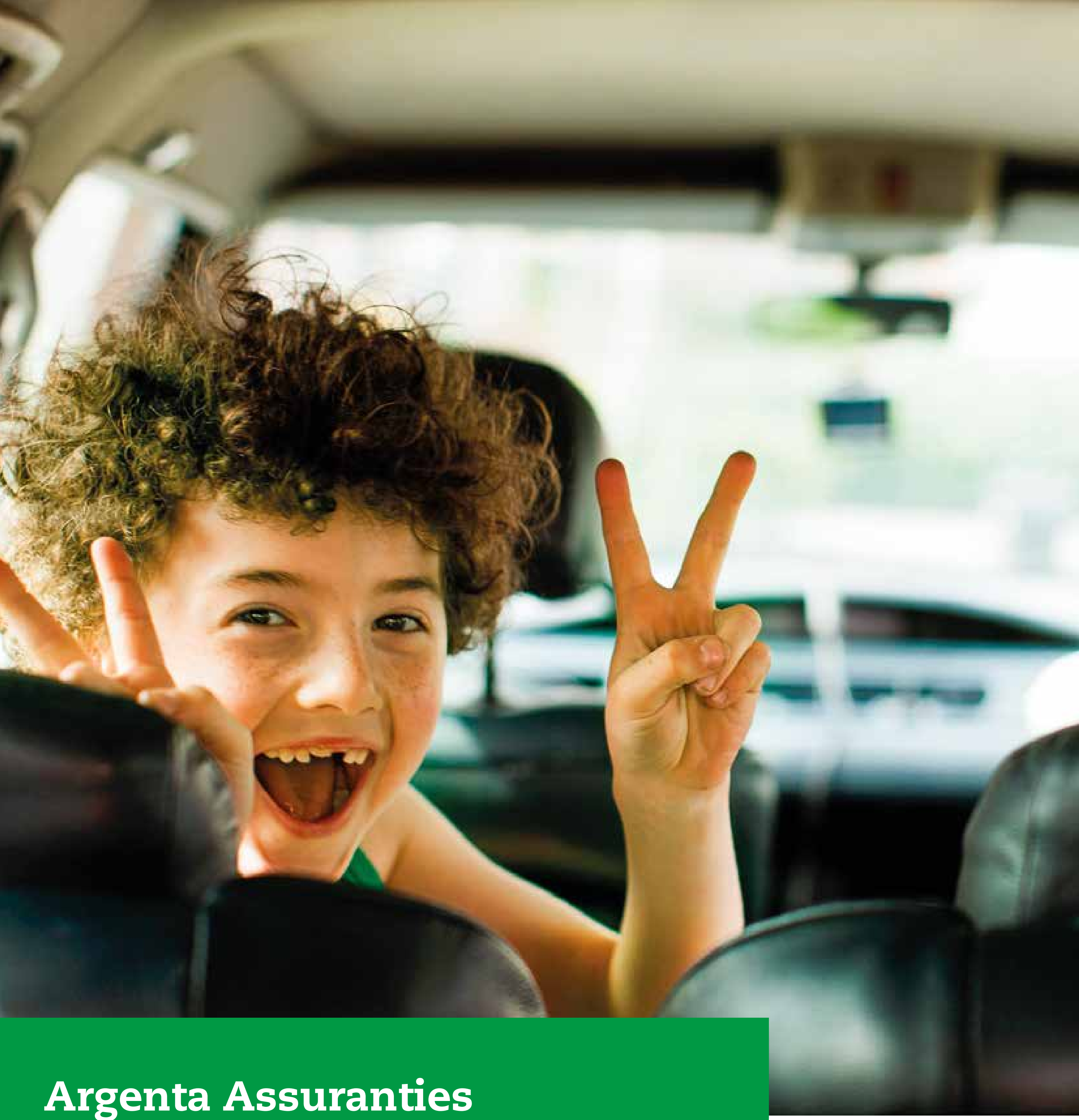

Argenta Assuranties

IFRS Annual Statements 2015

ARGENTA

Financial statements for the 2015 financial year (1 January 2015 to 31 December 2015) of Argenta Assuranties nv, prepared in accordance with the *International Financial Reporting Standards* (IFRS).

The IFRS financial statements and tables are in EUR, unless otherwise explicitly stated in the table in question.

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The Statutory Auditor's Report

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Argenta Assuranties NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 6.166.548 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 55.545 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements 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 (ISA). 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 group's preparation and fair presentation of 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 group'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 opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Argenta Assuranties NV give a true and fair view of the group's net equity and financial position as of 31 December 2015, and of its results and its 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.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 23 March 2016
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Bernard De Meulemeester

Consolidated balance sheet (before profit appropriation)

Assets	Note	31/12/2014	31/12/2015
Financial assets designated at fair value with valuation changes through profit or loss	10	1,181,134,714	1,670,112,392
Available-for-sale financial assets	11	3,121,002,028	2,919,380,271
Loans and advances	12	1,224,779,119	1,297,329,187
Loans and advances to banks		410,146,388	420,551,188
Loans to and receivables from other clients		814,632,731	876,777,999
Financial assets held till maturity	13	165,556,764	187,701,904
Property, plant and equipment		692,590	721,893
Property, plant and equipment	14	66,931	49,729
Investment property	15	625,659	672,164
Goodwill and other intangible assets		3,193,107	3,070,811
Other intangible assets	16	3,193,107	3,070,811
Reinsurers' share of technical provisions	17	3,274,617	6,923,681
Other assets	19	34,020,276	81,307,537
Total assets		**5,733,653,215**	**6,166,547,676**

Liabilities and equity			
Financial liabilities designated at fair value with valuation changes through profit or loss	10	1,181,134,714	1,670,112,392
Financial liabilities measured at amortized cost	20	1,253,451,267	1,304,009,078
Technical provisions from insurance contracts	17	2,556,605,744	2,480,038,417
Tax liabilities	18	112,949,969	94,786,368
Other liabilities	22	42,760,703	41,246,400
Total liabilities		**5,146,902,397**	**5,590,192,655**
Equity attributable to shareholders of the company	3	586,744,563	576,355,021
Non-controlling interests	3	6,255	0
Total equity and non-controlling interest		**586,750,818**	**576,355,021**
Total liabilities, non-controlling interest and equity		**5,733,653,215**	**6,166,547,676**

Consolidated income statement

	Note	31/12/2014	31/12/2015
Financial, insurance, operating gains and losses		**84,580,120**	**104,575,762**
Net earned premiums	24	643,044,614	348,182,704
Gross premiums		650,929,521	354,852,886
Change in unearned premiums		-2,315,885	-2,116,855
Ceded reinsurance premiums		-5,569,022	-4,553,327
Net interest income	25	109,622,664	105,342,952
Interest income		123,300,381	139,466,033
Interest expense		-13,677,717	-34,123,081
Dividends	26	2,154,385	3,136,236
Net commission and fee income	27	12,561,137	19,731,907
Realized gains and losses on available-for-sale financial assets	28	6,685,930	18,812,473
Net cost of claims and change in technical provisions	29	-666,921,972	-366,946,196
Gross cost of claims and change in technical provisions		-674,288,485	-373,920,048
Reinsurers' share in cost of claims and change in technical provisions		7,366,513	6,973,852
Realized gains and losses on sale of fixed assets	30	18,502	0
Other operating result	31	-22,585,140	-23,684,314
Administrative costs	**32**	**-20,808,452**	**-21,500,775**
Personnel expenses		-6,011,677	-5,485,751
General and administrative expenses		-14,796,775	-16,015,024
Depreciation and amortization		**-2,143,737**	**-1,955,377**
Tangible assets for own use	14	-18,142	-17,202
Investment property	15	-3,029	-3,845
Intangible assets	16	-2,122,566	-1,934,330
Impairments	**33**	**-492,680**	**-1,459,644**
Available-for-sale financial assets		-651,037	-2,098,858
Loans and advances		158,357	639,214
Result before taxes		**61,135,251**	**79,659,966**
Income tax expense	34	-15,062,522	-24,115,070
Net result		**46,072,729**	**55,544,896**
Net result attributable to shareholders	3	46,073,056	55,544,896
Net income non-controlling interests	3	-327	0

Consolidated statement of comprehensive income

Note ‘other elements of comprehensive income‘	Note	31/12/2014	31/12/2015
Net result		**46,072,729**	**55,544,898**
Other elements of comprehensive result that may subsequently be reclassified to the profit and loss account			
Revaluation to fair value	3	88,268,129	-33,955,137
Available-for-sale financial assets		132,597,002	-54,020,049
Deferred taxes		-44,328,873	20,064,912
Total other elements of comprehensive result		**88,268,129**	**-33,955,137**
Comprehensive result		**134,340,859**	**21,589,761**
Comprehensive result attributable to shareholders		134,341,306	21,589,761
Comprehensive result - non-controlling interests		1,895	0

Consolidated statement of changes in equity

	Paid-in capital	Revaluation reserve for available-for-sale financial assets	Retained earnings	Results from the current year	Equity attributable to share-holders of the company	Non-controlling interests	Total equity
Equity 31/12/2013	**131,467,000**	**151,205,855**	**145,406,732**	**44,448,670**	**472,528,257**	**6,704**	**472,534,961**
- profit/(loss)	0	0	0	46,073,057	46,073,057	-327	46,072,730
- capital increase	0	0	0	0	0	0	0
- change in fair values	0	132,597,173	0	0	132,597,173	-173	132,597,000
- change in taxes	0	-44,328,925	0	0	-44,328,925	52	-44,328,873
- dividends paid	0	0	-20,125,000	0	-20,125,000	0	-20,125,000
- transfer to retained earnings	0	0	44,448,670	-44,448,670	0	0	0
- other changes	0	0	0	0	0	0	0
Equity 31/12/2014	**131,467,000**	**239,474,103**	**169,730,402**	**46,073,057**	**586,744,562**	**6,256**	**586,750,818**
- profit/(loss)	0	0	0	55,544,898	55,544,898	0	55,544,898
- capital increase	0	0	0	0	0	0	0
- change in fair values	0	-54,020,047	0	0	-54,020,047	0	-54,020,047
- change in taxes	0	20,064,912	0	0	20,064,912	0	20,064,912
- dividends paid	0	0	-31,395,000	0	-31,395,000	0	-31,395,000
- transfer to retained earnings	0	0	46,073,057	-46,073,057	0	0	0
- other changes	0	0	-584,304	0	-584,304	-6,256	-590,560
Equity 31/12/2015	**131,467,000**	**205,518,968**	**183,824,155**	**55,544,898**	**576,355,021**	**0**	**576,355,021**

Explanatory note 3 provides further information on the various equity items in the above table.

The change in fair value recognized on the revaluation reserve for available-for-sale financial assets includes the transfer from this reserve to profit owing to sales amounting to EUR 6,685,930 in 2014 and EUR 18,812,473 in 2015 (more detail on these realized earnings can be found in note 28).

Consolidated cash flow statement

	31/12/2014	31/12/2015
Cash and cash equivalents at beginning of period	**12,024,008**	**137,520,342**
Operating activities		
Net result	46,072,730	55,544,896
Current and deferred tax expense recognized in the income statement	15,062,522	24,115,070
Depreciation and amortization	2,143,737	1,955,377
Impairments	492,680	1,459,644
Change in technical provisions (including reinsurer's share)	223,329,255	-80,216,391
Other modifications	-1,242,691	-478,450
Changes in operating assets (excluding cash and cash equivalents)		
Changes in loans and receivables	-215,872,179	-102,239,120
Changes in available-for-sale assets	-152,063,248	145,502,850
Changes in financial assets held to maturity	-148,702,450	-22,145,140
Changes in other assets	-7,739,048	-47,287,259
Changes in operating liabilities (excluding cash and cash equivalents)		
Changes in deposits from credit institutions	337,539,042	1,646,355
Changes in investment contracts	70,311,918	48,911,456
Changes in other liabilities	6,633,747	-1,514,303
Re(paid) income taxes	-28,050,752	-22,213,758
Net cash flow from operating activities	**147,915,263**	**3,041,227**
Investment activities		
(Cash payments to acquire tangible assets)	-833	0
Cash receipts from the sale of tangible assets	0	0
(Cash payments to acquire intangible assets)	-235,358	-1,390,189
Net cash flow from investing activities	**-236,191**	**-1,390,189**
Financing activities		
(Dividends paid)	-20,125,000	-31,979,304
Interest received in respect of subordinated loans	0	0
(Repayment instalments in respect of subordinated loans)	-2,057,738	0
Cash receipts from a capital increase	0	0
Net cash flow from financing activities	**-22,182,738**	**-31,979,304**
Cash and cash equivalents at end of period	**137,520,342**	**107,192,076**

‘Cash and cash equivalents’ include liquid assets and other non-derivative financial assets with a maturity of less than or equal to three months from the date of acquisition.

	31/12/2014	31/12/2015
Total loans and advances to credit institutions	410,146,388	420,551,188
Maturity less than or equal to three months from date of acquisition	137,520,342	107,192,076
Maturity longer than three months from date of acquisition	272,626,046	313,359,112
Supplementary disclosure in respect of cash flow statement		
Interest income received	103,838,930	90,770,233
Dividends received	2,154,385	3,136,236
Interest paid	0	0

The above consolidated cash flow statement has been prepared using the indirect method.

Notes

1. General information

Argenta Assuranties nv (hereinafter ***the Company***) is established in Belgium under Belgian law. Its legal form is that of a public limited liability company (naamloze vennootschap). The Company is established for an unlimited period.

The Company has its registered office at 2018 Antwerp, Belgiëlei 49-53.

The Company has the status of a Belgian insurance undertaking. The Company, together with Argenta Life Nederland (ALN), forms the ***Insurance Pool***. The activities of the Insurance Pool comprise both life insurance and non-life or indemnity and health insurance (and in particular car insurance, private civil liability, fire, hospitalization and legal assistance insurance).

Argenta Bank- en Verzekeringsgroep nv (hereafter ***BVg***) is the holding company of the Argenta Group. Its operations consist of Internal Audit, Compliance & Integrity, Risk & Validation, Legal Affairs, and Organization & Talent (human resources). These activities are organized centrally for all Argenta Group companies.

BVg has the status of a mixed financial holding company, a parent company which is not a regulated company and which is at the head of a financial conglomerate pursuant to Art. 3, 39 of the Banking Act.

BVg consolidates and is responsible for the joint management of its subsidiaries Argenta Spaarbank, a Belgian credit institution, and the Company, a Belgian insurance undertaking. The Company and Argenta Spaarbank have in turn various subsidiaries.

On 31 December 2015 there were 106 persons employed by the Insurance Pool (106 at end-2014). The average employee count in the Insurance Pool in the consolidated companies during 2015 was 86.41 (93.66 in 2014). There were an average of 81.66 employees (88.91 in 2014) and 4.75 senior management staff (4.75 in 2014).

The above-mentioned count gives a somewhat distorted picture of the actual employment by the Company, because of the other people working at group level, including in the holding company. A cost sharing system exists at group level, via which personnel costs are charged on.

These charged-on costs are included in the consolidated income statement under 'Other operating result'. The numbers of employees given are those who are effectively on the payrolls of the companies concerned.

A breakdown of personnel costs for the year can be found in note 32.

Description of the Company's activities

Offering indemnity, health and life insurance are the Company's key activities.

Indemnity and health insurance

The Company is active in the following areas:
- car insurance,
- hospitalization insurance,
- fire insurance,
- civil liability insurance (family insurance),
- legal assistance.

In line with the general strategy of the Argenta Group, the Company sets out to offer transparent insurance products that provide generous coverage, at a price that is more attractive than the market average. The Company commissions competitiveness surveys from outside bodies and actively tracks premium comparisons on various websites, like those of consumer organizations.

Life insurance

The Company offers various types of life insurance, which can be classified into product lines. This classification originates in the communication channels used and the type of guarantee offered. We give below an overview of the respective production lines:

1. Outstanding balance insurance: the outstanding balance of a loan is repaid by the Company on the death of the insured;

2. Temporary life insurance: this insurance, which only represents a small amount of insurance premium income, serves to cover a pre-determined capital amount during a specified period in the event of death;

3. Savings and investments: this line encompasses products with a significant savings and/or investment component. These include both branch 21 and branch 23 products, and in particular:

    - A branch 21 Oct-a-vie life insurance contract with a guaranteed return (subscribed for a period of 8 years and 1 month);
    - This insurance certificate, known as an 'Arasbon', is no longer marketed;
    - Leven Plus (branch 21) is an insurance savings product;
    - Argenta Life Plan (branch 21) can be used both as a single-premium policy without tax deductibility or as insurance savings;
    - Capital Plus (branch 21) is a single-premium policy with no tax deductibility;
    - A range of branch 23 products (marketed under the commercial name Argenta Fund Plan), offer the possibility of combining various insurance funds, with or without capital protection. The branch 23 products include a range of four risk groups, which differ among themselves in the ratio of fixed-income investments and investment funds. The branch 23 products with capital protection are shown below;

4. Youth: the youth line includes the Youth Savings Plan whereby, in the event of the death of the insured parent or grandparent, premium payments are taken over by the Company so that the target capital is paid out to the (grand)child at policy maturity date. This insurance is therefore usually taken out in a family context;

5. Annuity: the annuity line includes the Pension Life Plus that enables investors who subscribe to the two policies (Pension Plus guarantee and Life Plus) to receive monthly annuity payments during the term of the contract, plus a predetermined capital amount upon termination of the contract, and the same amount in the event of death within 8 years and 1 month and

6. Provident: pension products to supplement the mandatory social security pension. This line consists primarily of tax-deductible products with a savings component. The main product here is Argenta-Flexx (branch 21).

Use of funds

The reserves are invested in fixed income instruments, mainly in Belgian government bonds or linear bonds (OLOs), corporate bonds and mortgages.

