

The net liability recognised in the financial statements is the present value of the defined benefit obligation.

To determine the present value of the benefit obligations and the related current service costs, P&V Group must apply an actuarial valuation method, to allocate benefit to the period of service and establish actuarial assumptions. When determining the obligations related to the defined benefit plans, the cost related to the services delivered during the period and, if appropriate, the cost of past services, the entity must allocate benefits to periods of service according to the formula established by the plan.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment.

Past service costs are recognised as an expense when :

- the plan amendment or curtailment occurs;

And

- when the entity recognises related restructuring costs or termination benefits.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Service cost and net interest are recognised in profit & loss. Actuarial gains and losses for defined benefit plans and other remeasurements in the net defined benefit liability are entirely recognised in the period in which they occur in other comprehensive income. Such remeasurements are also immediately recognised in retained earnings and are not reclassified in profit or loss in subsequent periods.

- ***Termination benefits***

Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

- ***Other long term employee benefits***

Other long-term employee benefits are those other than short-term employee benefits, post-employment benefits and termination benefits. For other long-term employee benefits, recognition and evaluation criteria are the same as for post-employment benefits but all changes in the carrying amount of liabilities for other long-term employment benefits are recognised in profit or loss.

XI.A.10 Provisions, contingent assets and liabilities

Recognition

Provisions are recognised when the P&V Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If P&V Group expects some or all of a provision to be reimbursed, then the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Evaluation

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at closing date. The best estimate is the amount that an entity would pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

At each balance sheet date, the provision shall be reviewed and adjusted to reflect the current best estimates of the expenditure required to settle the related obligation. If the cash outflow is no longer probable, the provision should be reversed.

XI.A.11 Income tax

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted at the reporting date in the countries where the P&V Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.
- The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

- Deferred tax assets and liabilities are measured using tax rates that are expected to be applicable during the year where the asset or liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at closing date.
- Following the tax reform set by the legislator in the law of 25 December 2017, with regards to corporate taxes, the calculation of deferred taxes takes into account the decline in rates for the future periods.
- Deferred tax related to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
- Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

XI.A.12 Information on related parties

A **related party** is an entity or person that is related to an entity preparing its financial statements:

- (a) A person (or a close family member of that person) is related to P&V Group if that person has control, joint control, or significant influence over P&V Group, or is a member of the key management personnel or of a parent of P&V Group;
- (b) An entity is related to P&V if any of the following conditions apply:
  - The entity and P&V are members of the same group;
  - One entity is an associate of the other entity;
  - Both entities are joint ventures of the same third party;
  - The entity is a post-employment benefit plan for the employees of P&V or a related entity of P&V;
  - The entity is controlled by a person identified in (a).
- **A transaction between related parties** is a transfer of resources, services or obligations between an entity and a related party, regardless of whether a price is charged.
- **Key management personnel** are those persons having authority and responsibility for planning, directing and controlling the entity's activities, directly or indirectly, including any director (executive or not) of that entity.
- Compensation includes all employee benefits (as defined in IAS 19 Employee Benefits). Employee benefits are all forms of consideration paid, payable or provided by the entity in exchange for services delivered to the entity. Compensation includes share-based payments.

XI.A.13 Non-current assets held for sale

A non-current asset is classified as 'held for sale' if economic benefits of that asset are obtained through the asset's sale rather than through its continuous use (future economic benefit).

Such assets cease to be depreciated as they are no longer being consumed by the business. Moreover, an asset held for sale is valued at the lower of:

- the asset's residual value;
- the asset's fair value less the cost to sell.

To classify a non-current asset as “held for sale”, the following specific criteria need to be satisfied:

- the non-current asset must be available for immediate sale in its present condition;
- the sale should be highly probable, as evidenced by the following:
    - the appropriate level of management must be committed to a plan to sell the asset;
    - an active program to locate a buyer and to complete the sales plan must have been initiated;
    - the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
    - the sale should be expected to be completed within 12 months from the date of classification as “held for sale”.

An extension of the one-year period necessary to complete the sale does not prevent the asset to be maintained as “held for sale” when the delay is due to events or circumstances independent from the entity’s control and when there is sufficient evidence that the entity is still committed to sell its assets.

Following circumstances and events are considered :

- When the entity reasonably expects third parties (other than buyer) to impose transfer conditions to the asset that extends the required period to complete the sale and that the actions required to satisfy these conditions cannot be executed before obtaining a purchase commitment but the commitment is highly probably within the year;
- When the buyer or third parties unexpectedly impose transfer conditions to the asset, when measures have been adopted to satisfy these condition and that a favourable settlement is expected for the delaying factors;
- When circumstances, previously considered as unlikely, occur within the year, the entity has adopted the necessary measures to face the changing circumstances and that the asset is actively traded at a reasonable price, given the fact that circumstances have changed.

The following paragraphs disclose the main financial principles that are applied by the Group for the preparation of the financial statements.

XI.A.14 Capital management

The Group's general strategy in terms of capital or equity management consists of finding the optimal capital structure that allows P&V Assurances to maintain its independence and its cooperative structure as well as meeting the following three objectives :

- Efficient support of the general strategy of P&V Assurances and the competitive
- differentiation by limiting the cost related to the structuring of capital
- Respect of regulatory ratios and risk appetite.

In order to do this, actions undertaken by P&V Group comply with sector practices and are in line with specific characteristics that apply to cooperative companies.

Regarding the structure of P&V Group, the company PSH is the parent company of the Group and the major shareholder of P&V Assurances. However, P&V Assurances holds the majority of insurance activities which generate the different types of risk (market risk, insurance risk, operating risk, etc.) and for which a sufficient level of prudential capital is needed in order to cover those risks.

However, PSH is the umbrella structure of P&V Group that aims at regrouping the main associates of the Group with a view on social economic values. Apart from its structuring role, PSH does not engage in any insurance or other activities. Therefore, PSH does not generate any type of material risk that could impact P&V Group..

A significant part of the prudential capital (except from the equity from PSH and the consolidated reconciliation reserve) is issued by P&V Assurances, the operational insurance structure, which is the only level that contains risk related to insurance activities.

In order to maintain financial independency, confidence of associates and creditors and to sustain future development of its activities, the Group maintains a solid capital basis.

The Board of Directors' dividend distribution strategy is limited to the rate imposed by the National Co-operation Council.

Capital management also aligns with Solvency II regarding the coverage of its global risk. Detailed information is disclosed in the Solvency and Financial Condition Report (SFCR report) on an annual basis.

XI.A.15 The use of estimates, hypotheses and judgements

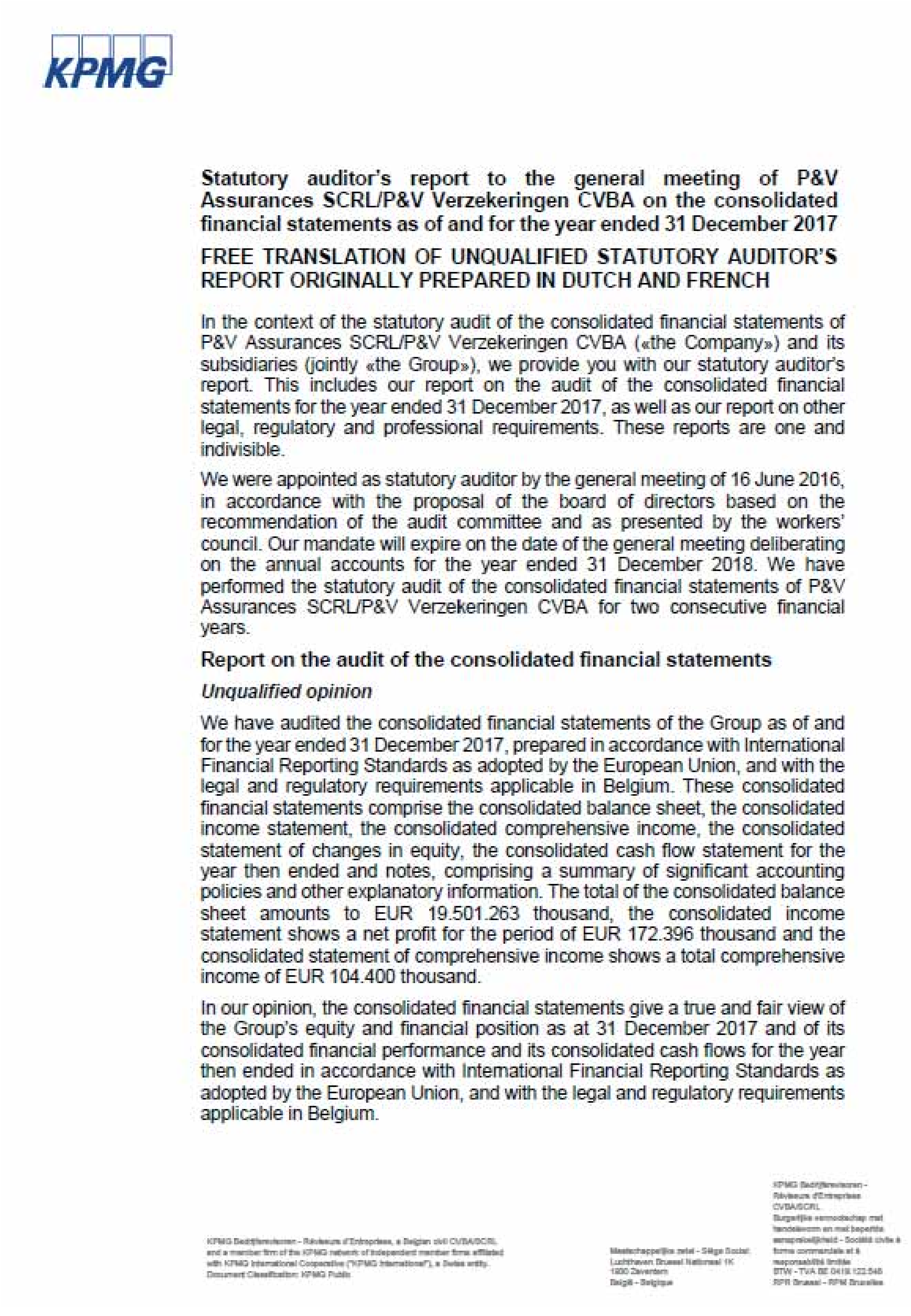
Preparation of the financial statements under IFRS implies the use of certain accounting estimates. The management has to exercise judgements for the application of the accounting standards within the Group, as well as establishing hypotheses and estimates that impact the application of the accounting standards and the amount of assets, liabilities, revenues and income.

These estimates and hypotheses are based on the experience and the hypotheses the Group reasonably estimates given the circumstances. The obtained results are used for the evaluation of the carrying amount of assets and liabilities in case the value cannot be obtained from other sources. The real value could be different from the value obtained from estimates.

The estimates and underlying hypotheses are examined and reviewed every year.

Assets	Uncertainties related to estimates
Financial instruments – Level 2	- The valuation model used - The inactive market
Financial instruments – Level 3	- The valuation model used - The use of non-observable data on the market - The inactive market
Intangible assets	- Determination of the useful live
Investment property	- Determination of the useful live and the residual value - The use of non-observable data on the market (measured at fair value)
Financial investment "Unit Link"	- The valuation model used - The use of non-observable data on the market - The inactive market
Related parties	- Uncertainties related to the composition of the assets, the operating activities and the market changes
Buildings in use	- Buildings in use measured at fair value using non-observable data on the market
Tangible assets	- Determination of the useful live of other intangible assets
Deferred tax assets	- Estimation of the fair value gap of financial instruments using non-observable market data (indirect effect) - Interpretation of complex tax regulations - Recognition and timing of future tax revenues
Liabilities	**Uncertainties related to estimates**
Liabilities related to Life insurance contracts	- Actuarial assumptions used - Rates used for the liability adequacy test - Reinvestment profile of the investment portfolios, credit risk spread and the maturity regarding the determination of the LAT adjustment in shadow accounting
Liabilities related to Non-Life insurance contracts	- The availability of information on claims for the provision for claims
Financial liabilities – investment contracts (only with participation features)	- The valuation model used - The use of non-observable data on the market - The inactive market
Financial liabilities (financial instruments)	- The valuation model used - The use of non-observable data on the market - The inactive market
Pensions and other liabilities	- Actuarial assumptions used - The discount rate used - Inflation/wages
Provisions	- The probability that the obligation arises from past events - Calculation of the Best estimate
Deferred tax liabilities	- Estimation of the fair value gap of financial instruments using non-observable market data (indirect effect) - Interpretation of complex tax regulations

XII Auditors’ report on the consolidated financial statements



Statutory auditor’s report to the general meeting of P&V Assurances SCRL/P&V Verzekeringen CVBA on the consolidated financial statements as of and for the year ended 31 December 2017

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR’S REPORT ORIGINALLY PREPARED IN DUTCH AND FRENCH

In the context of the statutory audit of the consolidated financial statements of P&V Assurances SCRL/P&V Verzekeringen CVBA («the Company») and its subsidiaries (jointly «the Group»), we provide you with our statutory auditor’s report. This includes our report on the audit of the consolidated financial statements for the year ended 31 December 2017, as well as our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed as statutory auditor by the general meeting of 16 June 2016, in accordance with the proposal of the board of directors based on the recommendation of the audit committee and as presented by the workers’ council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2018. We have performed the statutory audit of the consolidated financial statements of P&V Assurances SCRL/P&V Verzekeringen CVBA for two consecutive financial years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR 19.501.263 thousand, the consolidated income statement shows a net profit for the period of EUR 172.396 thousand and the consolidated statement of comprehensive income shows a total comprehensive income of EUR 104.400 thousand.

In our opinion, the consolidated financial statements give a true and fair view of the Group’s equity and financial position as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

KPMG Bedrijfsrevisoren - Réviseurs d’Entreprises, a Belgian civil CVBA/SCRL and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
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forme commerciale et à
responsabilité limitée
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RPR Brussel - RPM Bruxelles

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing («ISAs»). Our responsibilities under those standards are further described in the «Statutory auditors' responsibility for the audit of the consolidated financial statements» section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

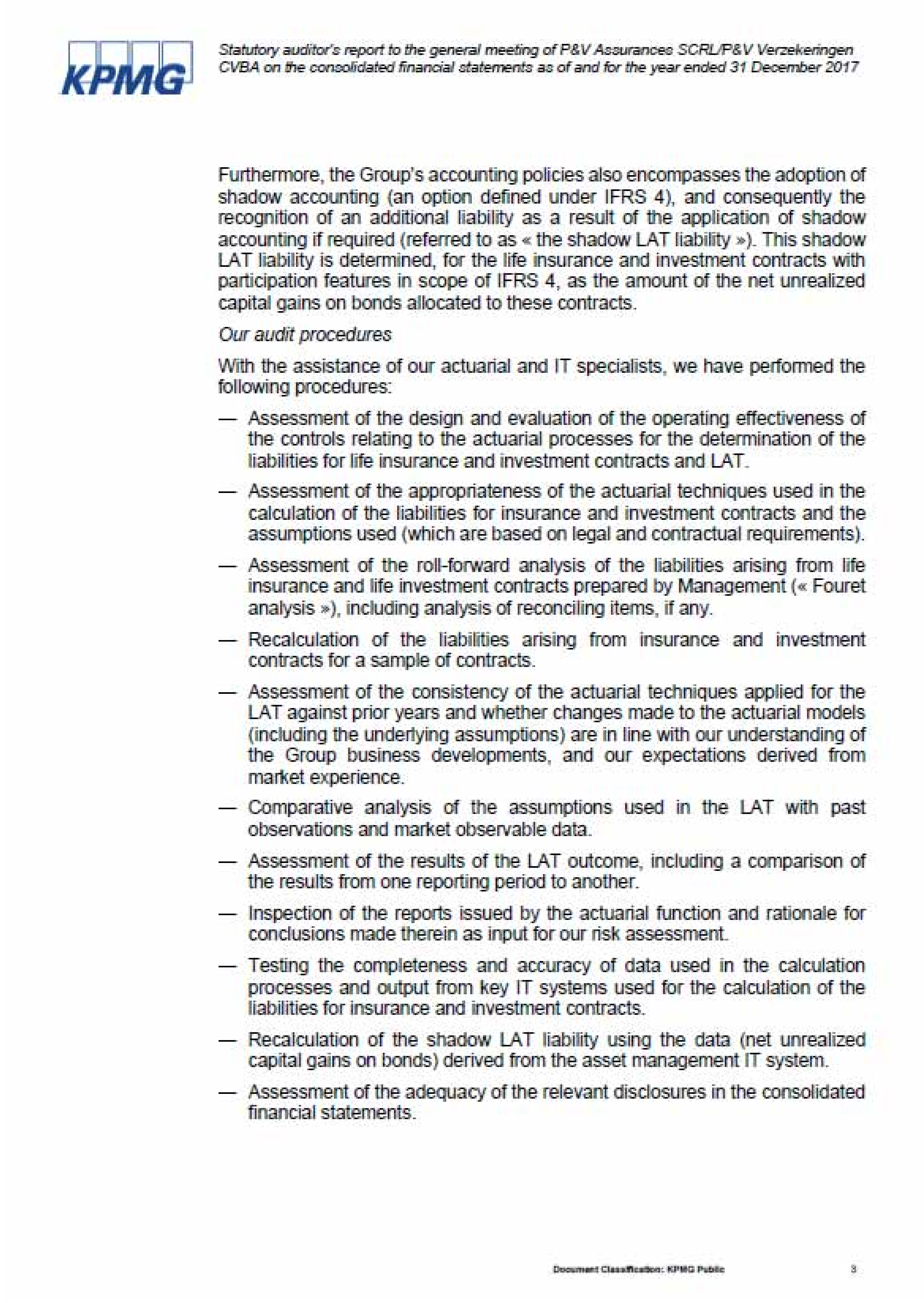
Valuation of liabilities arising from life insurance and investment contracts

We refer to the headings « Liabilities related to insurance contracts », « Financial liabilities – investment contracts with participation features » and « Financial liabilities – investment contracts without participation features » of the consolidated balance sheet in the consolidated financial statements and to note IV.S « Technical liabilities and insurance liabilities ».

