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 feature:	*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.

<u>Other income</u>

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.

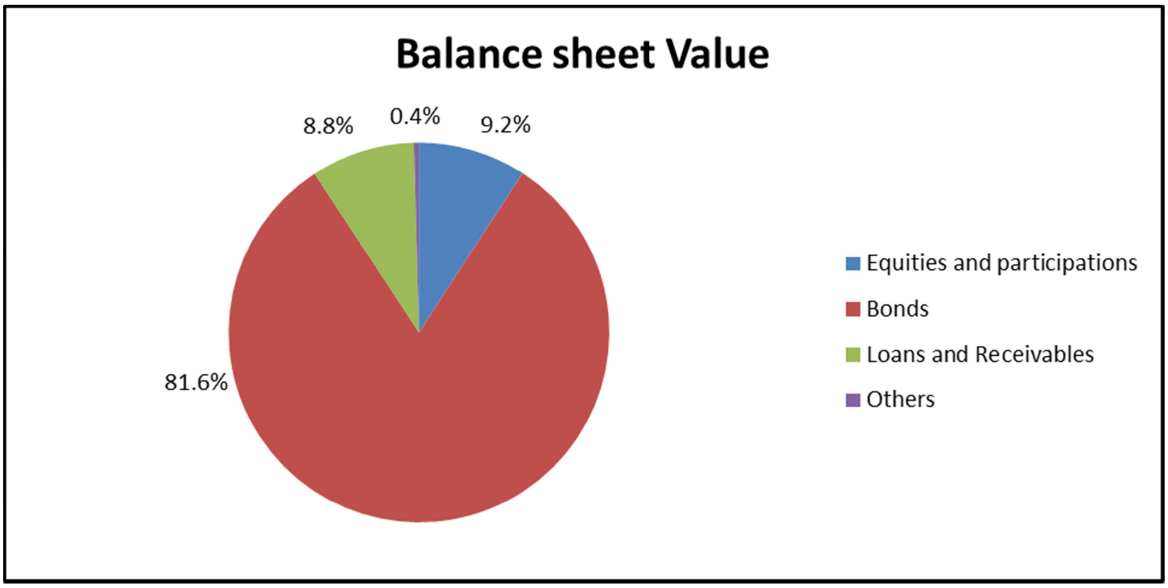
With regards to IAS 39, subsequent measurement of financial instruments depends on their classification.

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:

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**

[2] For the loans and receivables of 2018, see note III.E.3.

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%.

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, particpations & 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**

[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.

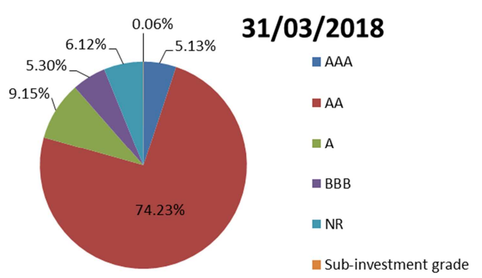
In thousand €		2017				
		Market value	Purchase value	Net acquisition value	Impairment	OCI
Shares, participations & SICAV	Unlisted	597,414	519,706	482,819	(35,775)	114,595
Shares, particpations & SICAV	Listed	980,745	901,500	689,208	(211,667)	291,537
Total shares		**1,578,158**	**1,421,206**	**1,172,027**	**(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**

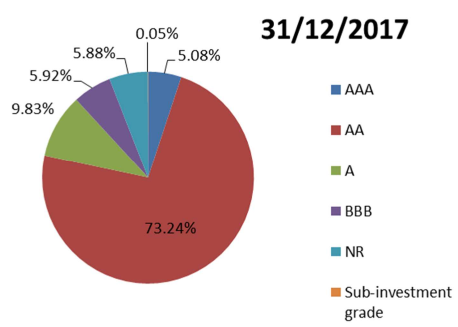
The net acquisition value corresponds to the amortized cost for bonds and to the difference between the acquisition value and recognized impairments for shares.

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** (Nominal value)	**Sale** (Nominal value)	**Maturity** (Nominal value)	**(Re)valuation**		**Nominal value**	**Fair 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	Reclassification	Changes	Q1 - 2018
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).

Name	Related party	Country	Main business transactions	Q1 - 2018	2017	2016
				% 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:

Name	Country of residence	Status	Changes in mandates Q1 - 2018	Changes in mandates 2017
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

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.

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

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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