Until 2007, the Company reinvested in Belgian mortgages brought in exclusively through a separate CBHK network. This is a decreasing portfolio, as production has ceased and the loans are being systematically repaid. Since 2013, the Company has again invested in mortgage loans, this time granted in the Netherlands. In addition, loans are also made to local governments and PPP (public private partnership) structures.

The existing portfolio of individual equities was extended in 2015 in a diversified fashion. Statutory minima (including investments in equities) are imposed on pension savings insurance funds by law. A portion of the individual equities were purchased in this context.

The Company's subsidiaries

The Company consolidates the activities of Argenta Life Nederland (hereinafter ***ALN***).

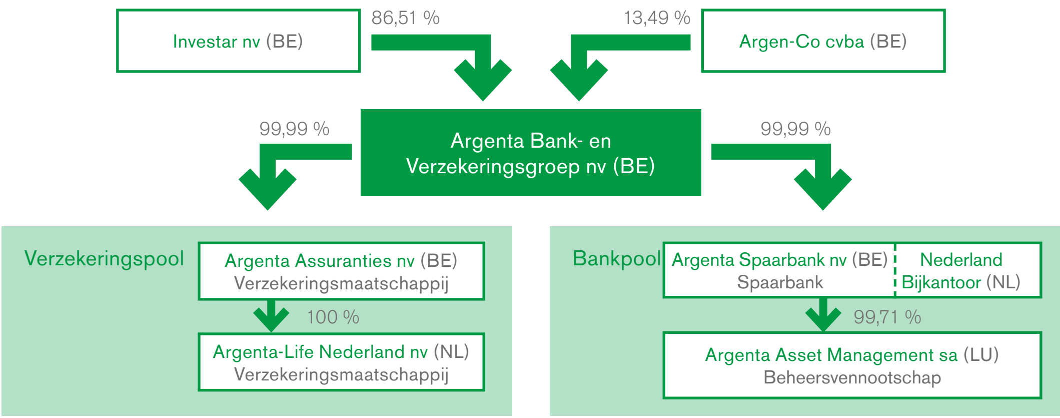
ALN Company has the status of a Dutch insurance undertaking. It operates primarily in life insurance linked to mortgage savings loans.

Argenta entered the Dutch life insurance market in 2005 with savings insurance, which is uniquely linked to the Argenta mortgage loans offered by the Dutch Branch.

Since 2013, the concluding of single instalment mortgages and deposit account mortgages has been discouraged in favour of linear / annuity mortgages. For this reason ALN made its 'Mortgage Protection Life Insurance' more competitive, in order to achieve a high cross-selling ratio with the mortgages. This reorientation led ultimately to further growth, which continued in 2015.

The chart below gives an overview of the global structure of the Argenta Group and the operational Bank Pool and Insurance Pool.

Structure of the Argenta Group on 31/12/2015



The following diagram shows the entities included in the IFRS consolidation.

	shareholding percentage	31/12/2014	31/12/2015
Argenta Assuranties NV	-	consolidating entity	consolidating entity
Argenta Life Luxemburg (ALL)	99.71%	full consolidation	liquidated
Argenta Life Nederland (ALN)	100.00%	full consolidation	full consolidation

Development of the Company in 2015

The net result rose from EUR 46,072,729 for the year ending on 31 December 2014 to EUR 55,544,896 for the year ending on 31 December 2015. This positive and continuing high result is the outcome of several factors: a good operational result in life and non-life combined with a healthily diversified investment policy and result.

As part of this investment policy, Dutch mortgage loans with a National Mortgage Guarantee (NHG) were taken into the balance sheet. This strategy was continued in 2015: the mortgage loans also contain a reducing portfolio of loans to Belgian private individuals where the risk per loan is also limited.

The result for 2015 allowed the Company to again increase its equity, both for non-life and life. Equity attributable to the shareholders is EUR 576,355,021. The non-controlling interest disappeared in 2015 with the liquidation of ALL.

More details of the various elements leading to the 2015 result can be found in the notes to the balance sheet and income statement.

2. Financial reporting principles

Pursuant to the *Royal Decree on the consolidated financial statements of insurance and reinsurance undertakings* of 27 September 2009, insurance companies have been required, since the 2012 financial year, to produce their consolidated financial statements in accordance with IFRS.

General

In accordance with the stipulations of the Royal Decree, the Company's consolidated financial statements are therefore prepared in accordance with the IFRS standards - including the *International Accounting Standards* **(IAS)** and interpretations - as of 31 December 2015, as accepted in the European Union.

Accounting principles that are not mentioned specifically in these financial statements correspond with the IFRS standards as accepted in the European Union.

Critical estimates and most important sources of estimation uncertainty

The preparation of financial statements on the basis of IFRS requires a number of accounting estimates. Furthermore, the Company's management is asked to provide its assessment during the process of applying these accounting principles. Actual results may differ from these accounting estimates and assumptions.

Accounting estimates are made principally in the following areas:
- accounting estimate of the recoverable amount of impairments;
- assessment of the fair value of unlisted financial instruments;
- assessment of the expected useful life of tangible and intangible assets;
- estimate of the adequacy of the insurance liabilities based on best estimates and assumptions, embedded options and guarantees and related investments, using a discount rate that takes into account the asset mix of the investments;
- provisions for claims (including IBNR (incurred but not reported) and claims settlement costs);
- estimate of the existing liabilities resulting from past events in the recognition of provisions.

Assumptions are made principally in the following areas:
- classification of financial instruments;
- level of hierarchical attribution of financial instruments;
- existence of active markets for financial instruments;
- existence of indicators of impairment;
- actuarial assumptions;
- existence of obligations resulting from past events (provisions);
- existence of control over companies.

2.1. Changes in accounting policies

The accounting policies used for preparing these 2015 consolidated financial statements are consistent with the policies applied as of 31 December 2014.

The following standards and interpretations came into application during 2015:
- Improvements to IFRS (2011-2013) (applicable to annual reporting periods commencing on or after 1 January 2015)
- IFRIC 21 Levies (applicable for annual periods beginning on or after 17 June 2014)

The application of these new provisions had no material impact on the Company's results and equity or on the presentation of the financial statements.

Standards and Interpretations published but not yet effective for the annual period beginning on 1 January 2015:

- IFRS 9 *Financial Instruments* and subsequent amendments (applicable to annual periods beginning on or after 1 January 2018, but not yet approved in the European Union)
- IFRS 14 *Regulatory Deferral Accounts* (applicable to annual periods beginning on or after 1 January 2016, but not yet approved in the European Union)
- IFRS 15 *Revenue from Contracts with Customers* (applicable to annual periods beginning on or after 1 January 2017, but not yet approved in the European Union)
- IFRS 16 *Leases* (applicable to annual periods beginning on or after 1 January 2019, but not yet approved in the European Union)
- Improvements to IFRS (2010-2012) (applicable to annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable to annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment entities: Application of the exemption of consolidation* (applicable to annual periods beginning on or after 1 January 2016, but not yet approved in the European Union)
- Amendments to IFRS 10 and IAS 28 - *Sale or transfer of assets between investor and the associated participation or joint venture* (effective date postponed for an indefinite period, but not yet approved in the European Union)
- Amendments to IFRS 11 - *Joint Arrangements - Processing of acquisitions of interests in joint operations* (effective for annual periods beginning on 1 January 2016 but not yet approved in the European Union)
- Amendments to IAS 1 – *Presentation of Financial Statements - Initiative on disclosures* (effective for annual periods beginning on or after January 2016)
- Amendments to IAS 16 and IAS 38 - *Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 2016 but not yet approved in the European Union)
- Amendments to IAS 16 and IAS 41 - *Property, Plant and Equipment and Biological Assets - Bearer Plants* (effective for annual periods beginning on or after 1 January 2016 but not yet approved in the European Union)
- Amendments to IAS 19 *Employee Benefits - Employee contributions* (effective for annual periods beginning on 1 February 2015)
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016).

The Company will implement all the aforementioned standards, amendments and interpretations when they come into force. With the exception of IFRS 9, it does not expect them to have a material impact.

IFRS 9 imposes new obligations for (a) the classification and measurement of financial instruments and (b) risk estimation and the creation of impairments and makes (c) adjustments in hedge accounting.

The most important change concerns the recognition of impairments. Each entity is required to set up impairment provisions for ECL (expected credit losses) based on a three-stage approach. The definition of the ECL depends partly on the size of the 'significant increase' of the credit risk since initial recognition.

In addition, specifically for the insurance industry, the process to arrive at a final IFRS 4 phase 2 standard, is under way. This second phase covers the method of measuring insurance liabilities.

In the fourth quarter of 2015, an analysis and assessment were carried out preparatory to an IFRS 9 implementation project which has since got under way in early 2016. Concurrently, in the same quarter of 2015, an initial analysis and assessment were made of the new IFRS 4 Phase 2 standard.

The fact that IFRS 9 and IFRS 4 Phase 2 standard do not come into effect on the same date has implications for the preparation of the IFRS balance sheet and income statement of the overall mixed financial holding BVg. During 2016 management will be investigating how best to handle this situation.

2.2. Accounting policies – accounting rules

Consolidation principles

The consolidated financial statements include those of the Company and its subsidiaries (hereinafter: Subsidiaries). Subsidiaries are those companies in which the Company, directly or indirectly, has the power to govern the entity's financial and operational policies in order to obtain benefits from these activities (hereinafter referred to as Control).

Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date on which that control ceases.

The Subsidiaries are consolidated using the full consolidation method.

This method implies the Subsidiary's shares held by the Company being replaced in the Company's balance sheet by this Subsidiary's assets and liabilities.

Intercompany transactions, balances and results on transactions between Insurance Pool companies are eliminated.

Non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the balance sheet and income statement.
These non-controlling interests can initially be designated at fair value or corresponding to the share in the real value of the acquired net assets. The choice for measuring non-controlling interests is made on a case by case basis. After acquisition date, non-controlling interests are measured at the initial amount of the non-controlling interests, plus the share of these non-controlling interests in the changes in equity since the acquisition date, even when this results in a negative balance.

Before proceeding to the consolidation of the individual financial statements, the rules for measuring asset and liabilities components were harmonized as a function of the measurement rules applicable to the Company.

Given that all companies recognized in the Company's consolidated financial statements close their financial years on 31 December of each calendar year, this date is also taken as the year-end closing date for the consolidation.

Operating segments

Operating segments are identified on the basis of existing reporting structures. This segmentation corresponds to the internal reporting and the segmentation used in the past.

Foreign currencies

The consolidated financial statements are stated in euro, which is the functional currency of all Argenta Group entities. Foreign currency transactions are recorded at the exchange rate applicable on the transaction date.

At balance sheet date, outstanding balances in foreign currencies, are translated at the year-end closing exchange rates for monetary items.

Non-monetary items carried at historical cost are translated at the historical exchange rate that applied at the transaction date.

Non-monetary items measured at fair value are translated at exchange rate prevailing on the date at which the fair value was determined.

Transaction date and settlement date

Financial assets and liabilities are recognized on the balance sheet once the Company becomes party to the contractual provisions of the instruments.

Purchases and sales of financial assets settled by according to standard market conventions (spot transactions) are taken into the Company's balance sheet on the settlement date.

Netting

Financial assets and liabilities are netted and the net amount recognized on the balance sheet when (a) there is a legally enforceable right to net the recognized amounts and (b) it is intended to settle the obligation on a net basis, or to realize the receivable and settle the liability simultaneously.

Assets are recognized after deduction of any impairments.

Financial assets and liabilities

All financial assets and liabilities - including derivatives - are recognized according to the IFRS classification system. Each classification is subject to its own specific measurement rules.

For financial assets, the following classification applies: (a) loans and receivables, (b) held-to-maturity financial assets, (c) financial assets designated at fair value through profit or loss, and (d) available-for-sale financial assets.

(a) Loans and receivables: all non-derivative financial assets with fixed or determinable payments that are not listed on an active market.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortized cost using the effective interest method, with the regular amortization recognized in the income statement.

Where necessary, impairment losses are charged.

(b) Held-to-maturity financial assets: all non-derivative financial assets with fixed maturity dates and fixed or determinable payments that the Company has the positive intent and ability to hold until maturity.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortized cost using the effective interest method, with the regular amortization recognized in the income statement.

All derivatives with a negative fair value are considered by the Company as liabilities held for trading unless designated as effective hedging instruments.

Where necessary, impairment losses are charged.

(c) Financial assets designated at fair value through profit or loss include:

- financial assets held for trading, including derivative instruments that are not designated as effective hedging instruments;
- financial assets that are designated on acquisition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value through profit or loss.

(d) Available-for-sale financial assets: all non-derivative financial assets that are not classified as (a) loans and receivables, (b) held to maturity assets, or (c) financial assets at fair value through profit or loss.

These assets are designated at fair value with all fair value changes being recognized on a separate line in equity until the assets are sold or until they are impaired. In this case, the cumulative fair value changes are transferred from equity to profit or loss for the financial year.

For investments in instruments other than equity instruments, the difference between the acquisition price (including transaction costs) and the redemption value based on the effective interest method is taken into the income statement pro rata temporis over the securities' residual term to maturity as an component of the interest income from these securities.

The changes in fair value of these securities, which are recognized on a separate line in equity, are the result of calculating the changes between (a) their acquisition price (including transaction costs) plus or minus the portion of the difference mentioned above that is taken to the result and (b) the fair value.

Financial liabilities are designated as (a) financial liabilities designated at fair value through profit or loss and (b) other financial liabilities.

This IFRS classification determines the measurement and recognition in the income statement as follows: (a) financial liabilities designated at fair value through profit or loss include:

(a) Financial liabilities held for trading, including derivative instruments not designated as effective hedging instruments;

Financial liabilities that are designated at initial recognition or first-time adoption of IFRS as held at fair value through profit or loss.

These are measured on acquisition at fair value, excluding transaction costs, and subsequently at fair value, with all changes in value taken through the income statement.

(b) Other financial liabilities: these are all other non-derivative financial liabilities that did not fall under the previous category.

These are measured on acquisition at fair value, including transaction costs, and subsequently measured at amortized cost using the effective interest method, with the regular amortization recognized in the income statement.

Income and expenses arising from financial instruments measured at amortized cost and from fixed income securities classified in 'available-for-sale financial assets' are recognized in the income statement using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows (including paid and received commissions and fees that are an integral part of the effective interest rate, along with transaction costs and all other premiums or discounts) over the expected life of the debt instrument, or, if more appropriate, a shorter period, so as to arrive at the net carrying amount of the asset or liability in the balance sheet.

The method used to recognize service-related commission income and expenses depends on the nature of the service. Commissions which are treated as an additional component of interest are included in the effective interest rate and recognized under net interest income. Paid and received commissions for which the underlying transaction is completed, are recognized in the commission income and expenses.

Cash and cash equivalents

'Cash and cash equivalents', as used in the cash flow statement, include cash in hand, freely available balances at financial institutions and other financial assets with a maturity of less than or equal to three months from the date of acquisition.

Property, plant and equipment

All property, plant and equipment is recorded at cost (i.e. acquisition value including directly allocable acquisition costs), less accumulated depreciation and any impairments.

The depreciation rates are determined on the basis of the anticipated useful life of the assets and are applied according to the straight-line method from when the assets are available for use.

When property, plant or equipment is sold, the realized gains or losses are recognized immediately in the result for the financial year.

Specific valuation rules

Land and buildings

The purchase price and purchase costs of land are not depreciated, regardless of whether the site has been developed or not. On purchase of a developed site, the values of the land and of the building are calculated, and the transaction costs divided pro rata between the land and the building.

The building is depreciated over its estimated useful life, i.e. at a rate of 3% per annum on a monthly basis.

IT equipment

The purchase price and purchase costs of hardware are depreciated at 33.33% per annum on a monthly basis.

Other equipment (including vehicles)

The purchase price and purchase costs of furnishings and equipment are depreciated at 10% per annum on a pro rata basis.

The purchase price and purchase costs of vehicles are depreciated at 25% per annum on a pro rata basis.

Investment property

Investment properties are those properties held to earn rental income or for capital appreciation or for both. The accounting rules outlined for property, plant and equipment apply also to investment property (application of the cost price model).

Goodwill

Goodwill is defined as the portion of the cost of the acquisition of a business combination that exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, and is calculated as of the date of acquisition.

It is recognized as a non-current intangible asset and is carried at cost less any impairment. Goodwill is not amortized, but is tested at least once a year for impairment.

Intangible assets

An intangible asset is an identifiable non-monetary asset with no physical form. It is recognized at cost if and only if it will generate future economic benefits and if the cost of the asset can be measured reliably.

Where the criteria for capitalization are met, acquired software is recognized at cost under intangible assets. The acquisition price and acquisition cost are amortized according to the straight-line method from the moment that the software is available for use.

The purchase price and purchase costs of acquired software are amortized at 20% per annum on a pro rata basis.

Other intangible assets are amortized at 10% per annum.

Impairments

The Company tests all its assets at each balance sheet date for indications of impairment.

The carrying amount of an impaired asset is reduced to its estimated recoverable value, and the amount of the change during the current reporting period is recognized in the income statement.

If, in a subsequent period, the amount of the impairment on assets other than goodwill or available-for-sale equity instruments is reduced owing to an event occurring after the write-down, the amount of the reduction is recognized in the income statement.

Financial assets

For an asset (or group of financial assets) an individually assessed impairment is charged when there is (1) objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset and (2) this loss event (or events) impact(s) the estimated future cash flows of the financial asset in a way that can be reliably estimated.

Depending on the type of financial asset, the recoverable amount can be estimated as follows:

- the fair value using an observable market price;
- the present value of expected future cash flows discounted at the financial asset's original effective interest rate;
- based on the fair value of the collateral obtained.

Investments in equity instruments

A significant or long-term fall in the fair value of an investment in an equity instrument below the cost price constitutes an objective indication for impairment.