Description

As at 31 December 2017, the Group has EUR 15.914.241 thousand of liabilities arising from insurance contracts, of which EUR 13.510.090 thousand of liabilities arising from the life activity. These liabilities are calculated based on actuarial techniques as determined by law, which are based on pre-specified mortality tables and other parameters derived from the contracts. These liabilities represent a major component of the Group's statement of financial position.

At each reporting date the adequacy of the liabilities arising from life insurance and life investment contracts is verified based on a Liability Adequacy Test (LAT) to be carried out in accordance with IFRS 4 « Insurance contracts ». These liabilities are increased with any insufficiency arising from the execution of the LAT. The actuarial models used for the calculation of the LAT are complex and the assumption setting process within these models contains judgment considering that best estimate/current assumptions are applied (and no longer the parameters embedded in the law and the contract conditions). The judgement made in the assumptions setting process may have a significant impact on the LAT outcome.



Furthermore, the Group's accounting policies also encompasses the adoption of shadow accounting (an option defined under IFRS 4), and consequently the recognition of an additional liability as a result of the application of shadow accounting if required (referred to as « the shadow LAT liability »). This shadow LAT liability is determined, for the life insurance and investment contracts with participation features in scope of IFRS 4, as the amount of the net unrealized capital gains on bonds allocated to these contracts.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls relating to the actuarial processes for the determination of the liabilities for life insurance and investment contracts and LAT.
- Assessment of the appropriateness of the actuarial techniques used in the calculation of the liabilities for insurance and investment contracts and the assumptions used (which are based on legal and contractual requirements).
- Assessment of the roll-forward analysis of the liabilities arising from life insurance and life investment contracts prepared by Management (« Fouret analysis »), including analysis of reconciling items, if any.
- Recalculation of the liabilities arising from insurance and investment contracts for a sample of contracts.
- Assessment of the consistency of the actuarial techniques applied for the LAT against prior years and whether changes made to the actuarial models (including the underlying assumptions) are in line with our understanding of the Group business developments, and our expectations derived from market experience.
- Comparative analysis of the assumptions used in the LAT with past observations and market observable data.
- Assessment of the results of the LAT outcome, including a comparison of the results from one reporting period to another.
- Inspection of the reports issued by the actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the liabilities for insurance and investment contracts.
- Recalculation of the shadow LAT liability using the data (net unrealized capital gains on bonds) derived from the asset management IT system.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of liabilities arising from non-life insurance contracts

We refer to the headings « Liabilities related to insurance contracts » of the consolidated balance sheet in the consolidated financial statements and to note IV.S « Technical liabilities and insurance liabilities ».

Description

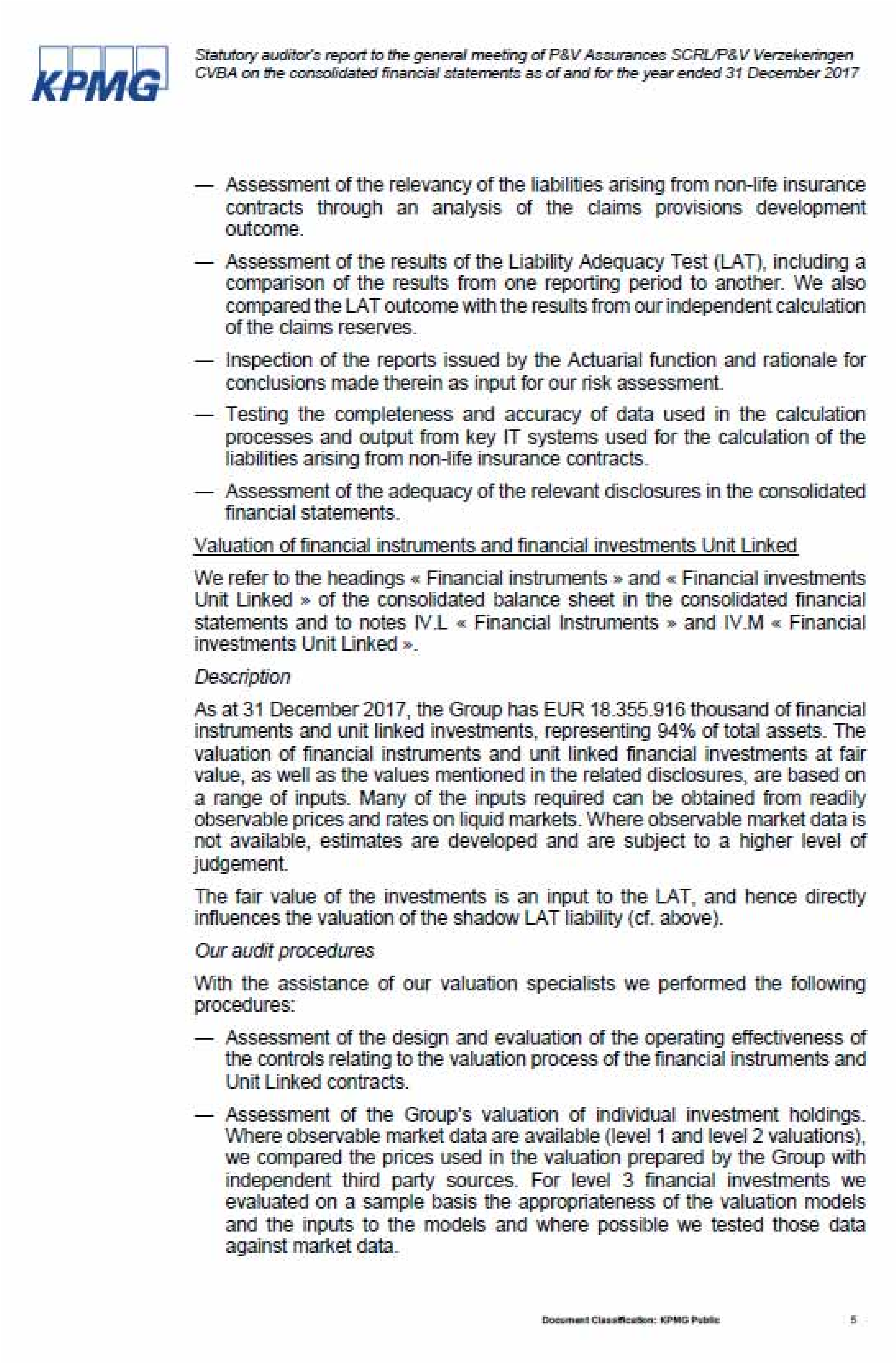
As at 31 December 2017, the Group has EUR 2.404.151 thousand of liabilities arising from non-life insurance contracts. The estimation of these liabilities involves actuarial techniques and requires judgement given that these are based on previous claims experience, existing knowledge of events, expectations about future developments and terms and conditions of the relevant insurance policies.

Estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. These estimates are sensitive to various factors and uncertainties, and require judgement in setting the underlying assumptions.

Our audit procedures

With the assistance of our actuarial and IT specialists, we have performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls relating to the actuarial processes for the determination of the liabilities arising from non-life insurance contracts.
- Assessment of the consistency and appropriateness of the actuarial techniques applied for all business lines (including the underlying assumptions) against prior years and whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience.
- Independent calculation of the claims liabilities for the major business lines (motor, fire, general liability, legal assistance and workmen's compensation) based on commonly used actuarial techniques for these type of businesses. We compared the results of our independent calculation with the amounts determined by the Group, and we obtained evidence supporting any significant differences observed.
- Assessment whether the claims liabilities have been determined in accordance with the implemented reserving policies by the Group.



- Assessment of the relevancy of the liabilities arising from non-life insurance contracts through an analysis of the claims provisions development outcome.
- Assessment of the results of the Liability Adequacy Test (LAT), including a comparison of the results from one reporting period to another. We also compared the LAT outcome with the results from our independent calculation of the claims reserves.
- Inspection of the reports issued by the Actuarial function and rationale for conclusions made therein as input for our risk assessment.
- Testing the completeness and accuracy of data used in the calculation processes and output from key IT systems used for the calculation of the liabilities arising from non-life insurance contracts.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of financial instruments and financial investments Unit Linked

We refer to the headings « Financial instruments » and « Financial investments Unit Linked » of the consolidated balance sheet in the consolidated financial statements and to notes IV.L « Financial Instruments » and IV.M « Financial investments Unit Linked ».

Description

As at 31 December 2017, the Group has EUR 18.355.916 thousand of financial instruments and unit linked investments, representing 94% of total assets. The valuation of financial instruments and unit linked financial investments at fair value, as well as the values mentioned in the related disclosures, are based on a range of inputs. Many of the inputs required can be obtained from readily observable prices and rates on liquid markets. Where observable market data is not available, estimates are developed and are subject to a higher level of judgement.

The fair value of the investments is an input to the LAT, and hence directly influences the valuation of the shadow LAT liability (cf. above).

Our audit procedures

With the assistance of our valuation specialists we performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls relating to the valuation process of the financial instruments and Unit Linked contracts.
- Assessment of the Group's valuation of individual investment holdings. Where observable market data are available (level 1 and level 2 valuations), we compared the prices used in the valuation prepared by the Group with independent third party sources. For level 3 financial investments we evaluated on a sample basis the appropriateness of the valuation models and the inputs to the models and where possible we tested those data against market data.

- Analysis of significant evolutions in fair values and unrealized capital gains and losses from prior year to current year.
- Impairment analysis by evaluating the permanent character of the unrealized losses for the positions with significant unrealized capital losses and assessing the appropriate application of the accounting policies with regards to impairment.
- Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation of investments in associates

We refer to the headings « Investment in associates » of the consolidated balance sheet in the consolidated financial statements and to note IV.B « Shareholders of P&V Group ».

Description

As at 31 December 2017, the Group has accounted for a net loss of EUR 66.976 thousand on their investments in associates. This loss mainly result from impairments on goodwill and fixed assets accounted in the associates Multipar SCRL/CVBA and Multipharma SCRL/CVBA. We have considered the valuation of the investment in the associates Multipar SCRL/CVBA and Multipharma SCRL/CVBA as a key audit matter given the high level of judgement applied during the determination of the assumptions used to estimate and discount the future cash-flows in order to determine the value in use.

Our audit procedures

With the assistance of our valuation specialists we performed the following procedures:

- Assessment of the design and evaluation of the operating effectiveness of the controls related to the valuation process of investments in associates.
- Assessment of the appropriateness in the accounting treatment applied in the context of the valuation of the investments in Multipar SCRL/CVBA and Multipharma SCRL/CVBA, in accordance with the relevant accounting standards.
- Assessment of the relevancy of the business plans approved by the management and assessment of the reasonableness of the modifications applied to the previously approved business plans and more specifically linked to the expected cash-flows.
- Assessment of the relevancy of the expected cash-flows by comparing the key assumptions and key parameters (particularly the discount rate, the growth rate and the inflation rate) with the historical results, economical projections of the sector as well as the internal data forecasts. We also compared the key market assumptions with external information.
- Assessment of the soundness of the sensitivity analysis performed by the company's officials through other sensitivity analysis, mainly based on movements in operational cash-flows.

— Assessment of the adequacy of the relevant disclosures in the consolidated financial statements.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

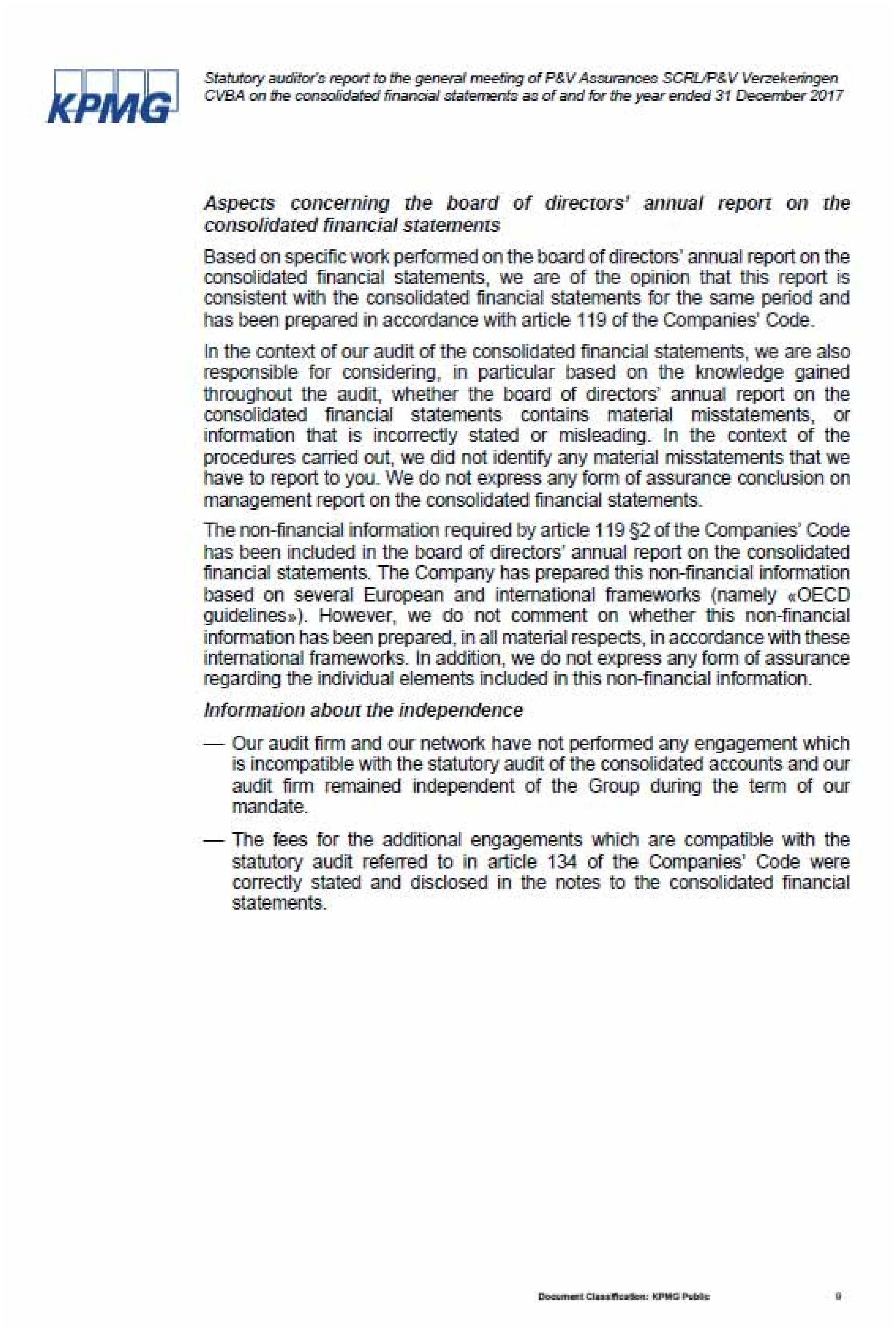
Report on the other legal, regulatory and professional requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements and to report on these matters.



Aspects concerning the board of directors' annual report on the consolidated financial statements

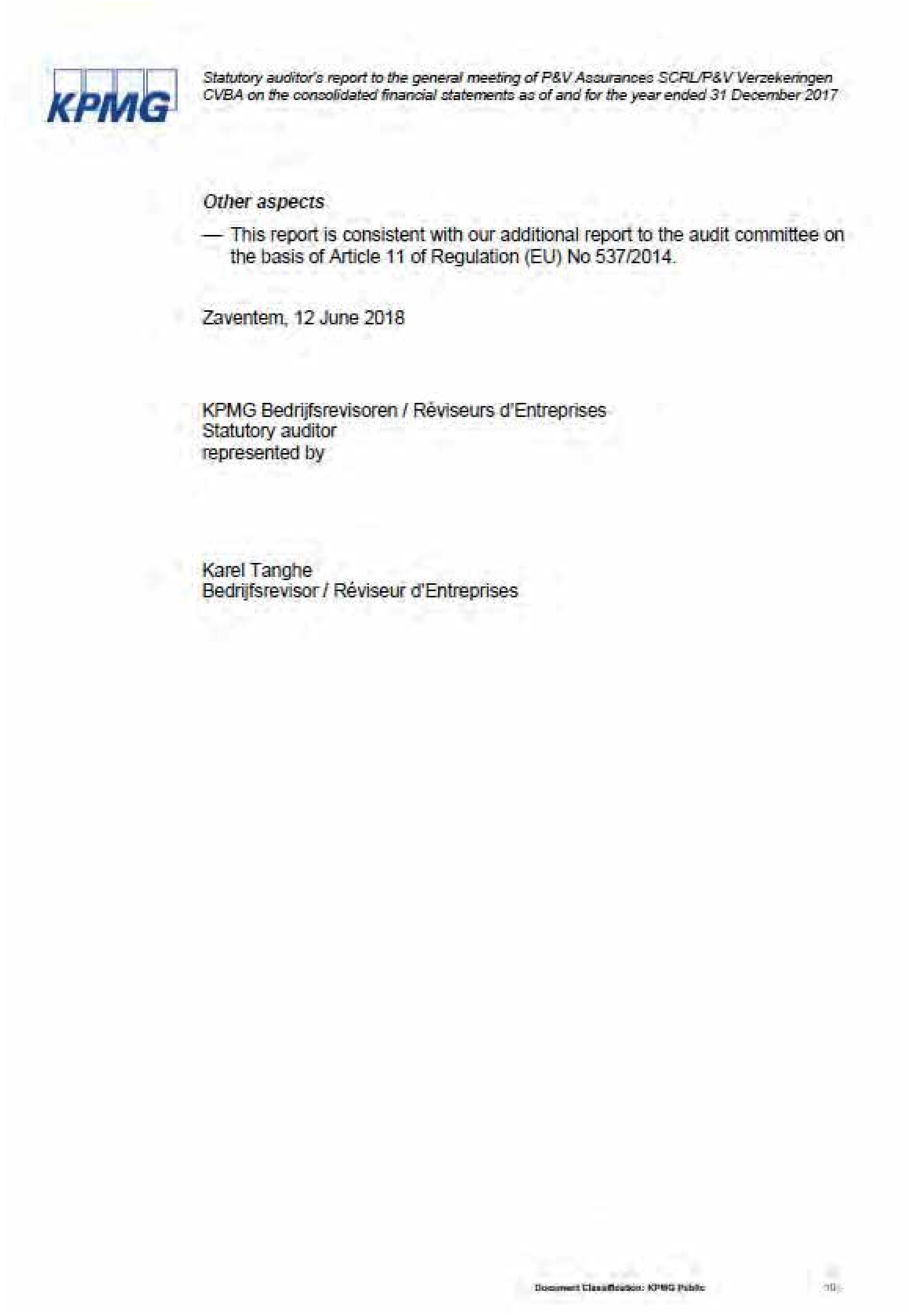
Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements contains material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you. We do not express any form of assurance conclusion on management report on the consolidated financial statements.

The non-financial information required by article 119 §2 of the Companies' Code has been included in the board of directors' annual report on the consolidated financial statements. The Company has prepared this non-financial information based on several European and international frameworks (namely «OECD guidelines»). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with these international frameworks. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.



Other aspects

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 12 June 2018

KPMG Bedrijfsrevisoren / Réviseurs d'Entreprises
Statutory auditor
represented by

Karel Tanghe
Bedrijfsrevisor / Réviseur d'Entreprises

GROUPE P&V GROEP

Interim financial statements at 31 March 2018

I General information on the financial statements

As per 24 May 2018, the Board of Directors authorised the publication of the interim financial statements of P&V Assurances and its subsidiaries (forming P&V Group) for the accounting period ending on 31 March 2018. P&V Assurances is a limited liability company based in Belgium (enterprise number BE 0402.236.531; FSMA code 0058). The registered office is located at 151 rue Royale, 1210 Brussels in Belgium.
The core activities of P&V Group are Life and Non-Life insurance.

The consolidated financial statements of P&V Group have been established in line with the going concern principle and aim at providing a fair view of the consolidated financial statements, the consolidated profit and loss statements and the consolidated cash flow statements.

The non-controlling interest represents the share of the profit or loss and the net assets that are not owned by P&V Group. These are disclosed separately in the profit and loss statement and in equity on the consolidated balance sheet.

The consolidated financial statements have been disclosed in euro, which is the functional currency of P&V Group. Unless otherwise specified, the tables are disclosed in thousands of euros.

I.A Declaration of compliance

The interim financial statements refer to the P&V Group.

The interim financial statements of P&V Group are prepared for a 3-month period closing on 31 March 2018, in accordance with IAS 34 “Interim Financial Reporting”, published by the IASB (International Accounting Standards Boards) and adopted by the European Union. These interim financial statements should be read in conjunction with the annual consolidated IFRS financial statements of the 2017 period.

The accounting standards used for the interim financial statements are the IFRS standards, which have been published by the IASB and adopted by European Union. These standards were also used for the consolidated financial statements of the annual period closing on 31 December 2017. The measurement principles are presented in appendix 1 “Summary of significant accounting policies” in the consolidated financial statements of the period ending on 31 December 2017.

I.B New standards and amendments applicable from 2018

The following new standards and amendments enter into force for the first time for the accounting period starting as per 1 January 2018:

- IFRS 15: “Revenue from Contracts with Customers”. The completed analysis of the standard indicates that IFRS 15 will not have a significant impact on the statements of P&V Group;
- Amendment to IFRS 2:
  This standard does not impact P&V Group because the Group is a limited liability cooperative (SCRL), without share-based payments;
- IFRS 9 “Financial instruments”: after conducting tests, it was concluded that P&V satisfies criteria to benefit from the temporary exemption of the IFRS 9 standard.

I.C Closing date and presentation of the financial statements

The interim financial statements of P&V Group, established for the 3-month period closing on 31 March 2018, are prepared in accordance with IAS 34, which permits a selection of disclosures. The interim consolidated financial statements do not include the entire set of disclosures and other information as required by IFRS for annual financial statements; they should be read in conjunction with the consolidated IFRS financial statements of the 2017 annual period, taking into account specific aspects regarding the preparation of the interim financial statements, which are disclosed below. The interim consolidated financial statements include the consolidated balance sheet, the consolidated profit and loss statement, and the consolidated comprehensive income, the consolidated changes in equity statement, the consolidated cash flow statement and notes to the financial statements.

The Board of Directors authorised the publication of the quarterly consolidated financial statements, under IFRS, on 24 May 2018.

The interim consolidated financial statements are subject to a limited review by auditors.

I.D Purpose of the financial report

This is the first time P&V Group prepares its interim financial statements in accordance with the IAS 34 standard.

This is done with a perspective on gaining access to the capital market within a planned operation in 2018.

P&V Group does not intend to produce interim financial statements in the future.

I.E Important accounting estimates

Preparation of financial statements requires the utilisation of estimates and hypothesis in order to determine the value of assets and liabilities as well as income and expenses at closing date. Although valuations for annual and interim reports both often require the use of reasonable estimates, preparation of interim consolidated financial statements requires even more estimation methods than annual financial statements.

Estimations and hypothesis used by P&V Group for preparation of the interim consolidated financial statements as per 31 March 2018 are identical to those used for the consolidated financial statements as per 31 December 2017.

II. Consolidated financial statements as per 31 March 2018

II.A Consolidated statement of financial position

In thousands €	*Notes*	Q1 - 2018	2017
Assets			
Intangible assets	*II.F*	60,520	55,913
Operating buildings and tangible assets	*II.G*	86,845	86,741
Investment property	*II.H*	162,801	164,844
Investment in associates	*II.B*	27,316	26,738
Deferred taxes	*II.R*	713	682
Financial instruments	*II.I*	17,538,799	17,802,231
Financial investment "Unit Link"	*II.J*	539,233	553,685
Reinsurance assets	*II.K*	318,161	313,935
Insurance receivables	*II.K.1*	89,594	82,633
Other receivables		159,018	142,990
Other receivables	*II.K.2*	*156,828*	*140,349*
Current leasing receivables	*II.K.2*	*2,189*	*2,641*
Accrued income	*II.K.2*	14,842	9,534
Non current assets held for sale	*II.M*	-	-
Cash and cash equivalents	*II.N*	544,005	261,337
Total assets		**19,541,847**	**19,501,263**
Equity and liabilities			
Issued capital	*II.O*	511	511
Reserves	*II.O*	2,019,099	2,062,104
Equity - share of the Group		***2,019,610***	***2,062,615***
Minority interests' share	*II.O*	818	817
Total equity		**2,020,428**	**2,063,432**
Subordinated debt	*II.S*	265,499	260,034
Liabilities related to insurance contracts	*II.P*	13,275,793	13,161,749
Financial liabilities - investment contracts with participation features	*II.P*	2,106,548	2,065,182
Financial liabilities - investment contracts without participation features	*II.P*	674,515	687,310
Pensions and other liabilities	*II.Q*	323,180	327,598
Deferred taxes	*II.R*	211,153	217,332
Insurance liabilities	*II.P*	345,536	381,539
Financial liabilities	*II.S*	166,644	166,454
Liabilities related to non current assets held for sale	*II.M*	-	-
Other liabilities	*II.S*	152,550	170,634
Provisions	*II.S.2*	*38,693*	*40,073*
Other liabilities	*II.S.2*	*113,857*	*130,561*
Total liabilities		**17,521,419**	**17,437,831**
Total equity and liabilities		**19,541,847**	**19,501,263**

Comments on the consolidated statement of financial position

The balance sheet total went up from EUR 19.50 billion in 2017 to EUR 19.54 billion at the end of March 2018. This represents an increase of EUR 40.58 million.

The important changes on the asset side are the following:

- An increase in intangible assets for an amount of EUR 4.6 million due to expenses incurred by the company from transformation projects (organisational and IT), which generate future income;
- A decrease in investment property of EUR 2.0 million due to the sale of buildings in Ghent for EUR 2.8 million;
- A decrease in financial instruments of EUR 263.4 million. This is due to changes in market value of the bond portfolio between December 2017 and March 2018, and the residual sale of the USD bond portfolio during the first quarter of 2018, as well as the decrease of accrued interest not yet due given that a number of bonds matured at the end of March 2018, amounting to EUR 125.9 million (see note III.E); The "Unit Link" investments (financial assets of branch 23) decreased by EUR 14.5 million, mainly due to the run off of Euresa Life's activity;
- An increase in cash and cash equivalents of 282.7 million, explained by the interest received at the end of March 2018 on the bond portfolio as well as by the bonds redemption of EUR 235.5 million;
- Other assets (reinsurance assets, insurance receivables, other receivables and accrued income) increased by EUR 32.5 million, which is explained by outstanding client accounts of EUR 5.9 million, deferred charges related to overhead costs of EUR 4.3 million, various unpaid balances of EUR 5.4 million, as well as recoverable income tax on contribution calculations, which will be on the Disability Fund, Red Cross and social security for an amount of EUR 4.8 million, transferred in April 2018.

The important changes on the liability side are the following:

- An increase in subordinated debt of EUR 5.5 million, mainly explained by accrued interest not yet due for which majority of loans mature at the end of the year.
- An increase in debt related to insurance contracts of EUR 114.0 million, mainly explained by the increase in mathematical reserves in Life insurance of EUR 85.0 million and the increase in provisions for unearned premiums in Non Life insurance of EUR 45.7 million, given the periodicity of Non-Life insurance contracts. This is partially compensated by a decrease in shadow accounting following the decrease in AFS reserves for bond portfolios of EUR 33.7 million;
- An increase in financial liabilities on investment contracts with participation features for an amount of EUR 41.4 million. This increase is linked to insurance contracts

relating to individual Life pension schemes and is mitigated by changes in shadow accounting;

- Insurance liabilities decreased by EUR 36.0 million. This decrease is due to the utilisation of provisions for override commissions[1] in 2017, following the payments to agents and brokers during the first quarter of 2018, as well as the decrease in premiums paid before maturity by EUR 10.4 million (see note III. H);
- A decrease in other debts of EUR 18.1 million, explained by interim accounts for transactions or payments still to be allocated, relating to technical accounting systems within Life insurance.

[1] An override commission corresponds to the commission paid by insurers to brokers, on the entirety of the portfolio, that varies according to different criteria such as the realized volume by the broker and the quality of its business. The override commission may also indicate the launch of a new product.

II.B Consolidated income statements

In thousands €	Notes	Q1 - 2018	Q1 - 2017
Gross premiums		468,985	478,134
Life		247,114	255,080
Non-life		221,870	223,053
Changes in unearned premiums		(45,721)	(45,827)
Premiums ceded to reinsurers		(10,239)	(9,747)
Net earned premiums	***III.J***	**413,024**	**422,560**
Insurance expenses - net		(282,168)	(273,708)
Provision for claims - net		(16,131)	6,615
Provision for insurance life		(127,803)	(143,406)
Beneficiary participation		(2,905)	(2,455)
Other technical provision		(975)	(1,750)
Other technical charges		(6,903)	(5,394)
Total technical expenses	***III.K***	**(436,885)**	**(420,096)**
Technical result		**(23,860)**	**2,464**
Financial revenue - before market impact and realised gains	*V.C*	110,357	116,265
Financial expenses - before market impact and realised loss	*V.D*	(18,252)	(16,607)
Financial result - before market impact and realised gains and losses		**92,105**	**99,658**
Financial revenue - market impact and realised gains		42,609	102,128
Financial expenses - market impact and realised loss		(33,232)	(109,510)
Financial result - market impact and realised gains and losses		**9,377**	**(7,382)**
Total financial income		**101,483**	**92,276**
Technical and financial income		**77,622**	**94,740**
Total Fee, Commissions & Other revenue		692	1,344
Administrative & Operating Expenses		(88,501)	(83,997)
Other expenses		()	(25)
Income Tax	*III.I*	3,153	1,280
Result from associates		578	1,054
Net result of the year		**(6,456)**	**14,395**
Attributable to:			
Equity holders of the parent		(6,462)	14,391
Non-controlling interests		6	4

In accordance with IAS 1, P&V Group elects to present the expenses in its income statement by function.