This situation will be assessed individually in each case, but in the absence of additional assessment elements, the Company considers an unbroken period of 24 months as long-term, and a fall of at least 30% as significant.

If one of the criteria is met, a quantitative and qualitative analysis of the relevant position shall be undertaken to judge whether an impairment exists.

Impairments recognized in the income statement on investments in equity instruments classified as available for sale cannot be reversed via the income statement.

Investments in non-equity instruments

Impairments are applied in cases of sustained capital loss or loss of value attributable to the financial difficulties of the debtor. Assets go into 'default' status whenever the arrears (of interest and/or capital) have reached 90 days or repayment is unlikely.

Objective indicators used by the Company to consider setting up a provision include significant financial difficulties of the issuer/debtor, payment arrears, the likelihood that the issuer/debtor could be declared bankrupt or be subject to financial restructuring, renegotiation of the terms of the asset due to financial difficulties of the issuer/debtor including any concessions, the disappearance of an active market for a financial asset as a result of financial difficulties, changes in the credit rating, and observable data that will negatively affect the future cash flows of a financial asset.

Whenever the status of an assets changes to default, an assessment is made on a case by case basis on whether or not an impairment is to be recorded. An impairment loss will be considered if the objective data show that one or more events are likely to affect negatively the future cash flows of a financial asset.

Also taken into account, in addition to the above indicators, are other market information about the liquidity and solvency of the issuer/debtor, the trends for similar financial assets, and local economic trends and conditions.

- Available-for-sale financial assets

  Where a fall in the fair value of an available-for-sale financial asset has been recognized directly in equity, and there are objective indications that the asset has suffered impairment, the accumulated loss that has been directly booked to equity is transferred to the income statement, even though the financial asset has not been removed from the balance sheet.

  The amount of the cumulative loss that is reclassified from equity to the income statement is equal to the difference between the acquisition cost (net of any principal repayment and amortization) and its current fair value, less any impairment losses on that asset that have been previously taken into the income statement.

  If the fair value of an available-for-sale debt certificate increases in a subsequent period, and the increase can be objectively related to an event that occurred after the impairment was recognized in the income statement, the impairment must be reversed, with the amount of the reversal recognized in the income statement.

- Loans and receivables - collective value adjustments

  In addition to individual impairments, collective - portfolio-based - value adjustments are recorded in the form of an IBNR (incurred but not reported) provision.

  An 'incurred but not reported' value adjustment on loans is recognized for mortgage receivables that are not in default and on which no impairments have been recorded on an individual basis (performing loans).

This collective evaluation of impairments includes the application of a a 'loss confirmation period'.

This loss confirmation period represents a time interval (expressed in months) between the occurrence of the impairment-causing event (i.e. a 'loss event') and the time it is identified in the entity's credit system.

The application of the loss confirmation period ensures that impairments that have already de facto occurred but have not yet been identified as such are included to a sufficient degree in the value adjustments recorded.

The loss confirmation period is continuously evaluated and can be changed depending on market developments (including house prices, transactions, taxation), portfolio characteristics and macro-economic indicators (such as unemployment, GDP growth, debt, divorce rates).

The IBNR provision is calculated and created for all retail credit portfolios.

Other assets

For non-financial assets, the recoverable amount is defined as the higher of fair value less cost to sell and value in use.

Fair value less cost to sell is the amount obtainable from the sale of an asset in an 'at arm's-length transaction' between knowledgeable, willing parties, after deduction of selling costs.

The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Annual goodwill impairment test

Goodwill is tested at least annually for impairment. Impairment losses are recognized if the carrying amount of the cash generating unit to which the goodwill belongs exceeds its realizable valuable. Impairment losses on goodwill cannot be reversed.

Derivatives

Derivatives are financial instruments such as swaps, forwards and options. Such financial instruments have values that change in response to changes in various underlying variables, require little or no net initial investment, and are settled at a future date. They are classified as held-for-trading derivatives, unless designated as effective hedging instruments.

Held-for-trading derivatives are recognized on the balance sheet at fair value on the transaction date. Subsequently, they are valued at fair value, with fluctuations in the fair value recognized in the profit or loss for the financial year.

Held-for-trading derivatives with a positive fair value are recorded on the asset side of the balance sheet, and those with a negative fair value on the liabilities side.

Embedded derivatives

Financial assets or liabilities can include derivatives embedded in a contract. Such contracts are referred to as 'hybrid instruments'.

If the host contract of the hybrid financial instrument (1) is not carried at fair value with changes in value taken through profit or loss, and (2) the characteristics and risks of the embedded derivative are not closely related to those of the host contract, the embedded derivative should be separated from the host contract and designated at fair value as a separate derivative.

Fair value changes are recognized in the income statement. The host contract is accounted for and measured by applying the rules for the relevant category of the financial instrument.

If (1) the basic contract is designated at fair value through profit or loss, or if (2) the characteristics and risks of the embedded derivative are closely related to those of the basic contract, the embedded derivative is not separated out and the hybrid instrument is designated at fair value as a single derivative.

Fair value of financial instruments

The fair value of a financial instrument (being any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity) is the value at which the financial asset can be traded, or the financial liability settled, between knowledgeable, willing and independent parties.

The Company uses the following hierarchy of tests in determining the fair value of financial instruments: first, the quoted price in an active market and then the use of measurement techniques.

The fair value of a financial instrument is measured on the basis of quoted prices in active markets. Where there is no active market available for the financial instrument, the fair value is measured using valuation techniques.

These valuation techniques make maximum possible use of market inputs, but are affected by the assumptions used, such as risk spreads and accounting estimates of future cash flows.

The fair value of the loans and receivables in particular are obtained using the discounted value technique, in which the future cash flows are discounted at the swap curve, plus a spread, which is systematically re-examined.

In the rare case where it is not possible to determine the fair value of an unlisted equity instrument, it is recognized at cost.

On initial recognition, the fair value of a financial instrument is the transaction price, unless the fair value is evidenced by recent market transactions in the same instrument, the variable elements of which consist only of data from observable markets.

Lease contracts

The Company enters into operating leases only for the rental of equipment and buildings. Payments made under such leases are recognized in the income statement on a straight-line basis.

Repurchase agreements

Securities subject to a repurchase agreement (repo) remain on the balance sheet. The debt resulting from the obligation to repurchase the assets is included in liabilities to banks or liabilities to customers, depending on the counterparty.

Employee benefits

Pension obligations

The Company only has pension obligations based on defined contribution schemes.

The Company's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

Employee entitlements

Employee entitlements to annual leave and long-service leave are accounted for in the year on which these days are based.

Provisions

Provisions are recognized on the balance sheet if (1) an obligation exists on the balance sheet date that is based on a past event, and (2) it is probable that an outflow of funds will be required to settle the obligation, and (3) if the amount of the obligation can be estimated reliably.

The amount of the provision is the best possible accounting estimate at balance sheet date of the outflow of funds that will be required to settle the existing obligation, taking into account the probability of the event occurring and its possible outcome.

Income tax expense

Income taxes of the year include the actual taxes and deferred taxes. These taxes are calculated in accordance with the tax laws that apply in each country where the group operates.

Current taxes consist of those that are payable on the taxable income of the year, on the basis of the applicable tax rates at balance sheet date, as well as each revision of the taxes payable or refundable for previous years.

Deferred taxes are calculated for all taxable temporary differences arising between the taxable basis of assets and liabilities and their carrying amounts in the financial statements.

These taxes are measured using the tax rates expected to be in effect at the time of the realisation of the assets or settlement of the liabilities to which they relate.

Deferred tax assets are recognized only when it is probable that there will be sufficient future taxable profits against which the temporary differences can be offset.

Deferred tax assets and liabilities are compensated and presented netted solely and exclusively if they are taxes levied by the same tax authorities on the same taxable entity.

Product classification of insurance products

An insurance product is classified under IFRS as an insurance contract where one party (the insurer) accepts a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder should the latter be affected by a specified uncertain future event (the insured event). Reinsurance contracts are also included here. These contracts are measured in accordance with the 'Technical provisions for (re) insurance contracts' as set out below.

The 'deposit accounting' rules apply to insurance without discretionary profit-sharing and for the deposit component of branch 23 insurance products. This means that the deposit component (IAS 39) and the insurance component are measured separately. In deposit accounting, the portion of the premium that is related to the deposit component is - just like the resulting recording of the liability - not included in the result.

Technical provisions for (re)insurance contracts

IFRS 4 allows a company to record (re)insurance contracts according to local accounting standards if they are qualified as such under IFRS 4. For this reason the Company has opted to apply local accounting policies for measuring the technical provisions for contracts falling under IFRS 4 and for measuring investment contracts with discretionary profit-sharing features. Only the reserves recognized under IFRS are recorded here.

The possibility of applying shadow accounting, as provided under IFRS 4 (Phase 1) has not been availed of by the company.

Provisions for unearned premiums and outstanding risks

The provision for unearned premiums is calculated daily on the basis of the net premiums. The provision for outstanding risks is calculated periodically on the basis of a liability adequacy test.

Provisions for life insurance

This provision is calculated according to current actuarial principles ('universal life' technique) and for each insurance contract separately.

Each separate agreement includes an insurance account, to which cash inflows and from which cash outflows are booked. Cash inflows are, for example, premium payments by the policyholder. Cash outflows include settlements at maturity and payments resulting from the occurrence of the insured risks.

The assets on the insurance account (also referred to as the 'insurance account reserves') are invested in one or more forms of investment and so generate a necessary return.

The reserves are calculated generically for all underwritten risks (death from whatever cause, premium waiver in disability cases). In this way risk reserves are created structurally on top of the reserves callable by the policyholder.

Additionally, a complementary provision is set up as required by law.

Provisions for claims

The provisions for claims are determined individually by the claims manager as a function of the characteristics of the claim. When compensation involves periodic payments, the provision is calculated as the present value of the expected future benefit payments. Furthermore, IBN(E)R provisions and provisions for the internal cost of settling claims are set up on the basis of a validated system.

Provisions for profit-sharing and rebates

Provisions for profit-sharing and rebates are created in accordance with the undertaking's profit-sharing plan and the applicable legislation.

Provisions - health insurance

The health insurance provision (ageing reserve) is determined on an individual basis by the responsible department. Starting from the actual portfolio situation at financial year-end, with the actual distribution of ages, genders and contract types, expected future benefit payments and premium income are calculated on the basis of certain assumptions.

Liability adequacy test

At the end of each reporting period a ‘Liability Adequacy Test’ (LAT) is carried out to determine whether the recorded insurance liabilities are adequate. If the recorded insurance liabilities are inadequate, the deficiency will be fully recognized in the income statement.

Reinsurance

Funds from reinsurers are recognized as an asset in the balance sheet. Where there are objective indications that not all amounts will be received under the reinsurance contract, the carrying amount of the reinsurance asset is reduced correspondingly and an impairment loss is recognized in the income statement.

3. Equity attributable to the shareholders

The Company is the consolidating company and 99.99% of its shares are owned by BVg (the holding company of the Argenta Group). No shares have been bought in by the Company.

The fully paid-in share capital, represented by 1,610,000 shares (without par value), amounts to EUR 131,467,000 at 31 December 2015).

	31/12/2014	31/12/2015
Paid-in capital	131,467,000	131,467,000
Revaluation surplus	239,474,103	205,518,968
Reserves	169,730,402	183,824,155
Results for the current year	46,073,057	55,544,898
	586,744,562	**576,355,021**
Non-controlling interests	6,256	0
	586,750,818	**576,355,021**

The revaluation surplus of the AFS financial assets amounted to EUR 239,474,103 as of 31 December 2014, evolving to EUR 205,518,968 as of 31 December 2015.

AFS financial assets are designated at fair value with changes in value through profit or loss. Under the current application of IFRS 4 (phase 1), the technical provisions follow local accounting rules based on the principles for accrual accounting.

It is expected that this discrepancy between the measurement method for insurance liabilities and the measurement method for the corresponding assets will be resolved in the transition to IFRS 4 (phase 2). This accounting standard is currently under development.

	31/12/2014	31/12/2015
Revaluation reserve for available-for-sale financial assets	356,722,387	302,702,337
Deferred taxes in respect of available-for-sale financial assets	-117,248,281	-97,183,369
	239,474,106	**205,518,968**

The transition of AFS financial assets can be found in the note to 'consolidated statement of changes in equity'.

Capital increase

As of 31 December 2015, the capital of the Company amounted to EUR 131,467,000. During the past two years there have been no capital increases.

Dividend proposal for the financial year

In the fourth quarter of 2014, an interim dividend of EUR 20,125,000 was paid out (EUR 12.5 per share), with a (final) dividend of EUR 20,125,000 declared with the appropriation of the 2014 results.

In October 2015 an interim dividend of EUR 11,270,000 was paid. No final dividend was provided for in the appropriation of the 2015 results.

Non-controlling interests

The 'non-controlling interests' item relates to one share of its subsidiary Argenta Life Luxembourg SA that is not held by the Company. This share used to be owned by the sister company Argenta Bank Luxembourg. ALL was liquidated in July 2015, so that at the end of 2015 there is no longer any non-controlling interest in Aras.

4. Risk management

Professional, comprehensive risk management is an essential prerequisite for achieving sustainable, profitable growth. The Argenta Group recognizes this and considers risk management as one of its core activities.

The risk management framework is constantly being updated and adapted in response to new regulations, daily experience and changes in the Argenta Group's activities. Demonstrating that adequate risk management procedures are in place is a key condition for acquiring and retaining the trust of all stakeholders: customers, investors, branch managers, supervisory authorities, as well as directors, management and employees.

The strategy and long-term policy of all Argenta entities are determined by the Executive Committee and Board of Directors of BVg. The two main subsidiaries, the Company and its sister entity Argenta Spaarbank, are responsible for operational management within their own areas of competence as established in the Memorandum of Internal Governance.

Risk management at the Company

The executive committees of the Company, Argenta Spaarbank and BVg are integrated, with a number of members in common: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO).

This unity of management highlights the importance of a commercial, risk and financial strategy that is harmonised group-wide, with an emphasis on the long-term relationship with both customers and the self-employed branch managers.

The Argenta Group continued in 2015 to develop its cautious and transparent risk management. This process has more than proven its added value.

The Risk Appetite Framework (RAF) is strongly embedded in the business plan process cycle: filling in the risk appetite matrix, translation into proactive RAF standards, testing against the business plan iterations and, finally, risk assessment.

A direct relationship exists between the RAF risk indicators and i) the ORSA for the Insurance Pool and ii) the policy documents, via the further translation into operational risk limits. This has resulted in the daily embedding of risk awareness in first line management and in better and leaner risk management processes.

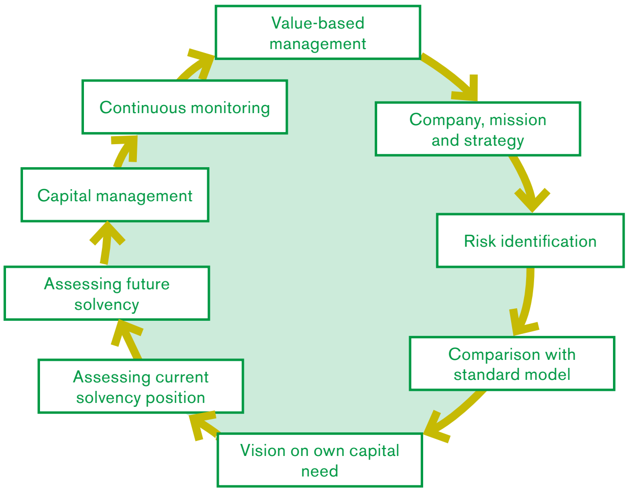
Risk management has evolved from risk management 'by design' (policies) and risk management 'in practice' (embedding) to 'cost effective' risk management.
As well as an optimization of risk governance, the risk metrics were also greatly improved. In this process, the RAF risk parameters were refined and expanded with the addition of a number of quantitative and qualitative RAF indicators.

The following RAF qualitative indicators were added:
- Net Promoter Score (NPS) staff
- *Operational Risk Management (ORM) Key Risk Indicator*

The Net Promoter Score (NPS) is a simple but powerful tool for measuring customer satisfaction, in this case staff satisfaction. The ORM indicator was developed as part of the monitoring and embedding of operational risk across all lines of the organization.

In 2015, regular consultation took place with the regulatory authority, also covering the ORSA process. All risks of the Company were identified in the ORSA process. Consideration was then given to whether the standard formula from Pillar 1 of Solvency II sufficiently reflects the risk for Argenta. This leads to an own risk assessment in Pillar 2 of Solvency II.

The ORSA process consists of the following steps:



For **Argenta Assuranties on its own**, all steps of the ORSA process were completed in 2015. The process is embedded in the organization, including workshops with middle and senior management. First line departments calculate all risks. The calculations are largely integrated into the business plan process. The Company calculated in 2015 for the first time stress scenarios for reduced growth, increased costs and market stress. These show the Company to have a good resistance to the tested scenarios.

For **Argenta Life Nederland (ALN)**, all steps of the above ORSA process were also completed in 2015. The outcome is an ORSA report prepared with the cooperation of business partners and ALN middle and senior management. ALN has taken into account here the regulator's comments to the 2014 report, in which the Dutch National Bank (DNB) gave ALN the best score.

For this reason particular attention was paid this year to the filling of key functions (risk management, actuarial, compliance and internal audit functions). Relevant stress scenarios were also tested in the ORSA report. In all tested scenarios, Argenta Nederland appeared to have very good resistance.

In 2015 a consolidated group-level ORSA report was compiled for a second time. In November 2015, this ORSA report was presented and discussed in a meeting with the NBB. During the discussion, positive feedback was given on the report.

Governance

Group risk management takes place, in addition to the independent Internal Audit and Compliance control functions, mainly at Argenta Group level. In the Company-wide Risk Management Charter, the risk management function is defined as the second line function that controls general risk management within Argenta.