The components of income “before market” disclose the expenses and revenues related to financial instruments, for which the company is able to reasonably estimate the amounts from one period to another (share dividends, income from investment funds, interest on bonds,…).

The "market" components represent the changes related to the market impact, which are recognised in the income statement (impairment losses, realised gains and losses…).

II.C Consolidated comprehensive income

In thousands €	Notes	Q1 - 2018	Q1 - 2017
Net income		**(6,456)**	**14,395**
Other comprehensive income that can be reclassified in profit of future periods of the group			
Net gains (losses) on cash flow hedging instruments		220	(10,357)
Net gains (losses) on asset available for sale net from shadow accounting		(40,042)	(9,190)
Other comprehensive income from companies under equity method		25	-
Other comprehensive income reclassified as income during the period		-	(830)
Other comprehensive income that cannot be reclassified in profit of future periods of the group			
Other comprehensive income from employee benefits		3,328	2,077
Other components of other comprehensive income		()	4,172
Net other comprehensive income		**(36,470)**	**(14,129)**
Total net other comprehensive income		**(42,926)**	**267**
Attributable to :			
the group		(42,928)	263
non-controlling interests		1	4
		(42,926)	**267**

Net loss from shadow accounting, on assets available for sale, during the first quarter of 2018, is explained by the decrease of unrealised gains on the share portfolio of EUR 29.6 million, caused by the lower closing price. The loss is also explained by the decrease of unrealised gains on the bond portfolio of EUR 46.7 million, following the increase of interest rates. This amount is partially offset, before deferred tax, by the effect of shadow accounting for an amount of EUR 34.7 million.

Comments on P&V Group's income

Net consolidated income of P&V Group for 2018 amount to EUR -6.5 million (First quarter of 2017: EUR 14.4 million). P&V Group's part amounts to EUR -6.5 million while EUR 6,000 is allocated to non-controlling interest.

The decrease in net income during the period is due to the decrease in technical income of EUR -26.3 million, compensated by the increase in financial income of EUR 8.7 million. The other elements from comprehensive income have decreased by EUR -3.3 million.

Technical income

The decrease in technical income of EUR -26.3 million is explained by the following elements:

- Earned premiums remain stable compared to 2017 (decreased by EUR 1.0 million);
- The impact of storms at the beginning of 2018 (EUR 8.5 million), as well as two major claims in Auto insurance (for EUR 18.0 million) and a Fire co-insurance claim for EUR 1.9 million.

Financial income

The financial income increased by EUR 9.2 million, amounting to EUR 101.5 million in the first quarter of 2018, compared to EUR 92.3 million in the first quarter of 2017.

We note that there has been an increase in "financial income – market impact and realised gain" (EUR 16.8 million) and a decrease of operating financial income (EUR 7.6 million).

The decrease in operating financial income is mainly explained by the decrease of the average rate of return on the bond portfolio.

The change in "financial income – market impact and realised gain" is mainly explained by the positive valuation of bond forwards of EUR 9.8 million, in the first quarter of 2018, while these contracts barely fluctuated in the first quarter of the previous year. Valuation of forward swaps also explains this change because of the negative impact of EUR 4.6 million, in the first quarter of 2017.

Financial expense – negative market impact and realised loss" is affected by currency fluctuations on the USD bond portfolio, for which P&V Group holds currency hedges. This decrease is explained by P&V Group's decision to decrease the size of this portfolio during the second quarter of 2017. This led to a lower exposure to USD, which reduced the impact on "financial expense – negative market impact and realised loss" by EUR

51.0 million. Note that the assets in this portfolio, which remained at the end of 2017, have been sold during the first quarter of 2018.

The same decrease occurred for the “financial income – positive market impact and realised gain”, which is also explained by the currency effect on the USD bond portfolio, covered by currency forwards. During the first quarter of 2017, the currency impact on the bond portfolio corresponds to “financial expense – negative market impact and realised loss”, while the change in value of the currency forward contracts corresponds to “financial income – positive market impact and realised gain”.

The decrease in “financial expense – negative market impact and realised loss” is also explained by realised loss on short bond forwards, for an amount of EUR 12.3 million, in the first quarter of 2017.

Other income

There has been an increase of EUR 3.7 million in other income, corresponding to EUR -84.1 million in the first quarter of 2018 compared to EUR -80.3 million in the first quarter of 2017. The most important changes in other income are the following:

- Income from entities treated under the equity method decreased by EUR 0.5 million, given the results of these entities;
- Administrative and operational costs increased by EUR 4.5 million, due to the increase in advisory costs, which cannot be capitalized, further explained by the transformation project as well as by the P&V Group’s salary cost.

Taxes increased by EUR 1.9 million (from EUR 1.3 million in 2017 to EUR 3.2 million in 2018), explained by deferred taxes, recognized on losses following the result of the period. At the end of the first quarter of 2017, the tax rate used was the one applicable before the tax reform.

II.D Consolidated statement of changes in equity

In thousands €	Notes	Issued capital and capital reserves	Retained earnings	Reserve of assets available for sale	Shadow accounting	Cash flow hedge reserve	IFRS 5 reserve	IAS 19 reserve	Reserve for revalued assets	Total Group share	Non-controlling interest	Total equity
At 31 December 2016		**571,093**	**696,946**	**2,064,645**	**(1,381,917)**	**30,582**	**830**	**(67,869)**	**45,572**	**1,959,884**	**934**	**1,960,818**
Net income		-	172,518	-	-	-	-	-	-	172,518	(122)	172,396
Other comprehensive income		-	1,931	(17,895)	(27,487)	(13,779)	(830)	(9,687)	(255)	(68,001)	5	(67,996)
Total comprehensive income for the period		*-*	*174,450*	*(17,895)*	*(27,487)*	*(13,779)*	*(830)*	*(9,687)*	*(255)*	*104,517*	*(117)*	*104,400*
Dividends paid during the period		-	(31)	-	-	-	-	-	-	(31)	-	(31)
Change in scope of consolidation		-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves		(129,966)	128,224	-	-	-	-	-	-	(1,742)	-	(1,742)
Others		-	(13)	-	-	-	-	-	-	(13)	-	(13)
At 31 December 2017	***III.F***	**441,127**	**999,576**	**2,046,751 ****	**(1,409,404)**	**16,803**	**-**	**(77,556)**	**45,317**	**2,062,615**	**817**	**2,063,432**
Net income		-	(6,462)	-	-	-	-	-	-	(6,462)	6	(6,456)
Other comprehensive income		-	25	(65,543)	25,505	220	-	3,328	(0)	(36,466)	(5)	(36,470)
Total comprehensive income for the period		*-*	*(6,438)*	*(65,543)*	*25,505*	*220*	*-*	*3,328*	*(0)*	*(42,928)*	*1*	*(42,926)*
Dividends paid during the period		-	-	-	-	-	-	-	-	-	-	-
Change in scope of consolidation		-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves		163,038	(163,038)	-	-	-	-	-	-	-	-	-
Others		-	(77)	-	-	-	-	-	-	(77)	-	(77)
At 31 march 2018	***III.F***	**604,166**	**830,023**	**1,981,208 ***	**(1,383,899)**	**17,023**	**-**	**(74,227)**	**45,317**	**2,019,610**	**818**	**2,020,428**

** Reserve of assets available for sale of EUR 1.981.208 in march 2018 are present net of deferred taxes (Gross EUR 2.566.100) (see note III.E.2)*

*** Reserve of assets available for sale of EUR 2.046.751 in 2017 are present net of deferred taxes (Gross EUR 2.644.728) (see note III.E.2)*

II.E Consolidated cash flow statement

In thousands €	*Notes*	Mar-18	Mar-17
I. Opening balance	***III.E***	**261,337**	**295,315**
II. Net cash flows from operating activities		**22,354**	**59,198**
1. Cash flows from operating activities		**25,259**	**59,756**
		-	-
1.1. Operating income net of non cash operating income		***86,703***	***126,903***
1.1.1. Net income		(6,456)	14,395
1.1.2. Financial result in the investing activities		(98,954)	(51,981)
1.1.3. Income taxes		(3,153)	(1,280)
1.1.4. Value adjustments on investments without impact on cash flows		799	(37,763)
1.1.5. Technical provisions for insurance and other adjustments		181,744	188,005
1.1.6. Part of reinsurance in technical provisions		(4,648)	(676)
1.1.7. Result from associates		(579)	(1,054)
1.1.8. Other income		17,950	17,256
1.2. Changes in operating assets and liabilities		***(61,445)***	***(67,146)***
1.2.1. Change in receivables		(23,965)	(46,182)
1.2.2. Change in receivables from reinsurance operations		1,071	4,858
1.2.3. Change in other investments		14,452	(7,470)
1.2.4. Change in insurance liabilities		(36,003)	(48,119)
1.2.5. Change in other operating liabilities		(15,512)	25,377
1.2.6. Other changes		(1,488)	4,390
2. Cash flows from current and deferred taxes		**(2,905)**	**(558)**
2.1. Current income tax		***(2,905)***	***(558)***
III. Net cash flows from investment activities		**283,633**	**75,312**
1. Acquisitions		**(591,582)**	**(440,522)**
1.1. Acquisition of shares and funds		(141,301)	(57,593)
1.2. Acquisition of bonds		(442,172)	(373,413)
1.3. Acquisition of subsidiaries, associates or joint ventures		-	(50)
1.4. Acquisition/issue of loans, other assets and capital assets		(8,109)	(9,466)
2. Sales		**655,590**	**335,636**
2.1. Income from sale of shares and funds		89,762	60,353
2.2. Income from sale of bonds		565,772	274,257
2.3. Income from sale of subsidiaries, associates or joint ventures		56	1,027
2.4. Income from sale of other assets (financial and capital assets)		()	-
3. Interest, dividends and net result on investments (paid)		**219,299**	**179,345**
4. Other cash flows from investment activities		**326**	**853**
IV. Net cash flows from financing activities		**(23,320)**	**(75,761)**
1. Cash flows from financing activities		**(28,895)**	**(80,844)**
1.1. Income/(reimbursement) related to finance lease contracts		(416)	(560)
1.2. Income/ (reimbursement) related to the issue of other financial liabilities		(224)	-
1.3. Income/ (reimbursement) related to REPO transactions		(431)	-
1.4. Income/ (reimbursement) related to other financial assets		(27,824)	(80,285)
2. Interest		**5,576**	**5,083**
2.1. Paid interest related to financing activities		(6,422)	(6,117)
2.2. Received interest related to financing activities		11,997	11,200
3. Dividends paid		**-**	**-**
V. Increase of paid-up capital		**-**	**-**
VI. Net change in cash and cash equivalents	***III.E***	**282,668**	**58,749**
VII. Closing balance	***III.E***	**544,005**	**354,064**

The table above presents the changes in cash flows during the first quarter of 2018 compared to the first quarter of 2017.

The cash flow balance has increased sharply compared to the last year, by an amount of EUR 235.5 million. This is due to interest received on financial securities and reimbursement of bonds, which mature at the end of the period. P&V Group decided not to reinvest this amount during the first quarter of 2018 in order to reinvest in the short bond forwards, which will mature during the 2nd and 3th quarter of 2018 and for which the average return rate is around 4%. This investment in short bond forwards is planned for a nominal amount of EUR 325.0 million.

- The net cash flows from operating activities have decreased compared to last year from EUR +59.2 million to EUR +22.1 million. This is due to the decrease in technical income;
- The net cash flows from investments have significantly increased from EUR 75.3 million at the end of the first quarter of 2017 to EUR 283.6 million at the end of the first quarter of 2018. The is due to the following elements:

  P&V Group has greatly invested in funds for an amount of EUR 120.4 in the first quarter of 2018, compared to EUR 28.7 million in the first quarter of 2017;

  Income from the sale of bonds has significantly increased following the decision to reduce the size of the USD bond portfolio during the second quarter of 2017, and after the remaining USD bonds have been sold during the first quarter of 2018 for a nominal value of EUR 240.0 million;

  The increase of interest, dividends and realised gains and losses on investments, during the first quarter of 2017, is explained by realised loss on currency hedge forwards, with short maturities, which are related to the portfolio of USD bonds having, by nature, longer maturities. The currency effect on the USD bond portfolio had a positive impact on the income statement, without impacting the cash flows. Following the decision to decrease the volume of the portfolio in 2017, the result is not affected in the same way during 2018, which explains the increase between the two periods.

- The net cash flows from financing activities have increased from EUR -75.8 million at the end of the first quarter of 2017 to EUR -23.3 million at the end of the first quarter of 2018. This is due to the other financial assets and especially the mortgage loans which were more important during the first quarter of 2017 compared to the same quarter in 2018.

The Group’s treasury is higher in the first quarter of 2018, compared to the first quarter of 2017, which is explained above.

In thousands €	Notes	2017	Cash-flow	Non-cash change			Q1 - 2018
				Reclassification	Accrued interest	Fair value	
Financing through REPO operations		(127,979)	431				(127,547)
Other financial liabilities		(38,475)	224	(1,711)	(431)	1,297	(39,097)
Financial liabilities	***II.A***	**(166,454)**	**655**	**(1,711)**	**(431)**	**1,297**	**(166,644)**
Subordinated debt	*II.A*	(260,034)	-	(5,465)	-		(265,499)
Liabilities araising from the financing activity		**(426,488)**	**655**	**(7,176)**	**(431)**	**1,297**	**(432,143)**

The table above discloses the evolution of liabilities arising from financing activities between the fourth quarter of 2017 and the first quarter of 2018

There was a slight increase of liabilities arising from financing activities. This is explained by the following:

- Financing through REPO operations remained stable over the two periods. This was also the case for other financial liabilities, which mainly consist of IRS, and include also accrued interest not yet due and forward swaps;
- The increase in subordinated debt is mainly due to the interest maturing at the end of the year, for the majority of contracts.

III Notes to the financial statements

III.A Basis and scope of consolidation

III.A.1 Subsidiaries

The consolidated financial statements include the accounts of P&V Assurances and its subsidiaries over which it has control on 31 March 2018.

The consolidated financial statements include the financial statements of P&V Assurance and the statements of below listed subsidiaries:

Name	Activity	Registered office	VAT N° or National N°	Shares owned (%)	Third party interests (%)	Shares owned (%)	Third party interests (%)
SCRL Barsis	Holding	Koningsstraat, 151 1210 BRUSSEL	454,197,055	**100.0**	**0.0**	**100.0**	**0.0**
SCRL Coverdis Insure	Insurance	Rue Royale, 192 1000 BRUXELLES	476,294,150	**100.0**	**0.0**	**100.0**	**0.0**
SA Euresa Life	Insurance	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	-	**100.0**	**0.0**	**100.0**	**0.0**
SA Financière Botanique	Holding	Rue Royale, 151 1210 BRUXELLES	415,679,048	**100.0**	**0.0**	**100.0**	**0.0**
SA Hotel Spa Resort	Real Estate	Rue Royale, 151 1210 BRUXELLES	451,873,510	**100.0**	**0.0**	**100.0**	**0.0**
SA Piette & Partners	Insurance	Casinoplein, 6 8500 KORTRIJK	448,811,575	**100.0**	**0.0**	**100.0**	**0.0**
SCRL P&V Prevdis	Other	Rue Thomas Edison, 5A 1445 STRASSEN LUXEMBOURG (L)	402,236,630	**97.9**	**2.1**	**97.9**	**2.1**
SA Vilvo Invest	Real Estate	Rue Royale, 151 - 153 1210 BRUXELLES	463,288,628	**100.0**	**0.0**	**100.0**	**0.0**

During the first quarter of 2018, P&V Assurances did not proceed with any modification within the Group.

III.A.2 Associates and joint ventures

The participation of P&V Group in its associates or joint ventures will be accounted for using the equity method.

				Q1 - 2018		**2017**	
Name	Activity	Registered office	VAT N° or National N°	Group share (%)	Third party interests (%)	Group share (%)	Third party interests (%)
SA Ima Benelux	Other	Square des Conduites d'Eau, Bat.11/12 4020 LIEGE	474,851,226	**50.0**	**0.0**	**50.0**	**0.0**
SCRL Multipar (2)	Other	Marie Curie Square, 30 1070 BRUXELLES	401,985,519	**48.9**	**0.2**	**49.5**	**0.2**
SCRL Multipharma Group	Other	Marie Curie Square, 30 1070 BRUXELLES	401,995,516	**48.3**	**0.3**	**49.8**	**0.3**

The table below discloses for each significant joint venture or associate of P&V Group, their relevant financial information. The structure and the financial size of the different joint ventures and associates did not significantly change between the end of 2017 and March 2018.

	Ima Benelux SA		SCRL Multipar		Others	
Financial information in IFRS (in thousands €)	**Q1 - 2018**	**Q4 - 2017**	**Q1 - 2018**	**Q4 - 2017**	**Q1 - 2018**	**Q4 - 2017**
% held by the group	**50.00%**	**50.00%**	**48.88%**	**49.50%**	**48.32%**	**49.79%**
Value from equity method (*)	1,480	1,433	26,037	25,456	(201)	(151)
Received dividends	-	-	-	132	-	-
Overview balance sheet	**Q1 - 2018**	**Q4 - 2017**	**Q1 - 2018**	**Q4 - 2017**	**Q1 - 2018**	**Q4 - 2017**
Financial instruments	-	-	2,893	3,586	3,592	3,592
Cash and cash equivalent	2,365	2,785	29,839	26,112	418	532
Other assets	2,548	1,730	178,769	171,431	59	59
Non-current liabilities	-	-	84,690	81,358	-	-
Financial liabilities	-	-	72,332	68,475	-	-
Account payables, other payables and provisions	-	-	12,357	12,882	-	-
Current liabilities	1,952	1,649	73,796	68,581	895	898
Financial liabilities	-	-	3,938	5,052	-	-
Account payables, other payables and provisions	1,904	1,618	69,858	63,529	895	898
Other liabilities	48	31	-	-	-	-
Equity	**2,961**	**2,866**	**53,015**	**51,190**	**3,173**	**3,285**
Overview comprehensive income	**Q1 - 2018**	**Q1 - 2017**	**Q1 - 2018**	**Q1 - 2017**	**Q1 - 2018**	**Q1 - 2017**
Other income	2,055	1,933	121,147	116,797	-	
Value adjustments of financial investments	-	-	-	-	-	-
Other expenses	(1,898)	(1,703)	(118,027)	(113,646)	(112)	(103)
Income before taxe	**157**	**231**	**3,120**	**3,151**	**(112)**	**(103)**
Taxes on income	(62)	(88)	(1,170)	(1,335)	-	()
Net income	**95**	**143**	**1,950**	**1,817**	**(112)**	**(103)**
Other comprehensive income	-	-	(3,964)	(3,964)	-	-
Total comprehensive income	**95**	**143**	**(2,014)**	**(2,148)**	**(112)**	**(103)**

(*) As per March 2018, the investment in associates amounts to EUR 27,316. This amount corresponds to the amount recognised using the equity method and is detailed in the table below.

The balance sheet positions of companies that are accounted for using the equity method remain stable compared to December 2017. The income from the first quarter of 2018 remain stable compared to the same period in 2017.

III.A.3 The ultimate parent

P&V Group is mainly held by Holding S.C.R.L. PSH ("PSH") for a portion of 91.69%. PSH has its registered office in Belgium, enterprise number 0452 994 750.

III.B Intangible assets

Intangible assets have only changed during the first quarter due to the implementation of transformations projects (not yet depreciated), including NLBT projects (Non-Life Business Transformation) for an amount of EUR 4.1 million, and LBT projects (Life Business Transformation) for an amount of EUR 1.2 million, and also due to depreciation of past transformation projects in production for an amount of EUR 0.7 million. There are no indicators related to these projects that would lead to a different valuation from the one applied at the end of 2017.

III.C Tangible assets

In thousands €	Q1 - 2018		
	Buildings	Others	Total
Net carrying amount on 1 January 2017	**80,436**	**6,305**	**86,741**
Gross carrying amount			
Opening balance	**150,856**	**29,391**	**180,246**
Investments	1,010	1,168	**2,179**
Sales to third parties	-	-	**-**
Effect of consolidation	-	-	**-**
Transfer to other assets	8	(354)	**(346)**
Closing balance	**151,875**	**30,205**	**182,079**
Depreciation and cumulated impairment losses			
Opening balance	**(70,420)**	**(23,086)**	**(93,506)**
Impairment losses	(1,269)	(497)	**(1,766)**
Reversal of impairment losses	-	-	**-**
Effect of consolidation	-	-	**-**
Transfer to other assets	(8)	46	**37**
Closing balance	**(71,698)**	**(23,537)**	**(95,235)**
Net carrying amount at closing 31 December 2017	**80,177**	**6,668**	**86,845**

In thousands €	2017		
	Buildings	Others	Total
Net carrying amount on 1 January 2016	**83,308**	**5,435**	**88,742**
Gross carrying amount			
Opening balance	**149,603**	**27,965**	**177,568**
Investments	2,711	2,654	**5,365**
Sales to third parties	-	(76)	**(76)**
Transfer to other assets	(1,458)	(1,153)	**(2,611)**
Closing balance	**150,856**	**29,391**	**180,246**
Depreciation and cumulated impairment losses			
Opening balance	**(66,296)**	**(22,530)**	**(88,826)**
Impairment losses	(4,181)	(1,828)	**(6,009)**
Reversal of impairment losses	-	16	**16**
Transfer to other assets	57	1,256	**1,313**
Closing balance	**(70,420)**	**(23,086)**	**(93,506)**
Net carrying amount at closing 31 December 2016	**80,436**	**6,305**	**86,741**

As per 31st of March 2018, the net book value of the buildings in use amounts to EUR 80.2 million compared to EUR 80.4 million as per 31 December 2017, corresponding to a slight decrease of EUR 0.2 million. This change is explained by transformations made within the WOW project (New Way of Working), which is offset by the depreciation during the period.

The fair value, defined by IFRS 13 and IAS 16, corresponds to the price received or paid for an asset in a transaction between informed market participants. The fair value must integrate the existing lease contracts, the expected cash flows as well as the reasonable assumptions made regarding the potential lease revenues and associated costs.

The tangible assets of P&V Group will be revalued at least once every five years.

The buildings in use are subject to revaluation if the expert valuation is lower than the book value in the IFRS balance sheet.

There were no changes in expert valuations between the two periods.

III.D Investment property

In thousands €	Q1 - 2018	2017
Opening balance	**164,844**	**167,666**
Investments	446	13,617
Revaluation at fair value (loss)	(10)	(4,059)
Transfer to other assets	308	(5,670)
Sales to third parties	(2,787)	(6,710)
Closing balance	**162,801**	**164,844**

Investment property amounts to EUR 162.8 million on 31 March 2018 compared to EUR 164.8 million on 31 December 2017. There has been a decrease of EUR 2.0 million.

This decrease is mainly due to:

- Acquisitions during the period for EUR 0.4 million;
- The sale of buildings in Ghent for EUR -2.8 million.

Revaluation at fair value

Since 2016, investment property is subject to an external revaluation every 5 years, compared to every 3 years in the past. Investment property, measured at fair value, is systematically revalued (upwards or downwards) depending on the expert valuation.

Between the planned valuations, that take place every five years, a potential change in value of these buildings is monitored through parameters such as the occupancy rate, price per square meter, or others, allowing therefore the P&V Group to adjust the value by requesting an immediate revaluation when major changes occur.

The disclosed value of investment property, at the closing date, does not necessarily correspond to the fair value as defined in the IFRS standards for all buildings.

At the end of 2018, the fair value of all buildings will be remeasured, without taking into account the size of the difference.

At this point, it is impossible to determine the potential difference between the disclosed values and the values from remeasurement at the closing date.

In accordance with IFRS 13 and IAS 40, the capitalisation of the rental value is used as valuation method. According to this method, the market value is based on the annual rental value of the rentable area. This rental value is measured using a discount rate. The return is based on the market growth, the condition of the property as well as the following elements:

- Market reports: supply and demand for similar properties, the evolution of the rates of return, the inflation forecast, the interest rates and their forecast, etc.
- Location: the neighbourhood of the property, access to the public transport, parking possibilities, etc.
- The property: rental and occupancy charges, construction type and finishing, the state of repair, etc.

As the inputs used for these assets, disclosed below, are non-observable data, they will be classified as level 3 in the fair value hierarchy.

The non-observable data can be summarised as follows:

- The estimated rental value (ERV)
- The discount rate
- The residual useful life of lease contracts
- The hypothesis used regarding the vacancies (vacancies based on the actual lease contract and long-term vacancies)
- The size of the property

The model used is particularly sensitive to the estimated rental value and the discount rate used.

There is a link between the vacancy hypothesis and the estimated rental value. The vacancy rate influences the estimated rental value as a high vacancy risk (due to market conditions, the condition of the building…) results in lower rental value.

III.E Financial instruments

P&V Group decided to apply the temporary exemption of the IFRS 9 standard.

In order to do this, P&V Group has to prove that 90% of its liabilities relate to insurance activities.

Correspondingly, 95% of liabilities held by P&V Group relate to insurance activities at the end of the first quarter of 2018. Same percentages are observed at the end of 2016 and 2017 as disclosed in the table below:

In thousands €	*Notes*	Q1-2018	2017	2016
Subordinated debt		265,499	260,034	260,017
Liabilities related to insurance contracts		13,275,793	13,161,749	13,032,205
Financial liabilities - investment contracts with participation features		2,106,548	2,065,182	1,973,164
Financial liabilities - investment contracts without participation features		674,515	687,310	308,941
Insurance liabilities		345,536	381,539	372,806
Liabilities related to non current assets held for sale		-	-	390,388
Items considered as liabilities link to the insurance business		**16,667,891**	**16,555,813**	**16,337,521**
% of liabilities link to the insurance business		**95%**	**95%**	**95%**

According to the results of the test, P&V Group fulfils the criteria to be temporary exempt from the IFRS 9 standard.

Financial liabilities are mainly composed of derivatives with negative value and REPO liabilities.

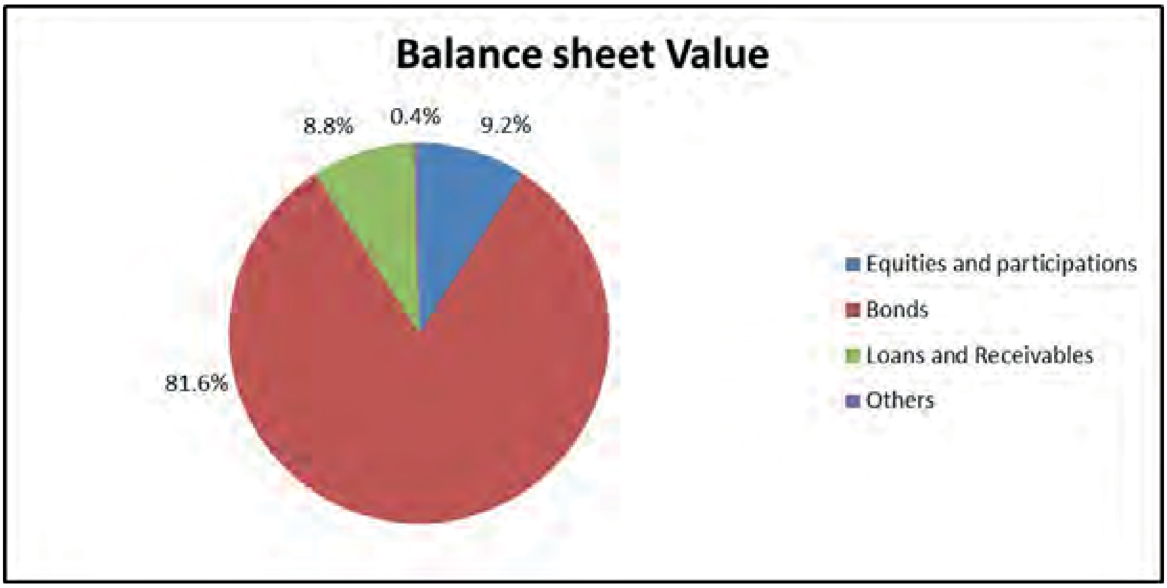
With regards to IAS 39, subsequent measurement of financial instruments depends on their classification.

Financial instruments (assets and liabilities) are subdivided into the following categories:

In thousands €	31 march 2018	31 december 2017
Available for sale	15,491,423	15,789,592
Fair value though income statement	-	-
Held until maturity	274,986	275,737
Loans & receivables	1,531,792	1,503,264
Derivatives	240,599	233,639
Total financial instruments in asset balance sheet	**17,538,799**	**17,802,231**
Short term debts (repo's)	127,547	127,979
Other financial debts	9	1,030
Derivatives	39,088	37,445
Total financial debts	**166,644**	**166,454**
Total financial instruments (assets and liabilities)	**17,372,155**	**17,635,777**

The derivatives are recognised at fair value through profit and loss except for the hedging derivatives which are recognised at fair value through other comprehensive income via a cash flow hedge reserve, a distinctive component of the other comprehensive income.

The breakdown of financial assets is disclosed in the pie chart below:



In the first quarter of 2018, the net amount of financial instruments (assets and liabilities) amounts to EUR 17.4 billion. This constitutes a decrease of EUR 263.6 million during the first quarter of 2018, representing 88.9% of the total assets, compared to 90.4% at the end of 2017.

The financial assets available for sale have decreased from EUR 15.8 billion in 2017 to EUR 15.5 billion as per 31 March 2018. Loans and receivables have increased from EUR 1,503.3 million to EUR 1,531.8 million, which is EUR 28.5 million higher than in 2017. The net amount of derivatives adds up to EUR 201.5 million in the first quarter of 2018 compared to EUR 196.2 million in 2017, representing an increase of EUR 5.3 million.

Assets held-to-maturity remained stable during the period. These assets mainly relate to investment products linked to Dutch mortgage loans.

The increase in loans and receivables is due to the increase in portfolio of mortgage loans on the Belgian market.

The increase in derivatives is mainly explained by an increase in value of the existing derivative instruments in P&V Group's portfolio. (See note III.E.4).

The exposure of financial instruments of P&V Group in different currencies is disclosed in the following table:

In thousand €	31 March 2018	31 December 2017
EUR	17,320,883	17,372,574
USD	47,824	259,666
CHF	2,161	2,171
CAD	1,262	1,333
Other	25	33
Total currency exposure of financial instruments (excluding currency hedges)	**17,372,155**	**17,635,777**

The exposure to US dollar has considerably decreased during the first quarter of 2018, following the sale of American corporate bonds. The Group's objective for 2018 is to dispose of all the American corporate bonds. Nevertheless, this exposure to US dollar has been hedged during the accounting period.

As per 31 March 2018, P&V Group does not hold USD bonds anymore. However, the Group is still exposed to this currency because it holds USD shares and SICAV funds.

A total share of 99.7% of financial instruments' exposure (assets-liabilities) of P&V Group is in euro.

Transfers between levels

Below table discloses the movements that occurred in 2018 between level 2 and level 3.

In thousand €	Q1 - 2018	
	Level 2	Level 3
Opening balance	**689,527**	**768,426**
Transfer from level 2 to level 1	(3,246)	-
Acquisitions	122,476	17,512
Sales	(922)	(31,226)
Reimbursements	(93,029)	(15,070)
Fair value variation	3,940	6,030
Closing balance	**718,746**	**745,672**

In thousand €	2017	
	Level 2	Level 3
Opening balance	**549,638**	**618,194**
Transfer from level 2 to level 1	(12,239)	-
Acquisitions	210,691	168,542
Sales	(4,445)	(33,308)
Reimbursements	(74,679)	-
Fair value variation	20,563	14,999
Closing balance	**689,527**	**768,426**

The increase of the amount in level 2 can be explained by the acquisition of assets that fall in this category. Furthermore, valuation of assets of this category has increased by an amount of EUR 3.9 million during the period.