The Risk Management function supervises and controls the first line for risk management and provides supporting risk advice. This function is performed by the Risk & Validation Department and is under the hierarchical responsibility and supervision of the CRO.

First-line risk management is organised and handled autonomously within each entity, and hence comes under the auspices of the various group companies' management bodies.

The Actuarial department functions as the actuarial knowledge centre that provides advice to various departments within the Insurance Pool. This knowledge centre plays a fundamental role in the Company's risk by providing specifically insurance-focused information and advice.

In 2015 the independent Credit Risk Policy (CRP) department, the knowledge centre for modelling and analysis of retail credit risk, was expanded. The vision was also defined, whereby CRP evolves from a product and regulatory focus to a customer and Argenta model. This knowledge centre plays a fundamental role in the risk management of the Argenta Group by providing specifically retail credit portfolio-focused information and advice, among other things via Kreco (Retail Credit Risk Committee).

Significant efforts were made to define and distinguish roles and responsibilities in these specialist fields.

The Risk & Validation Department:
- provides the independent second-line control;
- has as its basic principle: 'identify, measure, report and mitigate' for all material risk factors, which are then integrated into the ORSA for the Insurance Pool. In this way the department also controls the (economic) capital management;
- has a 'radar' function of pro-active identification of not yet fully identified risks;
- plays an important role in risk modelling policy and validation;
- undertakes the necessary formal risk checks, and in this capacity plays an active role in, among others, the Group Risk Committee and Asset & Liability Committee/Insurance Risk Committee;
- provides the Executive Committees, Board of Directors and Risk Committees with independent advice on the risk management process at Argenta.

Risk management is not just a second-line function, but an organization-wide activity (*enterprise risk management* or 'ERM'). It has to be aligned with the business strategy and to be effective.

The monthly umbrella Group Risk Committee (GRC) has an alternating agenda consisting of, in month one ICAAP Argenta Spaarbank)/ORSA (Argenta Assuranties) topics, i.e. economic capital topics, in month two credit risk topics (Kreco - Credit Risk Committee) and after that operational risk (Orco - Operational Risk Committee).

Validation

Along with second line control, risk model validation is one of the core activities of the Risk & Validation department. The regulator requires financial institutions to have the risk models they develop confirmed by an independent validator.

The activities of the Validation Unit for the Company included in 2015:
- opinion on the valuation methodology for the Dutch mortgages under Solvency II;
- validation of the fair value calculations on mortgage transfers to the Company.

The Company's risk profile

This annual report discusses the activities of the Insurance Pool. As required by Article 119.5 of the Belgian Companies Code, a summary is provided below of the objectives and the policy governing risk management.

The Company's risk management policy and attendant organizational structuring are designed to ensure that the known risks are always properly identified, analysed, measured, monitored and managed.

Through its activities, the Company is exposed to different risks, the main ones for the Insurance Pool being market risk and credit risk. Other significant risks are the evolution of economic activity in Belgium and the Netherlands and the risks associated with the limited geographical distribution of the business activities.

The risk management for the Company distinguishes here, among other things, between the following risk categories: market risk, liquidity risk, credit risk, operational risk, insurance risk and other risks.

Failure to maintain control over these risks can adversely affect the financial performance and reputation of the Argenta Group.

These risks are managed uniformly across the Argenta Group, using the Risk Appetite Framework (RAF) that has been built up, the policies and the procedures.

4.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in market prices. Within this market risk, the following 4 risks are relevant: interest rate risk, spread-widening risk, equities risk and real estate risk.

- Changes in interest rates, yield curves and fluctuating rates of return can, for the Insurance Pool, create an imbalance between the guaranteed interest rate on policies and interest income.
- Similarly the level of the credit spread or its volatility – not necessarily caused by a change in the issuer's creditworthiness – is a key factor for the return and economic value of the investment and loan portfolio.
- The performance of the financial markets can also cause the value of the investment portfolio to fluctuate.

It should be noted that the Insurance Pool operates only in the Benelux countries and invests only in euros and is therefore not exposed to currency risk. Nor is there any intention to take positions in non-euro currencies.

Interest rate risk

The interest rate risk results primarily from changing market prices, unexpected changes in investment returns and changes in the correlation of interest rates between different financial instruments. Changes in interest rates affect the profit-sharing and the value of the investments purchased by the Company.

The fact that the Company focuses primarily on simple investments such as government bonds, bank and non-bank bonds and mortgage loans, simplifies risk management.

In its risk management procedures, the Company pays much attention to having a consistent internal structure, enabling it to perform these activities judiciously, objectively and efficiently and to provide the competent management bodies with timely, comprehensive reports. First among these is the Asset and Liability Committee (hereinafter "ALCO"). This has specific responsibilities for monitoring the daily management of the financial positions, reporting on this to the Executive Committee. It has a permanent remit to maintain both the income sensitivity of the net interest income and the market-value sensitivity of equity within set limits.

In its risk measurement and management, ALCO takes into account the various components of the interest rate risk contained in the Argenta Group balance sheet. These include the repricing risk (risk from interest rate mismatch between assets and liabilities), the yield curve risk (risk from non-parallel movement of the interest rate curve), the option risk (risk from the implicit and explicit options on the balance sheet) and the basic risk.

The latter risk arises, inter alia, from the use of various reference indices as a basis for repricing asset and liabilities products, for example Belgian mortgages on the basis of the OLO reference index. Within the ALM these risks are monitored and managed using scenario analysis.

As with any other risk, the interest rate risk requires a risk buffer in the form of equity capital. In its ORSA (Own Risk Solvency Assessment), the Company factors in additional capital to cover the interest rate risk.

In so doing the Company has implemented risk management methods to control the interest rate risk to which it is exposed. In this way, all material sources of interest rate risk are identified.

Sensitivity analysis

The following asset and income sensitivity analysis shows the impact of a parallel interest rate shock on the net interest result and on the other components of equity.

Income sensitivity relates to an impact of a parallel interest rate shock on the net interest result for the first year, on the supposition of flat rates and new business as foreseen in the business plan.

Income sensitivity interest income	delta 2015	delta in % baseline scenario	delta 2014	delta in % baseline scenario
Interest rates rise by 100 basis points	522,717	1.44%	-1,865,717	-4.25%
Interest rates fall by 100 basis points	-290,396	-0.80%	458,589	1.04%

A 100 basis points increase in interest rates would increase the net interest result slightly during the first year by EUR 0.52 million. This is a reverse movement compared to last year where a rise in interest rates would have had negative result.

The table below shows the impact of a parallel interest rate shock on the Company's economic value.

Economic value	delta 2015	delta in % NEV	delta 2014	delta in % NEV
Interest rates rise by 100 basis points	-10,971,046	-3.15%	-22,301,566	-7.31%
Interest rates fall by 100 basis points	-5,508,661	-1.58%	-565,782	-0.11%

The market value sensitivity shows the impact of a parallel interest rate shock on the Qualifying Capital (= Solvency I-QC) of the Company.

The interest rate risk lies in an upward interest rate shock, with a EUR 11 million reduction in economic value with a +1% upward shock.

The downward shock is not parallel as the yield curve is negative for the first 10 years and therefore floored.

The impact is mainly situated in the long-term liabilities, which continue to rise in a downward interest rate scenario, with hardly any impact on the market value of the assets.

In 2014 a 100 basis points increase in interest rates would have had a negative impact of EUR 22.3 million or -7.31% of the economic value. A 100 basis points fall in interest rates would have a negative impact of EUR 0.6 million (-0.11%).

In 2015 a 100 basis points increase in interest rates would have had a negative impact of EUR 10.9 million or -3.15% of the economic value. A 100 basis points fall in interest rates would have had a negative impact of EUR 5.5 million (-1.58%).

Strategy for risk reduction

The Company maintains a prudent ALM policy that seeks to maximize the alignment of the interest rate profile between the investment portfolio and the balance sheet liabilities, with the aim of optimally hedging the interest rate risk.

The table below shows (as an indication of the interest rate structures) the existing interest guarantees attached to the technical provisions linked to the branch 21 products.

	31/12/2014	31/12/2015
Over 4.25% up to 4.99%	2%	1%
Over 3.50% up to 4.25%	9%	6%
Over 3.00% up to 3.50%	33%	17%
Over 2.50% up to 3.00%	9%	15%
2.50% and lower	47%	61%
Total	**100%**	**100%**

Spread widening risk

The return on the investment portfolio is largely determined by the credit spread earned on the investments made. The evolution and fluctuations of the credit spread are often market-driven and determined by factors other than those relating to the creditworthiness of the issuer.

These market risk factors induce spread widening risk. Alongside the pure interest rate, they are the main driver of asset returns and the economic value of the investment portfolio. In addition, the market value of the investment portfolio is included in the calculation of the insurer’s prudential capital base (Solvency II).

The pursuit of a cautious investment policy, frequent monitoring of the economic fluctuations in the value of the investment portfolio and measuring the sensitivity of changes in credit spreads are therefore also important pillars of healthy portfolio management.

The conduct of a sound investment policy is guided by a strict investment framework that determines, based on the creditworthiness of the issuer, the permissible investment level and maximum maturity. This investment policy is shaped by a thorough analysis of the credit sectors and investment files and an active screening of market opportunities. The tactical adjustment of the portfolio allocation between the various credit sectors respects at all time the rules defined in the Strategic Asset Allocation.

The evolution of the market value of the investment portfolio is monitored in the Asset and Liability Committee. Credit spread sensitivity is calculated and monitored in the ORSA framework and is checked against the RAF.

Equities risk

From a strategic allocation perspective, equities complement the existing bond and loan portfolios and are intended to optimize the risk return profile of the portfolio. Within a limited investment framework and subject to compliance with strict investment criteria, the Company has the possibility to take equity positions into its investment portfolio.

The price risk is controlled by subjecting the equity investments to a thorough analysis of underlying fundamentals and by framing the investment policy within the approved risk appetite and assigned limits.

In 2013 the position in Argenta Pension Saving Fund (Pensioenspaarfonds) certificates was fully phased out. As part of the reinvesting of pension savings this portfolio was replaced by direct positions in equities and bonds.

The portfolio of individual equities was built up further in a diversified fashion in 2014 and 2015.

This portfolio is managed within a rigorous risk management framework, including limits on size, permitted sectors, market capitalization and concentration.

Further details on this portfolio can be found in Note 11.

Property risk

The evolution of real estate prices has an influence on lending to individuals and also influences the credit risk through the giving of property as collateral. The Company has here a concentration of private mortgage loans in Belgium and the Netherlands. This makes the company dependent on developments in the housing market.

The Company also has a limited investment space for (indirect) real estate investment under strict conditions, in terms of both investment type and concentration risks. Within these limits, a number of loans were made to real estate counterparties.

Further information on this limited portfolio can be found in Note 15.

4.2. Liquidity risk

Liquidity risk is the risk of insufficient liquidity being available to honour its financial obligations when they fall due. This may be the result of:

- an unexpected prolongation of the outstanding receivables, e.g. a loan default;
- the risk, in the Insurance Pool, that payment obligations increased owing to a rising number of claim events, or early retirements or surrenders, as a result of which Argenta is unable to meet its payment obligations;
- the risk that the necessary financing transactions cannot be undertaken (or can be undertaken only at disadvantageous conditions);
- the risk that assets can be liquidated only at a severe mark-down, owing to a shortage of interested counterparties on the market.

In this way liquidity risk is the risk of the Company lacking cash or being unable to raise or release this at an acceptable price to meet expected and unexpected cash demands from policyholders and other contractual parties. Liquidity risk may result from both insurance-specific and market risks.

For the insurance-specific risks, the liquidity situation is closely related with the technical provisions. The coverage values of the technical provisions are reported quarterly. For insurance contracts the risk of early termination (surrender) is considered part of the underwriting risk (the underwriting risk includes all risks associated with the nature of the underwriting of insurance activities).

The market liquidity risk is the risk of the difficulty or impossibility of selling positions at acceptable market prices. In addition, there is a risk that the necessary funding activities cannot be carried out in order to raise sufficient outside resources.

The Asset and Liability Committee monitors the liquidity ratios on a permanent basis. The management framework is clearly defined and detailed in the Treasury & ALM policies.

In order to measure, monitor, check and report on the liquidity risk, the Company has a specially adapted management information system (MIS), including a contingency plan for being able to adequately manage its liquidity in both normal and exceptional circumstances.

For the Insurance Pool a LCR (Liquidity Coverage Ratio) is calculated with subsequent monitoring of the cumulative maturity gap.

Future liquidity is monitored and limited by comparing the cash flow profile of the assets and liabilities against each other on a quarterly basis and taking action (balance sheet adjustment, setting up a line of credit) if needed.

The existing gap between the portfolio and the opposing insurance contracts is important and is monitored systematically. This monitoring is part of the periodic liquidity gap analysis. These management measures include adjusting the balance sheet through proactive initiatives to keep the funds released from the insurance contracts with the Company and setting up lines of credit with financial institutions.

The notes to the respective assets and liabilities items include information on the maturities of the respective financial instruments.

The Company has no liquidity-related covenants with external parties, making this issue irrelevant in the context of liquidity risk.

4.3. Credit risk

Credit risk is defined as the risk of a counterparty being unable to meet its payment obligations. This can be the result of the insolvency of a customer or counterparty. This risk arises in both the traditional loan portfolio and in other investment activities (other interest-bearing assets). In this latter group of assets, widening spreads and rating downgrades serve as indicators of credit risk.

For the Company there are essentially two sub-areas of concern with regard to credit risk: the market for mortgage lending to individuals (a limited concern), and the investment portfolio (a major concern). There is also the reinsurer default risk.

A weakening of the credit quality of the Insurance Pool's borrowers and counterparties, a general deterioration of Belgian, Dutch or global economic conditions, or a decrease in credit quality caused by systemic risks can affect the recoverability of outstanding loans and the value of the Insurance Pool's assets, requiring an increase of the provision for non-performing and doubtful loans, as well as other provisions.

The management of credit risk is governed by means of appropriate and regularly updated policies (the Retail Lending Credit Risk Policy and Treasury and ALM policies).

All entities and departments have adequate measuring instruments, guidelines and procedures with which to manage credit risk. These include a fully independent loan approval process with set limits for creditworthiness, monitoring procedures, and overall indicators of the quality of the retail loan portfolio, the investment portfolio and the local and regional government lending portfolio.

Governance is also supported by the work of a number of (consultation) committees like the Rating Consultation, the Investment Consultation, the Credit Risk Committee, the Group Risk Committee and the Asset and Liability Committee.

Lending to private individuals and investment portfolio

The Company has a reducing portfolio of loans to individuals in Belgium on the balance sheet (loans formerly made through the so-called CBHK channel). From 2013, loans have again been taken onto the balance sheet, in the form of Dutch mortgage loans. This portfolio was further expanded in 2015 through staggered purchases of new loans. Further information on both portfolios can be found in Note 12.2.

The Company pursues a low risk profile in its mortgage loan portfolio. This strategic option is confirmed in, among other things, its credit acceptance conditions and its credit-granting procedures, of which the provision of security (mainly mortgage registrations on buildings) is one of the basic conditions, together with the strategic focus on lending to retail customers.

These portfolios make the Company sensitive to developments in the housing market and the repayment capacity of retail borrowers in Belgium and the Netherlands.

In addition, the Argenta Group has a diversified and high quality investment portfolio with a concentration in debt instruments of the Belgian government. It is also building up a portfolio of loans to local and regional authorities.

Credit policy

For the Company there are essentially three sub-areas of importance for credit risk: the market for mortgage lending to individuals (in Belgium and the Netherlands), the investment portfolio, and the portfolio of loans to local and regional authorities. Credit risk management therefore focuses on these three segments.

The Company also succeeded excellently in 2015 in further diversifying the investment portfolio while maintaining high asset quality, with attention paid to expanding lending to and investments in local and regional government.

The risk appetite level applied appears in the RAF. For monitoring credit risk in both the retail credit and investment portfolios, the RAF contains indicators linked to portfolio quality and concentration risk.

With respect to the investment portfolio, the RAF was expanded in 2015 with an indicator for monitoring loans to public entities. In 2015, prudent investment policy was again a permanent focus. Such an approach is still considered to be the most efficient first line of defence par excellence.

The investment framework remains focused on strong counterparty quality. As in 2014, so too in the course of 2015, in part as a reaction to the low interest rate environment, the Company further diversified selectively into investments in corporates, and also, since last year, into indirect real estate investments. It also extended its positions in securities of or loans to local authorities.

The application and practical implementation of the investment policy are also supported by the Investment Consultation, in which representatives of the Executive Committee, TIM (Treasury and Investment Management) and Financial Management (Credit Risk Analysis department) in the first line, and Risk in the second line, discuss and decide on investment issues.

In the investment portfolio, concentration risk can affect credit risk. Concentration risk may arise due to a large overall positions to individual counterparties, or a large overall position in a number of positively correlated counterparties (i.e. parties that will default together under similar circumstances). Avoidance of concentrations is an important factor in the Company's credit risk strategy.

The following table provides a geographical breakdown of government bonds by market value. At end-2015, government bonds represented 48.57% of available-for-sale financial assets (compared to 55.55% on 31 December 2014). The overview also shows a decreasing but still large exposure to Belgium (Company's place of business).

	31/12/2014	31/12/2015
Belgium	62.9%	58.5%
Italy	6.5%	7.9%
Slovenia	4.7%	5.5%
France	3.6%	4.3%
Slovakia	4.2%	3.1%
Ireland	3.4%	3.3%

	31/12/2014	31/12/2015
Czech Republic	3.2%	3.4%
Poland	2.5%	2.9%
Spain	1.5%	1.8%
Lithuania	1.4%	1.7%
Other	6.1%	7.6%
Total	**100.0%**	**100.0%**

The table below shows the rating level of this portfolio. Additional information related to this portfolio can be found in Note 11 'Available-for-sale financial assets'.