The decrease of the amount in level 3 is explained by the sale and redemption of several assets (investment funds).

III.E.1 Hierarchy of fair values

The breakdown of the fair value levels of the net financial instruments (assets - liabilities)[2], as defined by IFRS 13, for P&V Group is the following:

[2] For the loans and receivables of 2018, see note III.E.3.

In thousands €	31 March 2018				
	At cost	Level 1	Level 2	Level 3	Total
Available for sale	-	14,228,517	517,235	745,672	15,491,423
Fair value through income	-	-	-	-	-
Held until maturity	274,986	-	-	-	274,986
Loans and receibables	1,531,792	-	-	-	1,531,792
Short term debts	(127,547)	-	-	-	(127,547)
Other financial liabilities	(9)	-	-	-	(9)
Derivatives	-	-	201,511	-	201,511
Total	**1,679,221**	**14,228,517**	**718,746**	**745,672**	**17,372,155**

In thousands €	31 december 2017				
	At cost	Level 1	Level 2	Level 3	Total
Available for sale	-	14,527,832	493,333	768,426	15,789,592
Fair value through income	-	-	-	-	-
Held until maturity	275,737	-	-	-	275,737
Loans and receibables	1,503,264	-	-	-	1,503,264
Short term debts	(127,979)	-	-	-	(127,979)
Other financial liabilities	(1,030)	-	-	-	(1,030)
Derivatives	-	-	196,193	-	196,193
Total	**1,649,992**	**14,527,832**	**689,527**	**768,426**	**17,635,777**

The table provides us with a detailed overview of the valuation techniques used for each type of financial instruments as well as the input used to assess the fair value.

Classification	Financial Instruments	Valuation methods	Level of fair value	Valuation models	Data used	Fair value 31 march 2018	Fair value 31 december 2017
Available for sale	**Equities (excl funds)**					**761,488**	**777,709**
	Listed Equities	Fair value	1	Market valuation	Quoted market price ("bid" price)	745,855	762,584
	Unlisted equities	Fair value	3	Techniques based on balance sheet data: revalued net assets, own funds, amount of paid-up capital	Annual accounts	15,632	15,124
	Warrants - strips	Fair value	3	Market valuation	Quoted market price ("bid" price)	1	1
	Investment funds*					**717,542**	**686,277**
	Funds (Regular Net Asset Value)	Fair value	1	Asset value calculated by the fund	Asset value	251,585	218,160
	Funds (Irregular Net Asset Value)	Fair value	3	Asset value calculated by the fund	Asset value	461,250	463,202
	Funds (without NAV)	Fair value	3	Present value of future cash flows	Estimated cash flows, discount rate of comparable risky assets	3,049	2,828
	Private equity	Fair value	3	Asset Value calculated by the fund	Asset value	1,658	2,088
	Participations	Fair value	3	Several techniques used: Equity (less a possible haircut of illiquidity), discounted expected dividends, acquisition value, recent transaction	Annual accounts, haircut of illiquidity	**116,950**	**117,006**
	Bonds (excl funds)					**13,895,443**	**14,208,600**
	Listed bonds (active markets)	Fair value	1	Market valuation	Quoted market price ("bid" price)	13,231,077	13,547,088
	Listed bonds (non active markets)	Fair value	2	Market valuation	Quoted market price ("bid" price)	517,235	493,333
	Unlisted bonds	Fair value	3	Present value of future cash flows or price provided by external valuator	Estimated cash flows, discount rate of comparable risk assets	147,131	168,179
Fair value through income statements		Fair value	1	Quoted market price ("bid price)	Quoted market price ("bid" price)	-	-
Held until maturity	**Bonds**						
	Unlisted bonds	At cost	NA	Amortized cost		**274,986**	**275,737**
Loans and receibables		At cost	NA	Amortized cost		**1,531,792**	**1,503,264**
Short term debts (repo's)		At cost	NA	Amortized cost		**(127,547)**	**(127,979)**
Other financial debts		At cost	NA	Amortized cost		**(9)**	**(1,030)**
Derivatives	**Swaps (IRS)**	Fair value	2	External valuation model	Market data	**16,798**	**16,504**
	Forward Swaps	Fair value	2	External valuation model	Market data	**(2,783)**	**(2,738)**
	Swaptions	Fair value	2	External valuation model	Market data	**4,159**	**4,615**
	Options	Fair value	2	External valuation model	Market data	**(921)**	**(6)**
	Forward Bonds	Fair value	2	External valuation model	Market data	**184,259**	**174,506**
	Currency Forwards	Fair value	2	External valuation model	Market data	**-**	**3,312**
	Currency Swaps	Fair value	2	External valuation model	Market data	**-**	**-**
TOTAL						**17,372,155**	**17,635,777**

* FLEMALLE GRANDE (CIM) VP and LAK VMM GENT securities are counted in investments funds (EUR 2.83 million).

For level 3 in particular, valuation techniques are disclosed in detail below, including data and parameters used for fair value measurement.

- **Unlisted stocks** (EUR 15.63 million)

  The most important positions in this category are valued using the following methods:

  - For the vast majority of assets, the adjusted net asset valuation technique is used (EUR 14.64 million).
    The asset side is mainly composed of listed stocks. Consequently, the asset side is valued using the quoted price of these stocks.
    The liability side consists of a debt towards P&V that is valued using the valuation techniques disclosed below (see part on unlisted bonds).
  - A second important part (EUR 0.98 million) is valued using the equity of the company.

- **Unlisted funds** (EUR 464.0 million)

  The valuation techniques used are the following:

  - For the majority of funds P&V Group uses the NAV (Net Asset Value) received by asset managers. This can be calculated monthly, quarterly or annually.
  - The “discounted cash flow” technique. In this case, the cash flows are discounted using a discount rate from similar assets.

The underlying assets of these funds are mainly European assets (76%). The remaining are invested in OECD countries.

The underlying assets are composed of shares, representing 56%, and debt instruments, 43%. The remaining percentage are real estate investments.

The underlying “shares” consist of investments in property shares covering 40%, infrastructure 52% and infrastructure shares 52%.

The debt instruments are composed of property debt, representing 59%, and of corporate bonds, 41%.

- **Private equity funds** (EUR 1.07 million)

  These assets are valued using the prices obtained from asset managers.

- **Unlisted bonds** (EUR 147.13 million)

  - **Structured Notes funds** (EUR 101.12 million)

    These funds are valued using the NAV obtained from asset managers.

  - **Bonds** (EUR 46.01 million)

  Unlisted bonds are valued using the discounted cash flows model. The most important element in this valuation model is the discount rate.

  This rate is determined as follows:

- **At purchase date of the bond**

  First, the bond spread is determined using the swap curve. The spread is defined as the difference between the yield to maturity of the bond and the swap curve;

  An illiquidity premium is estimated by a “judgement expert” among the asset managers. The bond spread is then adjusted by this illiquidity premium;

  A market credit spread is also calculated. This spread represents the average spread of bonds having a BBB rating and the swap curve;

  Subsequently, a spread factor representing the relation between the issuance spread and the market spread is determined.

- **At valuation date**

  The market spread is, again, determined at valuation date;

  The bond yield is then determined as the product of the spread factor and the market spread (adjusted by the illiquidity premium).

  This yield is ultimately used for bond valuation.

- **Equity shares** (EUR 117 million)

The majority of equity shares are valued on the basis of the adjusted net asset or equity, taking into account an illiquidity discount of 25%, applied in certain cases.

The “Discounted Dividend Model” valuation technique, which is based on the expected dividends, is only used in one single case (EUR 65 million).

Level 1

The financial instruments of level 1 are those which are traded on an active market, meaning they are traded at a sufficient frequency and volume in such a way that the market provides us with continuous price information on the assets or liabilities.

Assets and liabilities that fall into this category are:

- **Listed stocks** held by P&V Group that are traded in major European stock exchanges. These stocks are valued at their stock price (“bid” price);
- **Investment funds** publishing a Net Asset Value (NAV) on a periodic basis and on which transactions are based. Valuation is based on the NAV published;
- **Bonds** for which a sufficient number of market providers publish quotations with a relatively small bid/ask spread, on a regular basis. These bonds are valued by using the bid prices published by market providers, which are selected by P&V Group.

Level 2

The financial instruments of level 2 are those not traded on an active market, but for which it is possible to obtain observable data in the markets, which will be used for fair value measurement.

Assets and liabilities that fall into this category are:

- **Bonds listed on a non-active market**, for which there are not enough market providers and/or brokers, and the bid/ask spread is higher. Valuation is based on the bid price provided by the market provider selected by P&V Group;

- **Derivatives** which are valued by an external valuation service.

Level 3

The financial assets of level 3 are not quoted on an active market and the valuations are based on techniques using, at least substantially, non-observable data.

Assets and liabilities that fall into this category are:

- **Unlisted stocks** held by P&V Group, which are not traded on an active market. The valuation methods for these assets rely primarily on the balance sheet data; these various approaches could be based on the revaluation of net assets, the amount of equity or the paid-up capital;
- **Investments funds** for which no Net Asset Value (NAV) is published on a regular basis. For these funds, the period between publication of the NAV and reporting date may be long. This implies that the NAV cannot be considered observable on the reporting date. These investment funds are valued based on the NAV published by the investment funds;
- **Investment funds** for which no Net Asset Value (NAV) is published. In this case, internal valuation models will be used (discounted future cash flows);
- **Private equity funds** for which no Net Asset Value (NAV) is published on a regular basis. These assets are not considered as tradable on active markets. The valuation is based on the NAV published by the funds;
- **Unlisted bonds** which are not valued by any of the market providers. Some of these bonds are valued using internal models based on discounted future cash flows, using discount rates of comparable assets in terms of risk. Other bonds in this group are priced based on external valuations;
- **Non-consolidated equity shares** for which there is no observable market price. These assets are priced with internal valuation models based on balance sheet data. The following pricing techniques are applied: use of the company's own equity (less any haircut for liquidity risk), the discounting of the expected cash flows from dividends, the use of acquisition value or reference values of recent transactions.

	Description	Fair value (in MEUR)	Valuation technique(s)	Data used	Numerical data
Share and investment funds	Unlisted shares	14.64	Adjusted net asset	- Company equity - Assets : loss - Labilities (debt towards P&V) : loss on debt	58,856,844.42 -44,428,729.67 -210,810.18
		0.98	Equity	Equity Shareholders	21,902,123.00 4.46%
	Unlisted funds (with NAV)	461.25	Net Asset Value	n/a	n/a
	Unlisted funds (without NAV)	3.05	Discounted cash-flows	Cash-flow forecast Interpolated OLO rates Market return on Belgian property - 10 years	Provided by the issuer between 1% and 2% between 4% et 5%
	Private equity funds	1.66	Net Asset Value	n/a	n/a
Funds / Unlisted notes	Structured Notes funds	101.12	Net Asset Value	n/a	n/a
	Property certificates at fixed rate	3.92	Net Asset Value	n/a	n/a
	Bond issue	21.8	External valuation	n/a	n/a
		20.29	Discounted cash-flows	Bond yield to maturity Swap curves at issue and at the valuation date Illiquidity premium Curves for BBB issue, at issue and at the valuation date	between 2 and 6% between -0,5 and 3% between 0,25 and 3% between -0,25% and 5%

III.E.2 Assets available for sale and assets held-to-maturity

Of the financial assets available for sale held by P&V Group, 10.0% consist of shares, equity shares (participations) and SICAV funds and 89.7% consist of bonds[3,4]. In 2017, the percentages were respectively 10.0% and 90.0%.

[3] In the table, market value of bonds takes into account accrued interest not yet due for EUR 105.0 million.

[4] The government bonds also include supranational and regional bonds that benefit from an explicit guarantee from the Government.

In thousand €		Q1 - 2018				
		Market value	Purchase value	Net acquisition value	Impairment	OCI
Shares, participations & SICAV	Unlisted	595,487	515,417	479,048	(36,187)	116,439
Shares, partcipations & SICAV	Listed	997,440	952,449	739,682	(210,646)	257,758
Total shares		**1,592,928**	**1,467,866**	**1,218,731**	**(246,833)**	**374,197**
Bonds	Corporate	3,815,750	3,638,277	3,622,781	(15,059)	192,969
Bonds	Sovereign	10,082,745	8,080,031	8,083,811	-	1,998,934
Total bonds		**13,898,495**	**11,718,308**	**11,706,593**	**(15,059)**	**2,191,903**
Total		**15,491,423**	**13,186,174**	**12,925,323**	**(261,893)**	**2,566,100**

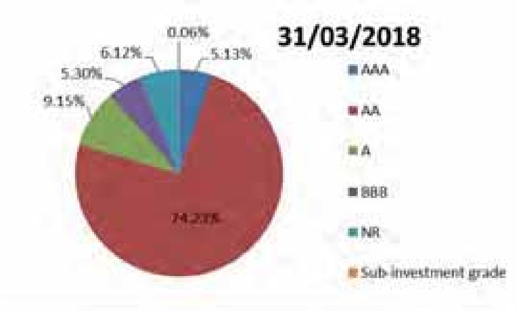
In thousand €		2017				
		Market value	Purchase value	Net acquisition value	Impairment	OCI
Shares, participations & SICAV	Unlisted	597,414	519,706	482,819	(35,775)	114,595
Shares, particpations & SICAV	Listed	980,745	901,500	689,208	(211,667)	291,537
Total shares		**1,578,158**	**1,421,206**	**1,172,027**	**(247,442)**	**406,131**
Bonds	Corporate	4,081,547	3,888,934	3,866,878	(15,057)	214,669
Bonds	Sovereign	10,129,887	7,978,364	8,105,927	-	2,023,960
Total bonds		**14,211,433**	**11,867,298**	**11,972,805**	**(15,057)**	**2,238,629**
Total		**15,789,592**	**13,288,503**	**13,144,831**	**(262,499)**	**2,644,760**

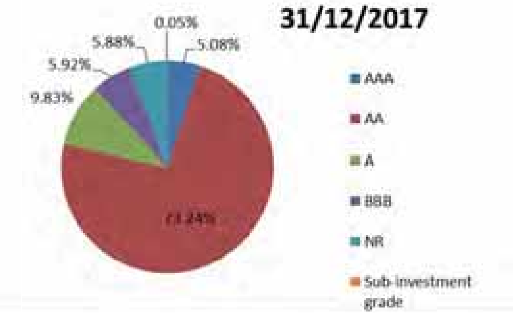
The net acquisition value corresponds to the amortized cost for bonds and to the difference between the acquisition value and recognized impairments for shares.

As per 31 March 2018, the impact of IFRS impairment on the net income statement of P&V Group amounts to EUR 3.4 million.

Bond portfolio

En milliers €	Q1 - 2018		2017	
AAA	713,503	5.13%	721,809	5.08%
AA	10,317,332	74.23%	10,408,275	73.24%
A	1,272,040	9.15%	1,396,956	9.83%
BBB	736,752	5.30%	841,383	5.92%
Notation de crédit	**13,039,627**	**93.82%**	**13,368,423**	**94.07%**
Sub-investment grade	8,372	0.06%	7,564	0.05%
NR	850,496	6.12%	835,447	5.88%
Total	**13,898,495**	**100.00%**	**14,211,433**	**100.00%**





The following tables disclose the maturities and type of instruments that are included in the bond portfolio of the group:

In thousand €	31 March 2018					
	1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Fixed rate instruments	3,119	44,876	79,190	2,579,678	10,745,185	13,452,048
Floating rate instruments	-	5,669	-	74,237	28,951	108,857
No interest bearing instruments	38,444	93,624	42,065	4,294	159,161	337,590
TOTAL	**41,564**	**144,169**	**121,256**	**2,658,210**	**10,933,297**	**13,898,495**

In thousand €	31 December 2017					
	1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Fixed rate instruments	15,132	149,383	115,273	2,675,068	10,785,482	13,740,339
Floating rate instruments	-	-	7,371	92,909	29,247	129,527
No interest bearing instruments	49,993	43,036	83,868	4,299	160,371	341,568
TOTAL	**65,125**	**192,419**	**206,512**	**2,772,276**	**10,975,101**	**14,211,433**

As per 31 March 2018, financial instruments with maturities higher than 5 years amount to EUR 3.4 billion for instruments with a maturity between 5 and 10 years, to EUR 3.0 billion for instruments with a maturity between 10 and 15 years, to EUR 2.1 billion for instruments with a maturity between 15 and 20 years and EUR 2.4 billion for instruments with a maturity higher than 20 years.