	31/12/2014	31/12/2015
Investment grade	96.5%	96.1%
Below investment grade	2.5%	2.9%
Non-rated	1.0%	1.0%
Total	**100.0%**	**100.0%**

Impairments

Certain impairments can be recognized on an individual basis for credit losses, when a loan is deemed to be in default, meaning that objective indications exist that the Company will be unable to collect all amounts due under the contract terms. The amount of the impairment is the difference between the carrying amount and the recoverable amount.

The Company evaluates its portfolio continuously in terms of arrears. The following tables provide an overview of 'loans to and receivables from other customers' for which arrears have been detected but for which no individual impairments have been recognized. The table below gives the total amount of arrears.

As at 31/12/2014	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Mortgage loans	441,621	37,557	22,630	1,088
	441,621	**37,557**	**22,630**	**1,088**

As at 31/12/2015	<= 90 days	90 days <> 180 days	180 days <> 1 year	> 1 year
Mortgage loans	335,623	61,823	43,448	47,058
	335,623	**61,823**	**43,448**	**47,058**

There are arrears only on loans and receivables/mortgage loans. There are no arrears on the other financial assets.

Impairments determined on an individual basis

The following table gives the asset categories in which individually determined impairments have been recognized, along with the respective amounts. The total portfolios and impairments can be found in Notes 11 ('Available for-sale financial assets') and 12 ('Loans and receivables').

As at 31/12/2014	Balance sheet carrying value	Impairments - individually assessed assets
Available-for-sale assets		
Fixed income securities	2,025,229	114
Public institutions	0	0
Credit institutions	0	0
Other loans	2,025,229	114
Non-fixed income securities	11,389,786	2,847,739
Total available-for-sale assets	**13,415,015**	**2,847,853**
Loans and advances		
Mortgage loans	7,763,996	1,421,688
Total loans and advances	**7,763,996**	**1,421,688**

As at 31/12/2015	Balance sheet carrying value	Impairments - individually assessed assets
Available-for-sale assets		
Fixed income securities	7,781,303	2,271,165
Public institutions	0	0
Credit institutions	0	0
Other loans	7,781,303	2,271,165
Non-fixed income securities	12,223,313	2,675,546
Total available-for-sale assets	**20,004,616**	**4,946,711**
Loans and advances		
Mortgage loans	5,871,577	1,158,977
Total loans and advances	**5,871,577**	**1,158,977**

The following table sets out the movement of the on-balance sheet individual impairments and their impact on the income statement.

	Opening balance 1/01/2014	Growth via P&L	Release via P&L	Closing balance 31/12/2014
Available-for-sale assets				
Fixed income securities	0	114	0	114
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Other loans	0	114	0	114
Non-fixed income securities	2,174,847	1,034,574	-361,681	2,847,739
Total available-for-sale assets	**2,174,847**	**1,034,688**	**-361,681**	**2,847,854**
Loans and advances				
Mortgage loans	1,961,658	0	-539,970	1,421,688
Total loans and advances	**1,961,658**	**0**	**-539,970**	**1,421,688**

	Opening balance 1/01/2015	Growth via P&L	Release via P&L	Closing balance 31/12/2015
Available-for-sale assets				
Fixed income securities	114	2,271,051	0	2,271,165
Public institutions	0	0	0	0
Credit institutions	0	0	0	0
Other loans	114	2,271,051	0	2,271,165
Non-fixed income securities	2,847,739	1,261,777	1,433,971	2,675,546
Total available-for-sale assets	**2,847,853**	**3,532,828**	**1,433,971**	**4,946,710**
Loans and advances				
Mortgage loans	1,421,688	1,156,559	1,419,270	1,158,977
Total loans and advances	**1,421,688**	**1,156,559**	**1,419,270**	**1,158,977**

Impairments exist only in the ‘available-for-sale assets’ and ‘loans and receivables’ portfolios.

Impairments determined on a portfolio basis

Collective IBNR impairments are also calculated and recognized on the mortgage loan portfolio.

This ‘incurred but not reported’ impairment on loans is recognized for mortgage receivables that are not in default and on which no impairment losses have been recorded on an individual basis (‘performing loans’).

This collective evaluation of impairment losses includes the application of a ‘loss confirmation period’. This represents a time interval (expressed in months) between the occurrence of the impairment-causing event (i.e. a ‘loss event’) and the time it is identified in the entity’s credit system.

The application of the ‘loss confirmation period’ ensures that impairments that have already de facto occurred but have not yet been identified as such, are included in the provisions.

Based on a ‘point-in-time’ and PD (probability of default), the portfolios are divided into risk categories. For each risk category, the probability is then examined of a credit in this category going into default within a certain period.

As of 31 December 2014 there was an IBNR provision of EUR 780,299 at the Company. As of 31 December 2015, the IBNR provision had decreased to EUR 377,650 owing to the aforementioned adjustment in the valuation methodology and the additional mortgage portfolio.

Collateral

Security in the form of personal guarantees or material collateral is always required when granting mortgage loans. The lower a borrower's creditworthiness, the more security he will be required to provide. Under the foreclosure policy, it occasionally happens that certain collateral item is acquired and is recorded in the balance sheet.

For such collateral (here, the properties on which a mortgage or mortgage mandate is registered), new individual estimates are made whenever the loans to which the collateral is attached are deemed in default (see the definition of default in the above description of impairments). All material collateral is periodically reassessed using a statistical method.

Foreclosure policy

When all other means of financial settlement of a defaulted loan have been exhausted, and where real estate is involved, the Company initiates a a private or public sale.

In 2015 one building was purchased. Purchased buildings are all recorded under real estate investments (see Note 15).

The conservative credit policy and strict monitoring policy have kept credit losses low in the Company's various areas of activity in recent years.

Forbearance

At the end of 2014, based on the EBA definition of forbearance, the necessary policy documents were completed, with adjustments made to the internal credit systems for better recording of the files concerned. The adjustments relate to refinancings and extensions following on payments arrears.

The Belgian mortgage portfolio is being phased out, with no more active initiatives being taken for this portfolio. The amounts recorded in 2014 related to these files.

	31/12/2014	31/12/2015
Total exposures with forbearance measures	907,264	815,265
Performing exposures with forbearance measures	349,933	377,125
Non-performing exposures with forbearance measures	557,330	438,140
Accumulated impairments and provisions in respect of these exposures	-7,774	-5,976
Collateral received for exposures with forbearance measures	569,010	495,974

In 2015 there were five files that could be classified as 'forbearance': three CBHK files and two Dutch mortgage files.

4.4. Insurance-technical risks

4.4.1. Overview of insurance risks

The insurance risk consists of i) the underwriting risk and ii) the risk of failure of the reinsurer.

The underwriting risk includes generally all risks associated with the nature of the subscription of insurance activities. It is the risk of loss of future earnings and capital caused by the difference between expected and actual payments.

For indemnity insurance, the company's results depend mainly on the degree to which technical provisions and actual claims payments correspond to the principles applied in pricing products policies.

For life insurance, the insurance risk includes unexpected changes in surrender behaviour, differences between expected and actual (death) benefit payments and policy processing costs.

In health insurance both types of risk - those specific to life insurance and those specific to indemnity insurance - exist together.

The Company applies a number of procedures in order to keep the insurance risk under control.

Acceptance, remediation, pricing and reserve-setting policies are determined and adjusted by continuously monitoring the technical results, the portfolio profile and the adequacy of the technical provisions of the Insurance Pool. Clear acceptance policies for well-defined target groups serve to limit the acceptance risk. Whenever a new product is developed, all possible risks are taken into consideration in order to reduce the underwriting risk. Continuous monitoring enables any necessary measures, such as price adjustment, to be taken in good time.

The income and value stability of the products is monitored by the following RAF indicators: value new business for life insurance and combined ratio for indemnity and health insurance.

The adequacy of reserves (LAT: *Liability Adequacy Test*) is assessed using the eponymous policy.

The rules for calculating the technical reserves are conservative and systematically examined for adequacy. If reserves are considered inadequate, a decision is made in most cases to assign supplementary provisions and/or adjust the pricing and risk acceptance strategies or to take other initiatives.

The Insurance Pool also uses reinsurance to limit certain risks, to mitigate claims volatility and to improve the solvency ratios. The retention levels and limits of the reinsurance treaties are determined based on Argenta's acceptance policy and risk appetite and are enshrined in the 2012 Reinsurance policy. This policy also describes how the risk of reinsurer failure is managed.

The Insurance Risk Committee tracks these risks on a permanent basis. The Actuarial function is regularly involved in this process.

In 2015 work continued on the implementation of the new Solvency II regulations.

The main insurance-technical risks are morbidity risk, cost-related risks and release risk, mortality and longevity risk, premium and reserve risk for non-life and catastrophe risk.

Mortality and longevity risk

The mortality risk is the risk of unexpected increases in mortality rates. This risk is reduced by setting limits on the acceptance policy, regular evaluation of the mortality tables and by concluding reinsurance treaties.

The longevity risk (unexpected increase in chances of survival resulting in improved life expectancy) is managed, among other things, by regular assessment of the mortality tables, choice of tariff structure, limiting contract periods and adjusting rates at policy renewal dates.

Mortality and longevity risk is viewed by the Company as a sub-risk. The major part of the mortality risk arises out of credit insurance.

Morbidity risk

The morbidity risk is the risks of unexpected increases in morbidity rates and of medical inflation.

The Company has a sizeable portfolio of individual hospitalization policies. In determining the risk it takes into account its experience with similar cases and historical trends, such as the size of the portfolio, claims payments and claims inflation.

The capital cost of the health risk may fall further by a continuing switch from single to multi-bed rooms and maximum indexing of the premium.

Cost-related risk

The development and pricing of insurance policies is based, among other things, on assumptions about the cost of selling and processing policies and of managing claims until these policies expire or pay out and about expected retention rates. The risk of unexpected developments and their possible consequences are mapped out, among other things, at the product development stage.

Reasons for increased cost-related risk include having a larger portion of long-term contracts, and changes in assumptions such the increase in recurring costs per insured or a rise in cost inflation. Cost control is therefore an important factor in the management of this risk.

Release risk

The release risk is the risk of the number of policies coming to an end (partial and full surrender or cancellation/ reduction) being higher or lower than expected as a result of individual or mass events.

The Company is exposed to risk when the number of surrenders increases, because in this case it is not always possible to fully recover the handling charges on the sale of a product and/or because of the loss of the profit component of future premiums. On the other hand, the Company has also products where the risk lies in a lower than expected number of surrenders. For the Company, mass release is the biggest risk.

This risk is reduced by the presence of thresholds, such as the surrender fee, the application of the market value adjustment and any tax withholdings applicable. For indemnity insurance the release risk is negligible.

Premium and reserve risk

Premium risk is caused by unexpected deviations in the timing of claim events, claims size and number of claims. Premium risk is caused by new contracts (including renewals) and by unexpired risks in existing contracts. Premium risk also includes the risk of premium reserves being insufficient.

Reserve risk is caused by abnormalities in the settlement pattern of an already occurred claim event and the size of the damage.

This risk is managed by monitoring profitability, by the portfolio profile, by periodic adequacy testing (following the policy guideline) and by acceptance and reserving policy.

Catastrophe risk

Catastrophe risk relates mainly to natural or man-made disasters. Part of this risk is mitigated by means of reinsurance treaties.

For life insurance this includes the risk of increased mortality due to a pandemic.

Indemnity insurance in particular is subject to this risk. In life insurance the catastrophe risk relates primarily to outstanding balance.

4.4.2. Reinsurance

In accordance with its policy on Reinsurance, the Company uses reinsurance to limit certain insurance risks. It is reinsured for the following branches:

Non-life Aras

- Property claims: excess of loss per risk and per happening or event (catastrophe risk);
- Liability claims: excess of loss per risk: third party liability, car driver and car passenger insurance, third party buildings, and third party private life;
- Omnium vehicle claims: annual aggregate excess of loss per event (catastrophe risk).

For health no reinsurance traité is signed.

Life Aras and ALN:

- Life: excess sums: individual risk of death.

The table below shows the reinsurance premiums paid per branch to the reinsurer at year end:

	31/12/2014	31/12/2015
Property	1,298,238	1,315,103
Motor	1,378,027	1,260,464
Family	139,385	127,484
Life	2,753,372	1,850,276
Total	**5,569,022**	**4,553,327**

4.4.3. Claims reservations

Setting up claims reserves for Indemnity & Health is a core process for an insurance company. The operational claims provisioning weigh heavily on the profitability of an insurance company. In various types of indemnity insurance, a small number of major claims can undermine the profitability of an entire portfolio. Hence the importance of an operational provisioning policy (embodied in a separate policy guideline).

The Company distinguishes here between 'frequency files' with smaller claims amounts under EUR 125,000 and heavy damage claims beyond this limit:

- The policy for frequency files is situated upfront, in the annual determination by the actuarial department of the standard opening reserves, based on the historical cost of claims. This is a 'best' estimate of the average cost of claims. The speed of this calculation and its incorporation in the computer systems (reservation amounts are automatically applied when opening a new insurance file) are decisive here.

- The policy with regard to heavy files (files with a potential claims cost of over EUR 125,000) requires a customized approach. The costs here are mapped by a process of constant evaluation of the interventions by the insurance undertaking and with analysis of the practice of the insurance contract, of the conventions and exclusions, the approach taken to the claim, liability, the various liability allocation mechanisms, the deduction of the policyholder's own portion and the addition of costs.

  The aim here is a fair estimate of heavy files (based on all the above items) plus a risk margin, given the potential heavy fluctuations. This precision approach, with frequent revisions, is intended to minimize upward and downward fluctuations.

- The core of the operational guidelines for implementing this policy lies in the rapid detection and isolation of these potential heavy claims files from the mass of the frequency files.

The challenge consists of handling frequency claims quickly without slowing down the reservation process and by quickly identifying the potential heavy claims files and reserving them correctly.

Hence the importance for the Company of implementing a very precise policy with regard to provisioning of claims. At opening but also in the treatment of the above mentioned heavy files.

Development of loss reserves

The table below illustrates the claims triangle and includes the evolution of total cost of claims per occurrence year, with the cost of claims equal to the sum of the payments and the loss reserves from which recoveries and recovery reserves are subtracted.

Both payments and recoveries are cumulative. The claims concern settlement payments from 1 January of the year of occurrence until the final settlement year.

A claims triangle breaks down as follows: on a horizontal axis the settlement years, vertically the event occurrence years and diagonally the accounting years. The number of years depends on the available history of the product line in question. The more developed the claims history, the more reliable the valuation of the cost of claims.

The table below shows the gross movements before reinsurance and IBNR in the claims settlement triangle.

	< 2002	2002-2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Estimate at the end of the year of event occurrence	0	257	55	55	46	44	49	53	57	74	77
1 year later	0	258	53	52	42	46	47	52	58	78	0
2 years later	0	253	51	51	44	44	45	51	57	0	0
3 years later	0	249	48	52	43	43	44	49	0	0	0
4 years later	0	244	49	50	43	43	44	0	0	0	0
5 years later	0	242	49	50	43	42	0	0	0	0	0
6 years later	0	235	49	49	43	0	0	0	0	0	0
7 years later	0	235	48	49	0	0	0	0	0	0	0
8 years ater	0	234	48	0	0	0	0	0	0	0	0
9 years and later	0	228	0	0	0	0	0	0	0	0	0
Current estimate	228	228	48	49	43	42	44	49	57	78	77
Cumulative payments	220	217	47	46	40	41	41	44	46	56	30
Current provisions	8	11	1	3	3	2	3	5	11	22	46

4.4.4. Analysis of movement of technical provisions

The table below analyses the Company's technical provisions for life insurance (branch 21 contracts). An overview of the total technical provisions for life insurance can be found in note 17.

	31/12/2014	31/12/2015
Analysis of movement of technical provisions (branch 21)		
Starting balance, technical provisions branch 21	2,126,128,274	2,329,996,227
Incoming payments	516,260,234	219,154,974
Surrenders, death, arrival at term, annuities	-314,630,154	-283,758,148
Interest cost	62,251,832	56,001,330
Profit sharing	1,616,984	2,121,645
Other changes	-61,630,943	-92,804,486
Ending balance, technical provisions branch 21	2,329,996,226	2,230,711,542
Other	0	0
Supplementary provisions, life insurance	16,131,917	20,960,449
Total	**2,346,128,143**	**2,251,671,991**

For branch 23 contracts included in financial liabilities at fair value with reductions in value through profit or loss, this gives the following picture:

	31/12/2014	31/12/2015
Analysis of movement of technical provisions (branch 23)		
Starting balance, technical provisions branch 23	840,484,273	1,181,134,714
Incoming payments	316,245,929	492,277,451
Surrenders and deaths	-80,135,803	-84,692,759
Value fluctuations	61,780,945	9,094,520
Other changes	42,759,370	72,298,466
Ending balance, technical provisions branch 23	1,181,134,714	1,670,112,392
Other	0	0
Total	**1,181,134,714**	**1,670,112,392**

Additional disclosures on branch 23 insurance can be found in note 10.

4.4.5. Adequacy tests

The rules for calculating the technical reserves are conservative. Based on the LAT from the Adequacy policy guideline, the Company systematically examines whether the reserves are adequate. If these are assessed as insufficient, the cause is evaluated and processed in accordance with the measuring rules. This may result in the allocation of additional provisions and/or a change in pricing and risk acceptance policy.

With the exception of the provisions set aside for outstanding risks, these tests did not identify any shortfalls giving rise to additional insurance liabilities.

Life insurance

The provisions are determined on a contract-by-contract basis, applying a prudent retrospective actuarial method based on price parameters. For Belgium these provisions include the supplemental provision applied to contracts with a guaranteed interest rate more than 10 basis points higher than 80% of the average interest rate on 10 year OLOs over the last five years. The provision for amounts still to be paid out is determined based on the contractual obligation of the contracts.

The Company tests the adequacy of the provisions annually in a deterministic manner in accordance with the reserves adequacy policy. This test takes into account the current estimates of the contractual cash flows and of related cash flows, such as administrative costs.

This 'best estimate' provision is increased by a risk margin for non-coverable insurance risks. In addition to the best estimate, sensitivities are also calculated. This shows that the best estimate is the most sensitive to assumptions regarding administrative costs and investment income. For the portfolio of pure life insurance policies the provision is also sensitive to the assumptions on mortality risk.

Health insurance

For the ageing reserves (hospitalization), extensive LAT testing is carried out, just as with life insurance separately. Claim reserves are tested in a manner analogous to that applied to indemnity insurance.

Indemnity insurance

The provisions for claims are determined claim by claim. The premium reserves are also calculated contract by contract.

The calculation of provisions for both internal and external claims settlement expenses was adjusted at the end of 2014.

The Company tests the adequacy of the provisions annually in a deterministic manner in accordance with the reserves Adequacy policy. This test takes into account the current estimates of the contractual cash flows and of related cash flows, such as administrative costs, claims settlement costs, etc. This 'best estimate' provision is increased by a risk margin for un-coverable insurance risks. In addition to the best estimate, sensitivities are also calculated. This shows the 'best estimate' premium reserve to be the most sensitive to assumptions on administrative costs.

4.5. Operational risk

All businesses carrying out activities of any kind have to contend with an operational risk. Insurance undertakings are no exception.

The Company's activities depend on the ability to process a very large number of transactions efficiently, accurately and in accordance with internal policies and external legislation and regulations. Operational risks and losses result from inadequate or failed internal processes (such as processes not aligned with the legal requirements), human actions (including fraud and employee errors) and systems (such as system failure) or due to external events (such as natural disasters or malfunctions of external systems, including those of the Company's suppliers or counterparties). The impact may consist of financial or reputational loss. This risk also includes legal and compliance risk.

The Company's fairly limited number of products and services allows the operational risks to be kept limited. Although the Company has taken measures to control the risks and limit any losses, as well as earmarking substantial funds for the development of efficient procedures and staff training, it is impossible to implement procedures that allow Argenta to exclude these operational risks in a completely effective manner. However, within the overall risk appetite framework, these risks too are managed in a structured way.

The ORCO (Operational Risk Committee) meets quarterly as a part of the GRC (*Group Risk Committee*) focusing on the 'key risk indicators', the RCSA's (*Risk & Control Self Assessments*) and operational losses.

Each year, an extensive internal audit annual report is drawn up and presented to the Audit Committee, the Board of Directors and the NBB. This report assesses the adequacy and effectiveness of the existing control measures.

It is generally assumed that operational risks in enterprises are gradually increasing, as is regulators' attention to this type of risk. Reasons for this include the rapidly changing technological environment, the expanding corpus of regulations, the increasing complexity and proliferation of products and also the general trend towards outsourcing non-core activities.

Argenta is of course aware of this trend and took decisions in 2015 to strengthen its focus on operational risk within Argenta. This has taken the form, among other things, of:

- Increased structural attention by Argenta's Audit and Risk Committee to operational risks.
- The creation of a specific department (Operational Risk Management) with specific focus on operational risks.
- Following an external audit in 2015, which resulted in a number of observations and suggestions for improvement, a short and a medium/long-term action plan have been drawn up.
- Continuous improvement in 2015 of operational risk management, including training and sensitization of first line management to the specific tasks incumbent on them in the framework of *Operational Risk Management* (ORM), and an increased number of Risk Control Self Assessments;
- The *Business Impact Analyses* (BIA) process was optimized in 2015. Following this, a BIA took place in each department, facilitated by the ORM team, in which all critical processes, applications, functions and interactions were redefined.
- Further concrete definition of the Group's risk appetite, adapting the specific sub-limits for the scenarios depending on the perspective (99.9%, 95% and 80%).
- The recruitment of an ORM Manager who, in addition to operational risk management, will fulfil specifically the role of Information Security Officer within the Argenta Group and as such will be responsible for the information security policy.

Operational risk policy in 2015

In 2015, a thorough analysis of the Argenta Group's Operational Risk Management (ORM) framework was performed by an external party.

Its observations and proposals were processed into a short and long term action plan. A new ORM-specific department was set up, with both a director and an ORM manager added to the ORM team. ORM also undertook a major awareness campaign, visiting each department to provide guidance and intensive support in its ORM tasks.

In addition to daily monitoring and support functions (e.g. facilitating *Risk & Control Self Assessments* (RCSAs), putting together the annual internal control report, monitoring Business Continuity plans and disaster recovery tests), work was also done on knowledge management (by establishing procedures and manuals, providing individual and group training), on developing a new RCSA methodology, on reassessing the sub-limits of the ORM risk appetite, on redeveloping the Annual Internal Control Report process, on the further development of the KRI *(Key Risk Indicators)* dashboard and on including an umbrella KRI in the qualitative RAF.

In the area of Business Continuity Management (BCM), the full cycle of *Business Impact Analysis* (BIA), *Business Continuity Plan* (BCP) and disaster recovery testing were gone through. Additionally, a crisis simulation was organized outside business hours with the *Crisis Management Team* (CMT), while the ORM team took part in an industry-wide crisis simulation (2015 'Market Wide Exercise' led by the NBB). Also, in cooperation with the *Availability and Continuity Manager*, a presentation of the BCM material was given at the ICT personnel meeting.

In the context of data security, certain annexes to the Data Security Code of Behaviour were updated. Risk scoring in the audit universe is done on the basis of parameters, including the maturity of the internal controls and the presence or absence of RCSAs.

4.6. Other risks

With no attempt to be exhaustive, this section mentions certain other risks. In 2015, investment continued in a group-wide risk assessment of all identifiable risks in the framework of ORSA.

4.6.1. Strategic risk

The strategic risk to which the Company is exposed is the risk of current and future earnings and capital adequacy being affected by poor policy decisions, poor implementation of decisions or a lack of responsiveness to changing market conditions (both commercial and financial).

Argenta Group makes resources available for achieving the strategic objectives as defined in the business strategy. These resources include communication channels, systems, human resources, networks and management time and skills. The strategic goals are defined by the Executive Committee, approved by the Board of Directors, and monitored on a regular basis.

The ultimate fulfilment of the business strategy depends on the adequacy of the resources made available and on the way these resources are used.

4.6.2. Business risk

The business risk is the risk that current and future earnings and capital levels will be affected by changes in business volumes, or by changes in margins and costs, both caused by changing external market conditions and the organization's inability to respond adequately to them. This risk also refers to poor diversification of earnings or the inability to maintain a sufficient and reasonable level of profitability. The income sensitivity indicator in the RAF already incorporates the business risk on the non-maturity deposits by means of an additional risk premium.

In order to best cushion the business risk to which it is exposed, the Argenta Group has, in addition to its traditional activities, taken the strategic option of selling products that generate fee income. Alongside the Insurance, Lending, and Savings & Payments pillars, this fourth business line - Investments - should produce greater diversification of earnings generation. Another important factor here is cross-selling, in order to attract as many customers as possible to several pillars concurrently.

To determine the profit contribution by product, the Insurance pool bases the pricing of the products on profit testing.

4.6.3. Reputational risk

The Argenta Group runs the permanent risk of damage (loss) through a deterioration of its reputation or standing caused by a negative perception of the organization's image by its customers, counterparties, shareholders and/or regulatory bodies.

This is a 'second-order risk'; i.e. a risk that derives from another risk but which has its own impact. Argenta considers this as a vertical risk, in the sense that it is a risk that interlinks with all other risks. By monitoring and managing the other risks, reputational risk is also kept under control.

4.6.4. External service providers

The Company is exposed to the risk of termination of contracts with key external service providers. Such termination can lead to discontinuation of or delays in important business processes, a risk the Argenta Group safeguards itself against as far as possible through an appropriate business continuity policy and through transitional provisions in the contracts in question.

In 2015, the Argenta Group continued to improve its business continuity policy, as can be seen, *inter alia*, in the updated Sourcing policy. The policy sets out the vision, the rules and the framework for outsourcing. It also details and names the responsibilities of and relationships with existing (critical) suppliers. This improves the monitoring of all external service providers.

4.6.5. Regulatory risk

Regulatory risk refers to risks associated with legislative and regulatory changes. Wherever it operates, the Company is subject to the laws, regulations, administrative measures and policy regulations governing the provision of financial services.

Changes in the supervisory framework and regulations may affect the activities, products and services that the Argenta Group offers or the value of its assets. Although the Argenta Group collaborates closely with the supervisory authorities and keeps constant watch on the situation and future changes in regulations, fiscal policy and other policy areas can be unpredictable and are beyond the Group's control.

The capital requirements of insurance undertakings and the Solvency II standards are currently the subject of legislative developments. These have an impact on the Insurance Pool.

In 2015, regular consultation took place with the relevant supervisory authorities, in which the ORSA (*Own Risk Self-Assessment*) was a subject of discussion.

5. Solvency and capital management

5.1. Capital management

The dynamic growth of the financial markets and legislative changes have produced and will continue to produce changes in the Company's business environment. These challenges require appropriate personnel, processes and systems for the limiting and targeted control of the Company's risk exposure.

The Company has always pursued a policy of self-financing. To retain a level of capital that provides sufficient room to support growth and carry the financial and operational risks, the Company seeks to satisfy its potential capital requirements by means of (a) retained earnings, (b) capital increases and (c) subordinated loans.

The capital control process starts with asking whether sufficient equity is available and will continue to be so in the future. For this the Company prepares a capital plan that includes current and future activities, the implicit and explicit risks attached to these, and the evolution of the capital that will serve as a buffer for those risks.

This involves more concretely the following components:
- In the business plan the strategy is translated into products and activities that will be offered and implemented over the next five years (including the current year).
- In the business plan, the regulatory solvency requirements are incorporated and checked.
- The required economic capital is calculated. Later an estimate of the economic capital can be included in the business plan.
- The required economic capital and the available economic capital will be compared.
- Action will be taken if the solvency requirements are evaluated negatively or (later) if the available economic capital is too low compared to the required economic capital.

Actions that can be taken to control capital risk consist on the one hand of reducing the required economic capital (i.e. reducing the other risks) and also strengthening the capital base.

Total IFRS equity amounted to EUR 576,355,021 at 31 December 2015, down from EUR 586,750,818 at 31 December 2014.

The total qualifying equity for the solvency ratios (applying Solvency I) amounted to EUR 323,643,210 as of 31 December 2014, increasing to EUR 367,085,543 as of 31 December 2015.

The table below reconciles accounting equity with qualifying equity.

Composition of qualifying equity	**31/12/2014**	**31/12/2015**
- Equity attributable to shareholders of the company	586,744,563	576,355,021
- Non-controlling interests	6,255	0
Total IFRS equity	**586,750,818**	**576,355,021**
Additional components		
- Subordinated liabilities	0	0
Prudential filters		
- Intangible assets	-3,193,107	-3,070,811
- Equalization and catastrophe provisions	-315,395	-679,699
- Dividend via profit sharing	-20,125,000	0
- Revaluation reserve on AFS assets	-239,474,106	-205,518,968
Solvency components	**323,643,210**	**367,085,543**

At 31 December 2014, shareholders' equity under IFRS amounted to EUR 586,744,563. The qualifying equity of EUR 323,643,210 was arrived at by deducting the intangible assets, the equalization and catastrophe provision, the planned dividend via profit-sharing and the revaluation reserve for AFS assets.

Starting with an equity of EUR 576,355,021 at 31 December, 2015, and after deduction of intangible assets, the equalization and catastrophe provision and the revaluation reserve for AFS assets, a qualifying equity of EUR 367,085,543 was arrived at.

The key elements of the increase in qualifying equity between end-2014 and end-2015 are the addition of the profit of the financial year, minus the interim dividend paid in October 2015.

ORSA (*Own Risk and Solvency Assessment*)

The company is required to implement the Solvency II Directive. Here, in addition to quantitative calculations (Pillar 1) and reporting requirements (Pillar 3), attention is also paid to the qualitative part (Pillar 2). This includes conducting an ORSA to demonstrate prospective capital adequacy (VaR 99.50%) with respect to Company's particular risk profile at any time.

In 2015 - as mentioned above - the Company invested further in the ORSA economic capital models. Along with the economic capital calculations based on simulation models, these offer the Company a complete picture of all material risks. The results play an important role in the income and value control models.

5.2. Regulations and solvency ratio

As an insurance undertaking, the Company is subject to prudential supervision. In Belgium, the Company is subject to supervision by the NBB. Argenta Life Nederland is subject to supervision by De Nederlandsche Bank (DNB - the Dutch national bank).

All Insurance Pool entities have to comply with the directives of the various supervisory authorities in the countries where they operate.

These Solvency directives require insurance undertakings to maintain a minimum equity (100% solvency). In 2014 and 2015, the total regulated qualifying equity of all Company entities exceeded the requirements so that the Company fully complied with all capital requirements.

The table below shows the solvency margin, which amounted as of 31 December 2014 (under Solvency I) to 197.1% and increased to 223.9% as of 31 December 2015.

	31/12/2014	31/12/2015
Solvency components	323,643,210	367,085,543
Solvency requirements	164,215,707	163,934,606
Solvency excess	159,427,503	203,150,937
Solvency ratio	197.1%	223.9%

The previously mentioned Solvency II directive is a European harmonized prudential supervisory system that is highly risk-oriented and aims at:

- harmonizing the supervision of insurance activities within the European Union with a view to better aligning the capital requirements of insurance undertakings with their risk profiles;
- protecting consumers against potential solvency problems at insurance undertakings by mapping the risks that insurance undertakings incur;

- gaining a better understanding of the financial position of insurance undertakings with a lower risk of solvency problems given that this insight is based on economic principles;
- providing supervisory authorities with a more complete picture of the actual position of the insurance undertakings. Unlike Solvency I, Solvency II incorporates all relevant risks. This is also referred to as the 'total balance' approach, in which liabilities and resources are measured at market value.

6. Remuneration of directors

The composition of the Boards of Directors and the compensation paid to the directors concerned is given below.

6.1. Composition of the Boards

The Boards of Directors of the Company and of the other companies of the Argenta Group have similar structures. They include in each case:

- the members of the Executive Committee of the company concerned (the executive directors);
- a number of independent directors;
- a number of directors representing the shareholders (together with the independent directors, the non-executive directors).

The number of directors for every Board of Directors should preferably not exceed fifteen.

Members of the board of directors must be natural persons. Up until the General Meeting of 29 April 2016 a limited number of directors belonged to the board via legal persons.

In principle, directors' mandates are for six years and are renewable.

The following age limits apply for directors:
- executive directors are legally required to resign on reaching the age of 65;
- non-executive directors are legally required to resign on reaching the age of 70;
- directors reaching the age limit may continue to exercise their mandates until a successor has been appointed.

The Board of Directors may permit exceptions to these rules on a case-by-case basis.

The Boards of Directors are composed in such a way that none of the three distinct groups in them (the directors representing the shareholders, the independent directors, and the directors on the Executive Committee) have a majority. The majorities of the Boards are always formed by non-executive directors.

Independent directors are appointed with a view to attracting competencies in the Argenta Group's core activities, namely banking and insurance. Independent directors need to demonstrate broad experience in at least one of these core fields on the basis of their former or current activity. They must meet all the requirements stipulated in Article 526.3 of the Belgian Companies Code.

The Boards of Directors of the Company, the Argenta Group and Argenta Spaarbank each have a number of independent directors, with at least one independent director of the Company not sitting on the board of Argenta Spaarbank, and vice versa. The independent directors of the Company and Argenta Spaarbank may be, but are not necessarily, members of the Board of Directors of the Company.

The governance rules concerning independent directors are intended to ensure an appropriate balance in the management of the various Argenta Group companies between the representation of the group's interest and the protection of the interests (of the stakeholders) of the individual companies comprising the Group.

With a view to an appropriate representation of Argen-Co, the cooperative company of Argenta branch managers and customers which holds a 13.49% equity participation in the Argenta Group, Mrs Cynthia Van Hulle was appointed on 14 October 2015 as a director of the Company, Argenta Group and Argenta Spaarbank. Mrs Van Hulle has sat since 28 September 2015 as an independent director on the Board of Directors of Argen-Co.

The division of tasks between the Boards of Directors and the interaction with the various committees are documented in the Internal Governance Memorandum.

The 'Suitability of Key Executives' Charter produced for the Argenta Group, including the foreign subsidiaries ALN and Argenta Asset Management, sets out the governance and structured framework that Argenta has put in place to ensure the suitability of its key executives.

'Suitability' means that the person in question has the expertise (fit) and professional integrity (proper), as specified in the NBB Circular of 17 June 2013 on the 'expertise' and 'professional integrity' required of executive committee members, directors, heads of independent control functions and senior managers of financial institutions.

'Key executives' refers to directors or statutory auditors, executive committee members, senior managers, and heads of independent control functions (internal audit, risk management, compliance and actuarial function), in accordance with the above NBB circular.

In addition to assessing the suitability of individual directors based on the stated eligibility criteria, the Board also periodically evaluates its operation, its performance and the performance of individual directors.

In 2015 a comprehensive and externally facilitated evaluation of the functioning of the Executive Committee took place. A new and comprehensive evaluation of the functioning and performance of the entire Board will take place in 2016, succeeding the one undertaken in 2013.

Each director is encouraged to organize his personal and professional activities in such a way as to avoid conflicts of interest with the Argenta Group (in line with Article 523 of the Companies Code.) The boards of directors of the Argenta Group companies have in their internal rules of procedure established policies, including organizational and administrative arrangements (including keeping information on the application of the same), and procedures for identifying and forestalling conflicts of interest or, where this is not reasonably possible, managing the conflicts of interest without harming the interests of customers.