III.E.3 Loans and receivables

In thousands €	Q1 - 2018		2017	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
Loans and receivables	1,066,063	1,175,035	1,032,429	1,142,748
Non current finance leases	103,356	133,902	102,940	133,383
Other loans	362,373	391,706	367,894	398,733
Total other loans and receivables	**1,531,792**	**1,700,642**	**1,503,264**	**1,674,864**

The change in loans and receivables is mainly due to an increase in portfolio of mortgage loans.

III.E.4 Derivative financial instruments

The ISDA/CSA contracts have been concluded between P&V Group and the majority of bank counterparties with which P&V Group concluded derivatives. These contracts secure over-the-counter derivative transactions, allowing the application of “netting” of positive and negative fair values in case of default of a counterparty. They also provide margin and deposit calls (collateralisation) for any remaining net exposure.

Derivative financial instruments

	Q1 - 2018			2017		
	Fair value			**Fair value**		
	Positif	Negatif	**Net**	Positif	Negatif	**Net**
Interest rate swaps	20,074	-7,354	**12,720**	52,426	-30,463	**21,963**
Currency swaps	0	0	**0**	5,057	-4,893	**164**
Swaption	4,159	0	**4,159**	2,821	0	**2,821**
Options on shares	678	-1,616	**-937**	0	0	**0**
IRS forwards	0	-26,033	**-26,033**	0	-35,491	**-35,491**
IRS forwards - hedging instruments*	23,250	0	**23,250**	0	-12,688	**-12,688**
Bond forward - purchase	184,275	0	**184,275**	127,932	0	**127,932**
Bond forward - sale	0	0	**0**	27,399	-635	**26,763**
Currency forward	0	0	**0**	0	0	**0**
Currency swap forward	0	0	**0**	0	-5,459	**-5,459**
Total fair value of derivatives	**232,436**	**-35,003**	**197,434**	**215,635**	**-89,629**	**126,006**
Interest rate swaps - accrued interest	8,162	-4,085	4,077	7,664	-4,739	2,925
Total derivatives	**240,599**	**-39,088**	**201,511**	**223,299**	**-94,368**	**128,931**

The table below shows the important movements in the derivative portfolio that have occurred during the first quarter of 2018 (at fair value):

	01-Jan-18								31-Mar-18	
	Nominal value	Fair value		Acquisitions	Sale	Maturity	(Re)valuation		Nominal value	Fair value
				(Nominal value)	(Nominal value)	(Nominal value)				
Interest rate swaps	**581,000**	**14,007**	**0**	0	0	0	-1,287	**0**	**581,000**	**12,720**
Currency swaps**	**0**	**0**	**0**	0	0	0	0	**0**	**0**	**0**
Swaption	**1,380,000**	**4,615**	**0**	0	0	-76,000	-456	**0**	**1,304,000**	**4,159**
Options on shares	**1,057**	**-6**	**0**	61,505	0	-20,564	-931	**0**	**41,997**	**-937**
IRS forwards	**200,000**	**-25,673**	**0**	0	0	0	-360	**0**	**200,000**	**-26,033**
IRS forwards - hedging instruments*	**700,000**	**22,935**	**0**	0	0	0	315	**0**	**700,000**	**23,250**
Bond forward - purchase	**370,000**	**174,506**	**0**	0	0	0	9,769	**0**	**370,000**	**184,275**
Bond forward - sale	**0**	**0**	**0**	0	0	0	0	**0**	**0**	**0**
Currency forward**	**259,500**	**3,312**	**0**	0	0	-259,500	-3,312	**0**	**0**	**0**
Currency swap forward**	**0**	**0**	**0**	0	0	0	0	**0**	**0**	**0**
	3,491,557	**193,696**		**61,505**	**0**	**-356,064**	**3,738**		**3,196,997**	**197,434**

** cash flow hedge*

*** Nominal value in USD*

The amounts disclosed in the “maturity” column relate to derivatives that matured during the first quarter of 2018. These are disclosed at nominal value.

III.F Cash and cash equivalents

The cash positions of P&V Group are disclosed in the table below:

In thousands €	Q1 - 2018	2017	2016
Cash	531,614	251,215	343,916
Short-term deposits	12,391	10,122	10,149
Total cash position	**544,005**	**261,337**	**354,064**
Net change in cash and cash equivalents	**282,668**	**(92,727)**	

The increase in cash position is explained by:

- An increase in cash positions of P&V Group by 280.4 million explained by interests due from the bond portfolio received at the end of March, and which are not reinvested by P&V Group, as well as the reimbursement of bonds for an amount of EUR 235.5 million;
- An increase in short term deposits of EUR 2.3 million.

III.G Equity

In thousands €	2017			Q1 - 2018
		Reclassification	Changes	
Issued capital and capital reserves	441,127	163,038	-	604,166
Other reserves and non-controlling interest	1,622,304	(163,038)	(43,003)	1,416,263
Total equity	**2,063,432**	**-**	**(43,003)**	**2,020,428**

III.G.1 Issued capital and capital reserves

The authorised share capital did not change during the period.

Other reserves related to share capital include reserves not available for distribution, legal reserves and untaxed reserves of P&V Assurance.

Subject to approval by the General Meeting of P & V Assurances, the assumptions used in the consolidation are identical to those used by the Board of Directors. Therefore, the decrease of these reserves is due to a transfer following the distribution of the 2017 results.

III.G.2 Management of the Group's capital

The Group's general strategy in terms of capital or equity management consists of finding the optimal capital structure that allows P&V Assurances to maintain its independence and its cooperative structure as well as meeting the following three objectives:

- Efficient support of the general strategy of P&V Assurances and the competitive
- differentiation by limiting the cost related to the structuring of capital
- Respect of regulatory ratios and risk appetite

In order to do this, actions undertaken by P&V Group comply with sector practices and are in line with specific characteristics that apply to cooperative companies.

The first pillar of Solvency II requires quantitative data for the calculation of technical provisions and the recognition of eligible equity.

Insurance companies have to calculate the Solvency Capital Requirement (SCR) using the standard formula or an internal model. P&V Group uses the standard formula as set out in the applicable regulation.

The Solvency Capital Requirement (SCR) is a capital measure that is required to guarantee the ability of the insurance company to fulfil its commitments during the 12 upcoming months, with a high probability (at least 99.5%). It corresponds to the capital required to support various risks to which the company is exposed, given the impact of mitigation measures regarding these risks.

The Minimum Capital Requirement (MCR) is the minimum capital level that is required for the company to face its obligations. If the capital falls below this level, a prudential intervention is triggered, which means the entity loses its accreditation. Therefore, companies are required to hold capital level that at least equal this Minimum Capital Requirement.

At the end of March 2018, the Group's coverage ratio amounts to 176%.

III.H Technical liabilities and insurance liabilities

Technical and insurance liabilities have increased by EUR 106.6 million mainly due to the insurance liabilities, which increased by EUR 114.4 million.

- The increase of provisions for Non-Life insurance unearned premiums by EUR 45.7 million, taking into account the maturities of insurance payments.
- The increase of contracts in branch 21 by EUR 85.5 million, which is compensated by shadow accounting for EUR 33.7 million, following the decrease of the AFS reserve on bonds

III.I Current income tax and deferred tax

In thousands €	Q1-2018		2017	
	Throught balance sheet	Throught profit and loss	Throught balance sheet	Throught profit and loss
Losses carried forward	10,055	7,324	2,762	(6,075)
Tax provisions	77,271	(296)	77,567	(23,464)
Provisions and other temporary differences	(7,678)	(33)	(7,645)	352
Impairment of assets	6	352	(346)	(45)
Insurance related items	368,617	(362)	378,165	27,389
Fair value adjustments on acquisition	(17,303)	(292)	(17,012)	6,642
Pension scheme deficit	24,355	(462)	25,926	(178)
Net unrealised gains on investment securities	(665,763)	(2,713)	(676,068)	9,369
Other	-	21	-	894
Net deferred tax (assets / liability)	**(210,440)**	**3,539**	**(216,650)**	**14,884**

The first major component is the deferred tax calculated on the difference between the book value and the fair value of financial instruments. This difference amounts to EUR 665.8 million and can be separated into gains and losses. For financial instruments that have to be booked at fair value under IAS 39, deferred tax has to be booked for the amount corresponding to the difference between book value (tax base) and fair value, excluding any adjustments on shares. There is no temporary difference related to adjustments on shares, since they are not subject to tax.

Another major component relates to tax losses, including taxable provisions, which amount to EUR 87.3 million, after applying the recoverability test. The increase in tax losses is mainly explained by the local GAAP loss, recognised during the period for the statutory entity of P&V Assurances. This increase also explains the impact of deferred tax on income statement, compared to 2017.

The technical provisions booked in local GAAP, which remain unrecognised within IFRS framework (equalisation and catastrophe, flashing light provisions...) constitute another source of deferred tax. This impact is partially offset by shadow accounting, according to IFRS 4. Consequently, the net impact amounts to EUR 368.6 million.

III.J Premiums

En milliers €	Q1 - 2018	Q1 - 2017
Gross premiums from insurance and investment contracts		
Life insurance	247,114	242,952
Non-life insurance	221,870	223,053
Change in provisions for unearned premiums	(45,721)	(45,827)
Total gross premiums	**423,263**	**420,179**
Premiums paid to insurance and investment contract reinsurers		
Life insurance	(692)	(728)
Non-life insurance	(10,344)	(9,781)
Change in provisions for unearned premiums	796	763
Total premiums paid to reinsurers	**(10,239)**	**(9,747)**
Total of received premiums net of reinsurance	**413,024**	**410,432**
Received fees and commissions		
Management fees (branch 23)	737	824
Reinsurance commissions	804	1,199
Total received fees and commissions	**1,540**	**2,023**
Net premiums	**414,565**	**412,455**

Premiums written in Non-Life insurance remain stable compared to the same quarter in 2017.

Premiums from group Life insurance increased with the periodical premiums, despite the decrease in guaranteed rates.

III.K Technical expenses

In thousands €	Q1 - 2018	Q1 - 2017
(a) Compensations and claims paid gross of reinsurance		
Life insurance contracts	174,053	160,853
Non-life insurance contracts	110,699	112,486
Total compensations and claims paid gross of reinsurance	**284,751**	**273,339**
(b) Part transferred to reinsurers		
Life insurance contracts	(110)	(248)
Non-life insurance contracts	(2,473)	(3,859)
Total claims transferred to reinsurers	**(2,583)**	**(4,107)**
Insurance expense - net	**282,168**	**269,232**
(c) Changes in provisions gross of reinsurance		
Changes in life insurance contracts	136,552	145,659
Changes in non-life insurance contracts	21,518	(8,012)
Changes in investment contracts without participation features	-	-
Total changes in provisions gross of reinsurance	**158,070**	**137,647**
(d) Changes in provisions transferred to reinsurers		
Changes in life insurance contracts	(151)	(119)
Changes in non-life insurance contracts	(3,203)	1,209
(d) Total changes in provisions transferred to reinsurers	**(3,353)**	**1,090**
Other technical expense - net	**154,716**	**138,737**
Total net of reinsurance claims and compensations	**436,885**	**407,968**

The impact of storms at the beginning of 2018 as well as two major claims in Auto insurance and one fire co-insurance claim caused a net increase in gross reinsurance provisions (Non Life), of EUR 29.5 million, while Non Life compensations have slightly decreased compared to 2017 (EUR -1.8 million). These amounts cannot be recovered from reinsurers, given the reinsurance structure adopted by the Group. There were no significant changes in the frequency of claims.

For Life insurance activities, the increase of claims/compensations paid (EUR +13.2 million) occurred within the normal course of activities. There were no exceptional factors.

This increase, as compared to 2017, is partially offset by the reduced movement in the level of debt (EUR 136.5 million in 2018 compared to EUR 145.6 million in 2017), which explains a relatively stable result compared to previous period.

III.L Related parties

III.L.1 List of related parties

The following table discloses a list of P&V Group's related parties. This list does not take into account the consolidated subsidiaries of P&V Group. The entities in the list are related to P&V Group because they are the parent company (UP), associates (ASS) or joint ventures (JV) of the same group, as well as the main executives of P&V (MC).

				Q1 - 2018	2017	2016
Name	Related party	Country	Main business transactions	% of equity shares		
SCRL PSH	UP	Belgium	Ultimate parent company	Ultimate parent	Ultimate parent	Ultimate parent
Multipar	ASS	Belgium	Promote, organise and complete production, purchase and sale of pharmaceutical products as well as establishing and operating all the shops linked to medical products.	48.88%	49.50%	49.50%
Multipharma Group	ASS	Belgium	All financial transactions in securities and real estate, which are related to pharmacies	48.32%	49.79%	49.79%
Ima Benelux	JV	Belgium	All travel assistance or coverage at home, and any analysis and advice directly or indirectly related to the above areas.	50.00%	50.00%	50.00%
Member of Executive Committee	MC		See list below	-	-	-

See below for the list of executive directors:

			Q1 - 2018	2017
Name	**Country of residence**	**Status**	**Changes in mandates**	
Hilde Vernaillen	Belgium	President of Executive Committee and Administrator		
Francis Colaris	Belgium	Member of Executive Committee and Administrator		
Martine Magnée	Belgium	Member of Executive Committee and Administrator		
Marc Beaujean	Belgium	Member of Executive Committee and Administrator		
Isabelle Coune	Belgium	Member of Executive Committee and Administrator		Resignation with effect as of 31/03/2017
Philippe De Longueville	Belgium	Member of Executive Committee and Administrator		
Johan Dekens	Belgium	Member of Executive Committee		Appointment with effect as of 01/07/2017
Eymard de Charry	Belgium	Member of Executive Committee	Appointment with effect as of 01/01/2018	

The Board of Directors did not face any operation or decision that required application of rules regarding conflicts of interest during the first quarter of 2018.

For the non-executive directors, please refer to the annual report of 2017.

III.L.2 Transactions with related parties

There are no receivables or liabilities linked to related parties.

III.L.3 Compensations to related parties: Executive committee

The table below discloses the amounts of all sorts of remunerations and other advantages allocated by P&V Group to the members of the Executive Committee.

In thousands €	Q1 - 2018	2017
Short-term employment benefits	525	1,968
Post-employment pension benefits	82	787
Total compensation of key management personnel	**607**	**2,756**

Short term benefits include the amounts of remunerations paid to members of the Executive Committee.

Post-employment benefits correspond to the cumulated amounts in provisions that are used for pension payments of the Executive Committee.

The attendance fees received by non-executive directors for their participation in Board meetings are disclosed in the table below:

In thousands €	Q1 2018	2017
Attendance fees	221	379

III.M Received income and seasonality of expenses

The Group is usually not subject to seasonal changes. However, these changes did not significantly impact the income received or expenses incurred. Therefore, the assumptions do not take these seasonal changes into account.

III.N Purchase/sale commitments and contingent liabilities for litigations

As per 9 March 2018, P&V Assurances received a binding offer for the sale of 100% of the Euresa Life shares. If this offer is accepted in line with the deposit conditions in the file submitted to the Luxemburgish insurance regulator (Commissariat aux Assurances), then the sale of shares could happen in 2018 without material impact on the results or the equity of the Group.