The composition of the Boards of Directors of the Insurance Pool companies is given below.

- ALN Board of Directors: J. Heller and E. Es

- Aras Board of Directors: J. Cerfontaine (chairman), Advaro BVBA (2), E. Walkiers, G. Ameloot, J. Heller, M.C. Pletinckx, Raco BVBA (1), W. Van Pottelberge, D. Van Dessel, C Van Hulle, A. Coppens and G. Wauters.

(1) with B. Van Rompuy as permanent representative
(2) with D. Van Rompuy as permanent representative

6.2. Amount of executive management compensation

The remuneration of the executive and non-executive directors of the Argenta Group companies is established by the respective Boards of Directors following a proposal from the Remuneration Committee. This proposal is also presented to the general meetings of the respective companies for ratification.

Remuneration of non-executive directors

The remunerations of the non-executive members of the Boards of Directors of the Argenta Group companies consist solely of fixed remuneration established by the respective general meetings. This remuneration is the same for all independent directors and directors representing the shareholders.

Non-executive directors receive an additional compensation for each meeting attended when participating in special committees set up within the Board of Directors (Audit, Risk and Compliance Committee and the Remuneration Committee). This fee is the same for all members of such a committee, but with the chairman receiving a higher fee.

The chairman of the respective Boards of Directors is a director representing the family shareholder. He receives a fixed remuneration which differs from that of the other non-executive directors.

Remuneration of executive directors

Executive directors receive a fixed annual remuneration. They do not receive variable remuneration of any kind. In this way their pay does not contain elements that could encourage the pursuit of short-term objectives that are inconsistent with the Argenta Group's long-term objectives.

The remuneration meets the provisions of the CBFA Regulation of 8 February 2011 concerning the remuneration policies of financial institutions, as well as the provisions of the Banking Act. The remuneration is the same for all members of the Executive Committees, with the exception of the Chairman.

In addition to the fixed annual remuneration, executive directors also benefit from three group policies (pension capital, disability and hospitalization insurance).

The composition of, and the division of responsibilities within the Executive Committees of Argenta Group's three core companies (the Company, the Argenta Group and Argenta Spaarbank) are largely integrated.

The subsequent reporting details the remuneration of the executive directors of the Argenta Group, regardless of the company that actually paid the remuneration.

In 2015 the basic salary of John Heller (CEO of the Argenta Group and chairman of the Executive Committees of the Company, Argenta Spaarbank and the Argenta Group) amounted to EUR 449,200, including a leased car (EUR 398,400 in 2014). The contribution to the supplementary pension and disability group policies amounted to EUR 71,904 (EUR 55,875 in 2014).

In 2015 the total direct remuneration of the executive directors/Executive Committee members of the Argenta Group (excluding that of the CEO), amounted to EUR 1,505,684 (EUR 1,768,800 in 2014).

Contributions to the group supplementary pension and disability policies in respect of the Executive Committee members, excluding those of the CEO, amounted to EUR 241,532 (EUR 140,799 in 2014).

The median base salary in the Company in 2015 amounted to EUR 50,396. The median salary increase compared to 2014 amounts to 2.3%.

In 2015 severance payments totalling of EUR 474,525 were made to Executive Committee members (EUR 935,840 in 2014).

Executive directors are entitled to a severance payment which, except for withdrawal of the mandate due to serious misconduct, is equal to 18 months' remuneration. The amount of this remuneration is based on the annual gross remuneration, calculated over the 24 months prior to the decision to terminate the contract, or calculated over the entire period of the mandate if less than 24 months.
The 18-month period is reduced to (i) 12 months if the termination occurs after the director reaches age 58, but before age 61; (ii) 9 months if the termination occurs after the director reaches age 61, but before age 63, and (iii) six months if the termination occurs after the director reaches age 63, but before reaching age 65.

7. Remuneration of the statutory auditor

The audit of the Company's financial situation and of its annual financial statements in entrusted to the Statutory Auditor Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA represented by Mr Bernard De Meulemeester.

The fees received by Deloitte (including VAT) for the Company and its subsidiaries can be broken down (in accordance with Art. 134 of the Companies Code) into:

- fees for audit assignments (including those for auditing the statutory and consolidated financial statements and other reports): EUR 165,112 in 2014 and EUR 149,435 in 2015.
- fees for other assignments: EUR 73,525 in 2014 and EUR 197,663 in 2015 for actuarial services in connection with Solvency II, the health index, training, tax advice, audit in relation to moneylenders' accountability and additional audit activities.

The fees to the auditor and the entities related to the auditor are monitored at consolidated level by the Audit Committee. Additional audit and consultancy assignments are approved by the Audit Committee pursuant to Article 133.6 of the Companies Act when they exceed the total amount of compensation of the audit mandate.

8. Related party transactions

As part of its business, the Company regularly undertakes business transactions with related parties. These transactions relate mainly to loans, deposits and insurance. These are done on an arm's length basis.

The tables below provide an overview of the financial scope of the activities undertaken with related parties.

Balance sheet 2014	parent company	managers in key positions	other related parties
Financial assets designated at fair value with valuation changes through profit or loss	0	0	13,956,600
Loans and advances to banks	551,094	0	333,670,288
Total assets	**551,094**	**0**	**347,626,888**
Financial liabilities measured at amortized cost	893,363	0	18,332,701
Technical provisions from insurance contracts	0	307,012	95,074
Total liabilities and shareholders' equity	**893,363**	**307,012**	**18,427,775**

Balance sheet 2015	parent company	managers in key positions	other related parties
Financial assets designated at fair value with valuation changes through profit or loss	0	0	6,851,500
Loans and advances to banks	0	0	331,889,024
Other assets	0	0	40,261,645
Total assets	**0**	**0**	**379,002,169**
Financial liabilities measured at amortized cost	140,595	0	19,332,211
Technical provisions from insurance contracts	0	413,030	96,512
Total liabilities and shareholders' equity	**140,595**	**413,030**	**19,428,723**

As already explained, the holding company BVg is the Company's parent company.

The column 'managers in key positions' gives information concerning executive and non-executive directors and the close relatives of the directors who are natural persons.

A natural person's close relatives are those family members who may be expected to influence the natural person (may include the natural person's co-habitant and his/her (co-resident) children.

'Other related parties' records the data from the Company's sister companies.

Income statement 2014	parent company	other related parties
Gross premiums	0	6,590,549
Change in unearned premiums	0	191
Interest income	0	-2,723,058
Interest expense	0	-3,372
Net commission and fee income	0	3,171,841
Gross cost of claims and change in technical provisions	0	0
Other operating result	-3,354,142	-19,462,422
General and administrative expenses	0	0

Income statement 2015	parent company	other related parties
Gross premiums	0	5,762,925
Change in unearned premiums	0	187
Interest income	0	-163,952
Interest expense	0	80,726
Net commission and fee income	0	5,894,718
Other operating result	2,040,306	21,995,862
General and administrative expenses	0	275,946

Further details on directors' remuneration (including long- and short-term benefits) can be found in note 6.

9. Operating segments

An operating segment is a component of the Company's business activities from which it may earn revenues and in which expenses may be incurred, and the operating results and performance of which, *inter alia*, are regularly reviewed separately by management and for which separate financial information is available.

In the following tables, the 'result' is segmented into 'life' and 'non-life'.

	Non-life	Life	General	Eliminations	31/12/2014
Financial, insurance and operating gains and losses	**26,658,223**	**58,097,160**	**0**	**-175,263**	**84,580,120**
Net earned premiums	112,678,295	530,366,319	0	0	643,044,614
Gross premiums	117,809,830	533,119,691	0	0	650,929,521
Change in unearned premiums	-2,315,885	0	0	0	-2,315,885
Ceded reinsurance premiums	-2,815,650	-2,753,372	0	0	-5,569,022
Net interest income	9,882,331	99,417,444	0	322,889	109,622,664
Interest income	9,884,918	113,092,574	0	322,889	123,300,381
Interest expense	-2,587	-13,675,130	0	0	-13,677,717
Dividends	310,230	1,844,155	0	0	2,154,385
Net commission and fee income	-51,230	13,102,197	0	-489,830	12,561,137
Realized gains and losses on available-for-sale financial assets	1,315,801	5,370,129	0	0	6,685,930
Net cost of claims and change in technical provisions	-86,196,276	-580,725,696	0	0	-666,921,972
Gross cost of claims and change in technical provisions	-90,307,247	-583,981,238	0	0	-674,288,485
Reinsurers' share in cost of claims and change in technical provisions	4,110,971	3,255,542	0	0	7,366,513
Realized gains and losses on sale of fixed assets	18,502	0	0	0	18,502
Other operating result	-11,299,430	-11,277,388	0	-8,322	-22,585,140
Administrative costs	**-6,657,880**	**-14,150,572**	**0**	**0**	**-20,808,452**
Personnel expenses	-2,758,923	-3,252,754	0	0	-6,011,677
General and administrative expen-ses	-3,898,957	-10,897,818	0	0	-14,796,775
Depreciation and amortization	**-969,603**	**-910,572**	**0**	**-263,562**	**-2,143,737**
Tangible assets for own use	0	-18,358	0	216	-18,142
Investment property	-3,029	0	0	0	-3,029
Intangible assets	-966,574	-892,214	0	-263,778	-2,122,566
Impairments	**8,533**	**171,680**	**-672,893**	**0**	**-492,680**
Available-for-sale financial assets	0	21,856	-672,893	0	-651,037
Loans and advances	8,533	149,824	0	0	158,357
Profit/(loss) before taxes	**19,039,273**	**43,207,696**	**-672,893**	**-438,825**	**61,135,251**
Income tax expense	-1,444,385	11,039	-13,629,176	0	-15,062,522
Net result	**17,594,888**	**43,218,735**	**-14,302,069**	**-438,825**	**46,072,729**
Net result attributable to shareholders	**17,594,888**	**43,218,735**	**-14,302,069**	**-439,152**	**46,073,056**
Net result non-controlling interests				**-327**	**-327**

	Non-life	Life	General	Eliminations	31/12/2015
Financial, insurance, operating gains and losses	**28,420,893**	**76,306,916**	**0**	**-152,047**	**104,575,762**
Net earned premiums	117,085,067	231,097,637	0	0	348,182,704
Gross premiums	121,904,973	232,947,913	0	0	354,852,886
Change in unearned premiums	-2,116,855	0	0	0	-2,116,855
Ceded reinsurance premiums	-2,703,051	-1,850,276	0	0	-4,553,327
Net interest income	8,939,230	96,403,722	0	0	105,342,952
Interest income	8,939,659	130,526,374	0	0	139,466,033
Interest expense	-429	-34,122,652	0	0	-34,123,081
Dividends	341,439	2,794,797	0	0	3,136,236
Net commission and fee income	-269,652	20,001,559	0	0	19,731,907
Realized gains and losses on available-for-sale financial assets	1,160,338	17,652,135	0	0	18,812,473
Net cost of claims and change in technical provisions	-87,018,777	-279,775,372	0	-152,047	-366,946,196
Gross cost of claims and change in technical provisions	-92,390,107	-281,377,894	0	-152,047	-373,920,048
Reinsurers' share in cost of claims and change in technical provisions	5,371,330	1,602,522	0	0	6,973,852
Realized gains and losses on sale of fixed assets	0	0	0	0	0
Other operating result	-11,816,752	-11,867,562	0	0	-23,684,314
Administrative costs	**-6,404,099**	**-15,096,676**	**0**	**0**	**-21,500,775**
Personnel expenses	-2,389,930	-3,095,821	0	0	-5,485,751
General and administrative expenses	-4,014,169	-12,000,855	0	0	-16,015,024
Depreciation and amortization	**-641,039**	**-1,073,082**	**0**	**-241,256**	**-1,955,377**
Tangible assets for own use	0	-17,202	0	0	-17,202
Investment property	-3,845	0	0	0	-3,845
Intangible assets	-637,194	-1,055,880	0	-241,256	-1,934,330
Impairments	**5,028**	**88,919**	**-1,553,591**	**0**	**-1,459,644**
Available-for-sale financial assets	0	-545,267	-1,553,591	0	-2,098,858
Loans and advances	5,028	634,186	0	0	639,214
Result before taxes	**21,380,784**	**60,226,077**	**-1,553,591**	**-393,303**	**79,659,967**
Income tax expense	-479,327	1,085,430	-24,759,184	38,011	-24,115,070
Net result	**20,901,457**	**61,311,507**	**-26,312,776**	**-355,292**	**55,544,896**
Net result attributable to shareholders	**20,901,457**	**61,311,507**	**-26,312,776**	**-355,292**	**55,544,896**
Net result non-controlling interests	**0**	**0**	**0**	**0**	**0**

The Company's structure is explained in Note 1 “General Information”.

The operational segmentation in the IFRS financial statements is based on the geographic areas in which the Insurance Pool operates. This is systematically reflected in the organizational basis through the existence of the Company in Belgium and of Argenta Life Nederland (ALN) in the Netherlands.

The Company is the only company that offers products on both the life and non-life markets. ALN is active in the life segment.

The Insurance Pool delivers its services under the heading ‘Insurance’, which until further notice is treated in the internal reporting as a single operating segment.

All transactions between segments are at arm's length.

The most important result-related bookings on consolidation of the entities and between the operating segments consist of the capitalization of the medical costs in ALN (which is not accepted in the consolidation of the Insurance Pool).

Information on products and services

The present consolidated IFRS reporting concerns the Insurance Pool, which falls entirely under the 'Insurance' heading, and which is treated as a single operating segment in the overall internal reporting.

The insurance companies offer insurance services to individuals, self-employed professionals and small and medium enterprises in the Life and Non-Life branches.

Notes to the consolidated balance sheet

10. Financial assets and liabilities designated at fair value with valuation changes through profit or loss

Financial assets and liabilities at fair value through profit or loss relate in the Company to investments in transactions connected to an investment fund of the 'Life' group activities, where the investment risk is not borne by the undertaking (so-called branch 23 investments).

	31/12/2014	31/12/2015
Financial assets designated at fair value with valuation changes through P&L	1,181,134,714	1,670,112,392
Financial liabilities designated at fair value with valuation changes through P&L	1,181,134,714	1,670,112,392

The table below gives an indication of the composition of the underlying assets of the branch 23 products.

	31/12/2014	31/12/2015
Composition of assets	**1,181,134,714**	**1,670,112,392**
Investment funds	1,158,478,932	1,659,478,065
Retail savings certificates	18,418,574	9,215,736
Cash and cash equivalents	4,237,209	1,418,591
Other	0	0

11. Available-for-sale financial assets

This heading includes the majority of the Company's securities portfolio (fixed and non-fixed-income securities).

Note 23 gives more information on the hierarchy of external fair values applied.

	31/12/2014	31/12/2015
Total for available-for-sale financial assets	**3,121,002,028**	**2,919,380,271**
Fixed income securities	**3,036,107,795**	**2,823,160,824**
Public institutions	1,733,660,262	1,417,997,845
Credit institutions	623,757,366	648,951,385
Other loans	678,690,167	756,211,594
Non-fixed income securities	**84,894,233**	**96,219,447**

Fixed income securities	31/12/2014	31/12/2015
Geographical breakdown	**3,036,107,795**	**2,823,160,824**
Belgium	1,240,132,885	1,044,567,006
European Monetary Union	1,504,703,317	1,433,957,369
Rest of the world	291,271,593	344,636,449
Breakdown into fixed vs. variable securities	**3,036,107,795**	**2,823,160,824**
Variable	248,109,004	363,704,208
Fixed	2,787,998,791	2,443,421,647
Undetermined	0	16,034,969
Breakdown by residual term by maturity date:	**3,036,107,795**	**2,823,160,824**
up to 1 year	287,989,794	159,246,449
more than 1 year and up to 2 years	140,531,397	233,167,313
more than 2 years and up to 3 years	256,179,206	148,445,803
more than 3 years and up to 4 years	196,744,393	401,669,973
more than 4 years and up to 5 years	413,968,515	414,524,606
more than 5 years	1,740,694,490	1,466,106,680
According to the earlier of interest rate revision or maturity date	**3,036,107,795**	**2,823,160,824**
up to 1 year	536,098,798	507,961,358
more than 1 years and up to 2 years	140,531,397	198,616,686
more than 2 years and up to 3 years	226,627,476	122,300,976
more than 3 years and up to 4 years	183,802,610	259,811,656
more than 4 years and up to 5 years	271,018,113	324,405,216
more than 5 years	1,678,029,401	1,410,064,932
Gross portfolio	3,036,107,681	2,820,889,659
Impairments	114	2,271,165
Net portfolio	3,036,107,795	2,823,160,824
Effective interest rate of the portfolio at 31/12	1.5%	2.9%

Overview of the total portfolio of AFS financial assets

2014 financial year	amortized cost	pro rata interest	unrealized results	impairments	fair values
Fixed income securities	**2,635,035,360**	**56,006,074**	**345,066,475**	**-114**	**3,036,107,795**
Public authorities	1,458,019,318	35,569,300	240,071,645	0	1,733,660,263
Credit institutions	563,554,808	9,033,183	51,169,375	0	623,757,366
Other loans	613,461,234	11,403,591	53,825,455	-114	678,690,166
Non-fixed income securities	**74,282,770**	**0**	**13,459,202**	**-2,847,739**	**84,894,233**
Total	**2,709,318,130**	**56,006,074**	**358,525,677**	**-2,847,853**	**3,121,002,028**

2015 financial year	amortized cost	pro rata interest	unrealized results	impairments	fair values
Fixed income securities	**2,497,223,417**	**41,867,681**	**286,340,891**	**-2,271,165**	**2,823,160,824**
Public authorities	1,185,776,077	21,787,891	210,433,877	0	1,417,997,845
Credit institutions	601,451,523	8,804,153	38,695,709	0	648,951,385
Other loans	709,995,817	11,275,637	37,211,305	-2,271,165	756,211,594
Non-fixed income securities	**80,832,579**	**0**	**18,062,414**	**-2,675,546**	**96,219,447**
Total	**2,578,055,996**	**41,867,681**	**304,403,305**	**-4,946,711**	**2,919,380,271**

12. Loans and advances

12.1. Loans and advances to credit institutions

Loans and advances to credit institutions are composed as follows:

	31/12/2014	31/12/2015
Total loans and advances to credit institutions	**410,146,389**	**420,551,188**
Geographical breakdown	**410,146,389**	**420,551,188**
Belgium	137,520,342	107,192,076
European Monetary Union	272,626,047	313,359,112
Breakdown by residual term	**410,146,388**	**420,551,188**
up to 1 year	134,958,834	107,220,763
more than 1 years and up to 2 years	0	0
more than 2 years and up to 5 years	706,000	1,414,861
more than 5 years and up to 10 years	5,185,777	7,218,075
more than 10 years	269,295,777	304,697,489
Breakdown by type	**410,146,389**	**420,551,188**
Current accounts	137,520,342	107,192,076
Term accounts	0	0
Mortgages	272,626,047	313,359,112
Of which cash and cash equivalents:	108,520,342	107,192,076
Effective interest rate of the portfolio at 31/12	2.9%	2.1%

The ‘mortgages’ relates to a claim by ALN on loans on the balance sheet of Argenta Spaarbank. ALN invests the savings received (which are linked to loans) in the loans in question at its sister entity Argenta Spaarbank.