III.O Income and dividends

A dividend distribution of EUR 40,880 will be proposed at the General Meeting of 21 June 2018, as well as profit sharing for an amount of EUR 671,081 for staff members within the sectoral agreements and bonuses for an amount of EUR 1,000,000 to the P&V Foundation and the Assuraccess non-profit organisation, whose purpose is to favour access to insurance. The balance will be transferred to the unavailable reserves.

III.P Subsequent events

There were no significantly impacting elements after the closing of the 2017 period, as long as there was no requirement for a translation of consolidated annual accounts.

Furthermore, there was no significant transaction during the first quarter of 2018, which would impact the statements for this period.

III.Q Contingent assets and liabilities

The Board of Directors did not report any ongoing litigations during the first quarter of 2018.

III.R Main risks and uncertainties

The main risks to which P&V Group is exposed are the following:

- Market risk and more specifically risks arising from a low interest rate environment (especially for Life insurance portfolios with a guaranteed interest rate and long durations) as well as stock and spread risk;
- Insurance risks which includes premium risk, reserve risk, and catastrophe risk within Non-Life insurance;
- Non-financial risks which relate to necessary adjustments made in response to changes in its environment (regulatory, economic, socio-political, technical).

A set of strategic, tactical and operational risk policies defines the framework of rules regarding risk management. These rules cover the entire set of risks of P&V Group's taxonomy.

Risk mitigations are subject to regular follow-ups and revaluations.

III.R.1 Market risk

This risk relates to the level or volatility of market prices of financial instruments that impacts the value of the company's assets and liabilities. They reflect, in an appropriate manner, the structural mismatch between assets and liabilities. The main market risks for P&V Group are described below. The management of these risks and liquidity risk is framed by an investment policy and ALM, setting the targets and limits of strategic allocation of different asset classes. The strategic allocation is established in such way that it optimizes the risk/return relation in the long term under certain contractual, commercial and regulatory constraints, considering the risk appetite of P&V Group. This policy also includes a set of limits in order to manage credit and concentration risks.

- **Interest rate risk:** This risk relates to losses resulting from changes in interest rates and their impact on future cash flows. Changes in interest rates influence assets and liabilities in such a way that the impact of changes in interest rates on the economic value of the company will depend on the matching of assets and liabilities.
- **Stock risk:** This risk relates to capital losses due to a decrease of market prices of stock held in portfolio. It also relates to the absence of stock return due to non distribution of dividends which is not compensated by a sufficient increase in stock prices.
- **Spread risk:** This risk relates to the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads in relation to the risk-free interest rate curve.

III.R.2 Insurance risk

Management of these risk are framed by insurance and reinsurance policies. The insurance policy sets the framework and expectations regarding product design and the framework for insurance risk management. This policy acts as common thread to different insurance product policies which are leading tools for commercial, technical and operational activities and risk management.

III.R.3 Underwriting risk for Life insurance and health insurance "annuity"

In general, management of these risks is done following strict and clear instructions regarding the acceptance, risk selection and pricing policies. Moreover, price and contractual adjustments are carried out on a regular basis for group insurances (including work disability), taking into account the outcome of the profitability analysis. The main risks involved for P&V Group are the following:

- **Mortality risk:** This risk relates to an increase in compensations the company has to pay, resulting from policy holders passing away earlier than expected. This can occur specifically with contracts for temporary insurance and outstanding balances.
- **Disability risk:** This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of disability, sickness and mortality rates. In the insurance portfolio, this mainly relates to additional guarantees included in certain Life insurance contracts.
- **Expense risk:** This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of expenses incurred within the management of Life insurance contracts. This risk is significant compared to other Life insurance risks because of the high level of overhead costs related to this activity.
- **Surrender risk:** This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the level, the trend or volatility of the reduction, maturity and policy surrender rate.
- **Catastrophe risk**: This risk relates to losses or adverse changes in value of insurance contracts resulting of important uncertainty linked to extreme or irregular events that weigh in on hypotheses regarding pricing and provisioning. It mainly relates to an accumulation risk.

III.R.4 Underwriting risk for Non-Life and health insurance other than annuity

- **Premium and reserve risk:** This risk relates to losses or adverse changes in value of insurance contracts resulting from fluctuations affecting the moment of occurrence, the frequency and the severity of insured events (premium risk), as well as the moment of occurrence and the level of claims paid (reserve risk). The premium and reserve risk comes second by importance, in terms of quantification, after financial risks.

  Non-Life premium risk mainly relates to the inadequacy of the prices applied to different portfolios. Except from the catastrophe risk, which is included in a specific category (see below), the management of these risks is done following strict and clear instructions regarding the acceptance, risk selection and pricing policies. Controls are undertaken on a regular basis by specialized actuaries on the basis of statistical analysis tools in order to guarantee an adequate adjustment of the proposed conditions. The Non-Life reserve risk mainly relates to provisions that have been made after declaration of a claim. The “claim” department assesses the provisions as a fixed estimate and subsequently adjusts them based on an internal analysis. They do this case by case according to detailed procedures. At each stage of the case, the evaluations of payable amounts are reviewed taking into account additional information. Provisions for claims not yet declared (IBNR) are also established. The mentioned risk relates to a shortfall of provisions compared to the amount of compensations that will have to be paid ultimately. This risk is important for activity branches, for which the calculation of the total compensation can take longer (e.g. third party liability – bodily injury).

  Multiple statistical and actuarial methods are used in order to verify sufficiency of the provisions. An independent opinion on the provisions is also established by the actuarial function.
- **Catastrophe risk:** This risk relates to losses or adverse changes in value of insurance contracts resulting of important uncertainty linked to extreme or irregular events that weigh in on hypotheses regarding pricing and provisioning. The risk arises from the fact that several risks simultaneously appear after one single event occurs.

This risk mainly relates to natural events within Fire insurance and property damage Auto insurance, and non-natural in Fire insurance. The last case refers to “man’s made peril”. The impact of such risks is limited thanks to the implementation of a prudent reinsurance program, which is specifically adapted to the covered risks and is reviewed annually.

- **Non-financial risk:** Non-financial risk corresponds to operational as well as strategic and reputational risk. The management of these risks is outlined in a specific policy that specifies the objectives and strategy related to management of these risks.

  As part of its internal valuation of risks and solvency, P&V Group performs an evaluation of these risks and, if needed, mitigation action plans are implemented. The main non-financial risks identified during the evaluation of 2016 can be linked to the capacity of the Group to successfully implement its transformation programs. For each identified risk, mitigation action plans are implemented.
- **Operational risk:** This risk of loss is impacted by:
  - Internal procedures, staff members, inadequate or defective systems, or external events;
  - Non-compliance with applicable laws and regulations;
  - Inadequate risk evaluation models.

- **Strategic risk**: This risk relates to losses or adverse changes in value resulting from the inability to implement appropriate business plans or strategies, take the right decisions, allocate resources or to adapt to changes in business environment.
- **Reputational risk:** This risk relates to negative publicity, founded or unfounded, regarding business practices or association with third parties, and the fact that this could lead to a loss of confidence from which the company benefits.

IV Declaration of Directors

The undersigned, Hilde VERNAILLEN, Chief Executive Officer of P&V Group and Martine MAGNEE Chief Financial Officer, hereby declare that:

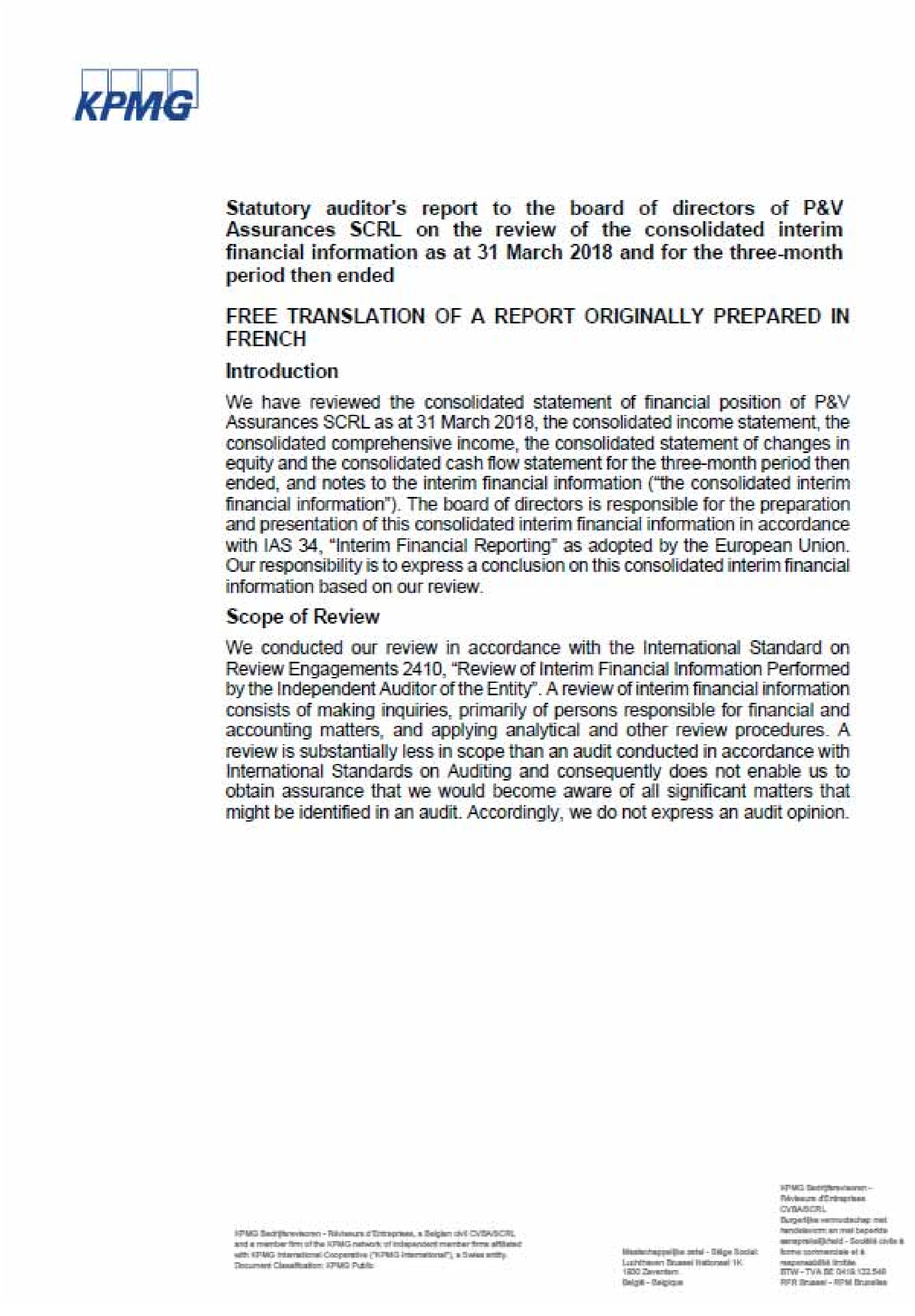
a) The condensed consolidated interim accounts of the first quarter of 2018 have been established in accordance with the International Financial Reporting Standards ("IFRS"). They provide a fair view of the assets and liabilities, the consolidated financial position and the consolidated results of P&V Assurances, including the subsidiaries in the consolidation.

b) The interim report provides a fair view of important events and the main transactions with related parties that occurred during the first quarter of 2018, the impact of those events and transactions on the interim consolidated accounts, as well as the main risks and uncertainties to which P&V Group is exposed.

Brussels, 24 May 2018

Martine MAGNEE	Hilde VERNAILLEN
Chief Financial Officer	Chief Executive Officer

V Auditors' report on the consolidated financial statements



KPMG

Statutory auditor's report to the board of directors of P&V Assurances SCRL on the review of the consolidated interim financial information as at 31 March 2018 and for the three-month period then ended

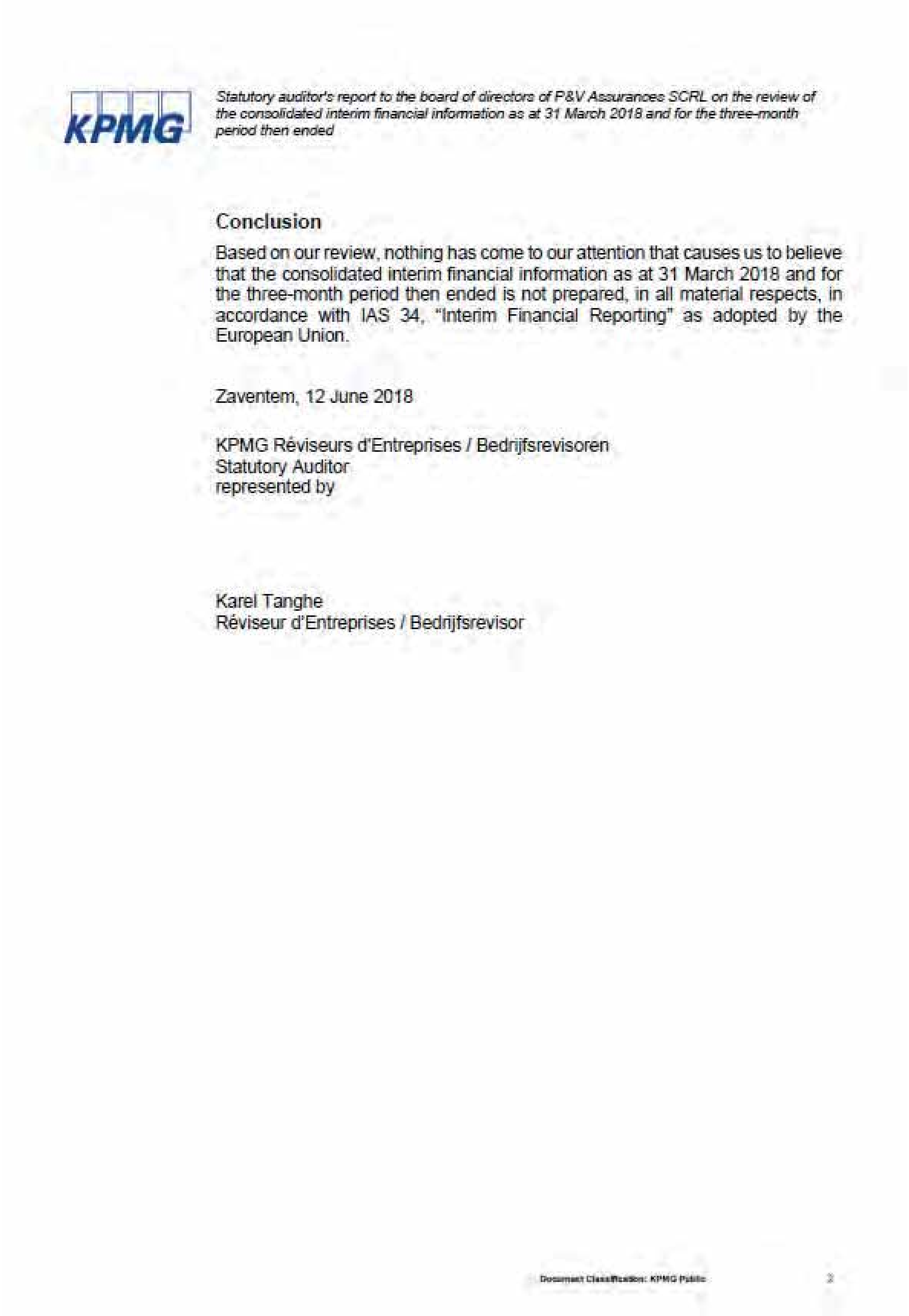
FREE TRANSLATION OF A REPORT ORIGINALLY PREPARED IN FRENCH

Introduction

We have reviewed the consolidated statement of financial position of P&V Assurances SCRL as at 31 March 2018, the consolidated income statement, the consolidated comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the three-month period then ended, and notes to the interim financial information ("the consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 consolidated interim financial information as at 31 March 2018 and for the three-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 12 June 2018

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Karel Tanghe
Réviseur d'Entreprises / Bedrijfsrevisor

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