12.2. Loans to and receivables from other clients

Loans to and receivables from other customers are composed as follows:

	31/12/2014	31/12/2015
Geographical breakdown	**814,632,731**	**876,777,999**
Belgium	290,368,421	264,315,447
Other EMU countries	524,264,310	612,462,552
Breakdown by residual term	**814,632,731**	**876,777,999**
up to 1 year	3,972,394	3,967,906
more than 1 years and up to 2 years	527,485	948,030
more than 2 years and up to 5 years	2,742,135	2,635,288
more than 5 years and up to 10 years	24,404,139	24,276,846
more than 10 years	782,986,577	844,949,929
Portfolio before impairments	816,834,715	878,314,623
Individually and collectively determined impairments	-2,201,984	-1,536,624
Portfolio after impairments	814,632,731	876,777,999
Breakdown by loan type	**814,632,731**	**876,777,999**
Mortgage loans	660,950,514	717,855,251
Other loans (including local authorities)	153,682,217	158,922,748
Effective interest rate of the portfolio at 31/12	4.2%	4.1%

There are ‘embedded derivatives’ in the mortgages. The characteristics and risks of the embedded derivatives in question are closely linked to those of the host contracts. For this reason the derivatives are not separated out.

13. Financial assets held till maturity

The portfolio of financial assets held to maturity is as follows:

	31/12/2014	31/12/2015
Financial assets held till maturity	**165,556,764**	**187,701,904**
Fixed income securities	**165,556,764**	**187,701,904**
Public institutions	155,378,795	177,523,682
Credit institutions	0	0
Other loans	10,177,970	10,178,222
Non-fixed income securities	**0**	**0**
Geographical breakdown	**165,556,764**	**187,701,904**
Belgium	93,871,622	116,013,953
European Monetary Union	71,685,142	71,687,951
Breakdown by fixed or variable securities	**165,556,764**	**187,701,904**
Fixed	165,556,764	187,701,904
Breakdown by residual term by maturity date:	**165,556,764**	**187,701,904**
more than 5 years and up to 10 years	158,879,477	173,846,104
more than 2 years and up to 5 years	6,677,287	13,855,800
According to the earlier of interest rate revision or maturity date	**165,556,764**	**187,701,904**
more than 5 years and up to 10 years	158,879,477	173,846,104
more than 2 years and up to 5 years	6,677,287	13,855,800
Gross portfolio	165,556,764	187,701,904
Impairments	0	0
Net portfolio	165,556,764	187,701,904
Effective interest rate of the portfolio at 31/12	3.1%	2.7%

2014 financial year	amortized cost	pro rata interest	impairments	IFRS carrying value
Fixed income securities	**163,935,115**	**1,621,650**	**0**	**165,556,765**
Public authorities	153,939,866	1,438,929	0	155,378,795
Companies	9,995,249	182,721	0	10,177,970
Total	**163,935,115**	**1,621,650**	**0**	**165,556,765**

2015 financial year	amortized cost	pro rata interest	impairments	IFRS carrying value
Fixed income securities	**185,957,660**	**1,744,244**	**0**	**187,701,904**
Public authorities	175,961,659	1,562,023	0	177,523,682
Companies	9,996,001	182,221	0	10,178,222
Total	**185,957,660**	**1,744,244**	**0**	**187,701,904**

14. Property, plant and equipment

This is a limited asset heading containing investments in hardware, artworks and vehicles. Property, plant and equipment at 31 December are as follows:

	2014	2015
Opening balance at 1/1	123,095	66,931
- investments	833	0
- depreciation	-18,142	-17,202
- disposals/decommissioning	-38,639	0
- other changes	-216	0
Closing balance at 31/12	66,931	49,729

15. Real estate investments

The real estate investment portfolio (initially taken into the books using the cost model) as of 31 December is follows:

	31/12/2014	31/12/2015
Buildings, land, equipment	0	0
Property investments	625,659	672,164
Total	**625,659**	**672,164**

	2014	2015
Opening balance at 1/1	803,449	625,659
- investments	0	50,350
- disposals/decommissioning	-174,761	0
- depreciation	-3,029	-3,845
- other changes	0	0
Closing balance at 31/12	625,659	672,164

The expected fair value of the investments is significantly greater than the carrying value. The valuation here is highly dependent on the development of a larger real estate project that will be monitored systematically on an ongoing basis.

16. Other intangible assets

As of 31 December the other intangible assets (stated using the cost model) consisted of the capitalized costs of IT development projects.

	2014	2015
Opening balance at 1/1	3,624,008	3,193,107
- investments	235,358	1,339,839
- depreciation	-2,122,566	-1,934,330
- transfers	1,321,066	0
- other changes	135,241	472,195
Closing balance at 31/12	3,193,107	3,070,811

17. Reinsurers’ share of technical provisions and technical provisions from insurance contracts

The technical assets and liabilities from reinsurance and insurance operations as of 31 December are shown below. Insurance and reinsurance policy is treated in greater detail in the ‘Risk Management’ section of the present report.

	31/12/2014	31/12/2015
Reinsurers' share of technical provisions	**3,274,617**	**6,923,681**
Reinsurers' share of life insurance contracts	1,467,801	573,195
Reinsurers' share of non-life insurance contracts	1,806,816	6,350,486

	31/12/2014	31/12/2015
Liabilities under insurance contracts	**2,556,605,744**	**2,480,038,417**
Provisions – non-life	**195,064,777**	**212,421,173**
Premium reserves	25,778,680	27,895,535
Loss reserves	109,743,588	128,994,787
Other technical reserves	59,542,509	55,530,851
Provisions – life	**2,361,540,967**	**2,267,617,244**
Mathematical reserves	2,346,128,144	2,251,671,991
Loss reserves	11,262,772	10,620,553
Profit-sharing reserves	4,150,051	5,324,700

18. Tax receivables and liabilities

The (net) tax position can be summarized as follows:

	31/12/2014	31/12/2015
Current tax liabilities	5,774,336	5,540,328
Deferred tax liabilities	107,175,633	89,246,040
Total tax liabilities	**112,949,969**	**94,786,368**

The deferred taxes originate in the following elements:

Deferred taxes by type of temporary difference	31/12/2014	31/12/2015
Tax receivable on technical provisions	-7,484,621	-8,645,438
Tax receivable in connection with other small items	-4,149,905	-322,178
Tax liability on available-for-sale assets	117,248,281	96,596,774
Tax liability out of valuation at amortized cost	1,561,878	1,616,882
Total deferred taxes	**107,175,633**	**89,246,040**

The following table shows the recent development of deferred taxation.

	Available-for-sale financial assets	Valuation at amortized cost price	Technical provisions	Other elements	Total
Deferred taxes 01/01/2014	**-72,919,407**	**-1,208,921**	**7,890,968**	**108,555**	**-66,128,805**
Change via revaluation reserve	-44,328,874	0	0	0	-44,328,874
Change through profit or loss	0	-352,957	-406,346	4,041,350	3,282,047
Deferred taxes 31/12/2014	**-117,248,282**	**-1,561,878**	**7,484,622**	**4,149,905**	**-107,175,633**
Change via revaluation reserve	20,064,913	0	0	0	20,064,913
Change through profit or loss	586,594	-55,004	1,160,817	-3,827,727	-2,135,320
Deferred taxes 31/12/2015	**-96,596,775**	**-1,616,882**	**8,645,439**	**322,178**	**-89,246,040**

19. Other assets

The other assets break down as follows:

	31/12/2014	31/12/2015
Direct insurance transactions receivable	4,996,523	3,551,383
Reinsurance operations receivable	612,132	146,676
Prepaid costs	708,852	939,354
Other amounts receivable	2,771,592	1,907,428
Money movements	0	5,758,000
Other assets related to the life activity	9,478,704	45,630,200
Other assets related to the non-life activity	15,452,473	23,374,496
Other assets related to reinsurance	0	0
Total	**34,020,276**	**81,307,537**

'Other amounts receivable' contains amounts receivable from the headings current account, taxes, suppliers, rent and life insurance advances.

20. Financial liabilities measured at amortized cost

In summary form (see references in the individual lines)	31/12/2014	31/12/2015
Debts to credit institutions (see 20.1)	346,543,540	348,633,134
Subordinated liabilities (see 20.2)	0	0
Investment contracts (see 20.3)	906,907,727	955,375,944
Total	**1,253,451,267**	**1,304,009,078**

20.1. Debts to credit institutions

The debts break down as follows:

	31/12/2014	31/12/2015
Geographical breakdown	**346,543,540**	**348,633,134**
Belgium	0	443,239
Netherlands	346,543,540	348,189,895
Breakdown by residual term	**346,543,540**	**348,633,134**
up to 1 year	334,739,337	341,060,218
From 1 to 5 years	7,073,933	1,191,001
more than 10 years	4,730,271	6,381,915
Breakdown by type	**346,543,540**	**348,633,134**
Mortgage savings	11,804,203	7,572,915
Repos	295,301,071	322,329,989
Current account	39,438,266	18,730,230

At end-2014, the Company had three repos in its balance sheet, contracted in October and November with final maturities in January (EUR 81 million), March (EUR 124 million) and November 2015 (EUR 90 million).

For these repos, OLOs were given as collateral in a nominal amount of EUR 250,000,000. These securities had a market value of EUR 298,398,988 at end-2014. At end-2015 Aras had nine repos on its balance sheet in a total amount of EUR 322 million.

20.2. Subordinated liabilities

The subordinated liabilities heading contains the matured but not yet repaid or requested amounts on this subordinated loan. Currently, this balance sheet heading is not in use.

20.3. Investment contracts linked to insurance activities

The liabilities break down as follows:

	31/12/2014	31/12/2015
Geographical breakdown	**906,907,727**	**955,375,944**
Belgium	633,120,221	641,734,332
Netherlands	273,787,506	313,641,612
Breakdown by residual term	**906,907,727**	**955,375,944**
up to 1 year	6,902,755	18,244,723
more than 1 years and up to 2 years	14,021,808	7,576,815
more than 2 years and up to 5 years	529,771,775	575,440,604
more than 5 years and up to 10 years	89,640,512	49,416,312
more than 10 years	266,570,876	304,697,489
Breakdown by type	**906,907,727**	**955,375,944**
Investment contracts linked to insurance contracts	906,907,727	955,375,944
Effective interest rate of the portfolio at 31/12	3.5%	3.5%

The above amounts represent the reserves processed in accordance with IAS 39 accounting principles.

21. Provisions

There are no provisions as of 31 December 2015 that meet the IFRS definition of provisions.

Argenta has a defined contribution-type pension plan, funded by a group insurance, and where the insurer guarantees a minimum return. The contributions are entirely borne by Argenta. Under Article 24 of the Supplementary Pensions Act of 28.04.2003, the employer is required to guarantee an average minimum return for such plans.

For pension commitments of the defined contribution type, the return guaranteed by the employer on the employer's contributions amounted until 31/12/2015 to 3.25%. The guaranteed return was recently amended by the Act of 12.18.2015 (BS 24.12.2015) for the contributions paid from 1.1.2016, a variable guaranteed return applies, linked to the yield on the 10-year OLO; with a minimum of 1.75% and a maximum of 3.75%. However, the cumulative contributions up to 31/12/2015 remain subject to the 3.25% minimum guarantee until the retirement date of Argenta pension plan affiliates.

Taking into account the likelihood of employees leaving Argenta prior to the legal retirement age, based on Argenta's experience, the difference has been calculated, by affiliate, between the minimum capitals to be guaranteed by Argenta and the capitals already guaranteed by the insurer as of 31/12/2015. Given that the current value of the positive differences is less than the assets in the financing funds, no additional cost and liability were recorded. An underlying discount rate of 2.25% was taken, given the duration of liabilities.

It can also be noted that, based on the intrinsic value method applied as of 31/12/2014 (i.e. prior to the change in the legislation), there was no shortfall either at 31/12/2015, i.e. the sum of the mathematical reserves amounted to EUR 3,962,837 (EUR 3,725,751 at 31/12/2014).

22. Other liabilities

The other liabilities at 31 December are as follows:

	31/12/2014	31/12/2015
Social charges	898,996	885,999
Other liabilities related to the life activity	472,657	314,271
Other liabilities related to the non-life activity	0	882
Taxes and contributions	3,932,758	1,386,476
Attributable costs	0	0
Technical liabilities	17,935,020	23,595,975
Reinsurer's deposits	666,067	624,450
Other liabilities	18,855,205	14,438,347
Total	**42,760,703**	**41,246,400**

23. Fair value of financial instruments

23.1. Financial instruments not recognized at fair value

The following information should be interpreted with due caution.

The fair values shown are value estimates based on internal calculations. However, these can fluctuate on a daily basis due to the parameters used, such as interest rates and counterparty creditworthiness. Nor is there any intention to realize the fair value immediately. As a result, this value does not represent the substantial value to the Company on a going concern basis.

The estimate of the fair value of financial instruments valued at historical cost requires the use of techniques, models, hypotheses and assumptions that differ from bank to bank. Comparing the fair values of various institutions is not meaningful.

The fair value is the price that would be received/paid on the sale of an asset or transfer of a liability in an ‘orderly’ transaction between market participants at the reporting date.

The Company uses the following hierarchy of tests in determining the fair value of financial instruments: first, the quoted price in an active market, and thereafter valuation techniques.

The fair value shown is the full fair value including accrued interest, since this is also processed under the respective headings.

The calculation of the fair value of financial instruments, for which the fair values are not externally obtained, can be summarized as follows:

(1) for debt instruments redeemable in the short term or on demand (including current accounts, savings accounts) the fair value approximates the carrying value; and

(2) for other instruments, the discounted cash flow method is used, with the discount rate based on a reference rate with a normal market margin.

This latter constant value calculation (DCF method) includes, among other things, a cost of capital and a cost of credit. The interest rate curves used are analogous to those used in the sensitivity analysis of interest rate risk (see risk section 4.1). The sensitivity of the market values of the Level 3 values is contained in the result of the ‘economic values’ calculation mentioned there (here with the impact of all levels).

The resulting market values are also required to be displayed according to the fair value hierarchy of IFRS 13. The fair value level here depends on the type of input used for the valuation of financial instruments.

Level 1 relates to the quoted (unadjusted) prices in active markets (externally available and observable fair values of financial instruments in liquid markets).

Level 2 includes all fair values which can be obtained directly or indirectly based on observable parameters (or non-observable parameters (input) the impact of which is insignificant), using models.

Finally, the fair values calculated on the basis of non-unobservable parameters (input) and the impact of which is significant, are classified under level 3.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities that, in the consolidated balance sheet, are not stated at their fair value.

It does not include the fair value of non-financial instruments such as tangible fixed assets and other intangible assets.

	31/12/2014		31/12/2015	
	carrying value	fair value	carrying value	fair value
Loans and advances	**1,224,779,119**	**1,325,994,937**	**1,297,329,187**	**1,373,079,547**
Loans and advances to Credit institutions	410,146,389	388,313,453	420,551,188	385,525,807
Current accounts	137,520,342	137,520,342	107,192,076	107,192,076
Term accounts	0	0	0	0
Mortgages	272,626,047	250,793,111	313,359,112	278,333,731
Loans to and receivables from other customers	814,632,731	937,681,484	876,777,999	987,553,740
Mortgage loans	660,950,514	753,982,636	717,855,251	812,916,255
Other loans	153,682,217	183,698,848	158,922,748	174,637,485
Financial liabilities at amortized cost	**1,253,451,267**	**1,334,450,156**	**1,304,009,078**	**1,358,991,283**
Debts to credit institutions	346,543,540	346,543,540	348,633,134	348,633,134
Subordinated liabilities	0	0	0	0
Other liabilities	906,907,727	987,906,616	955,375,944	1,010,358,149
Held to maturity	**165,556,764**	**183,332,534**	**187,701,904**	**202,179,761**
Held to maturity	165,556,764	183,332,534	187,701,904	202,179,761

IFRS 13 requires a level to be allocated to all market values. A Level 2 is assigned to the carrying values (which, being short-term instruments, approximate to market value), while a Level 3 is assigned to all other calculated market values.

In the above table the Level 2 values are recognizable by the fact that the amounts in the penultimate column (carrying value) approximate to the value in the last column (fair value). This is the case for current accounts and debts to credit institutions.

The table below shows the fair values of the listed IFRS classifications schematically by hierarchy level.

Data as of 31/12/2014	level 1	level 2	level 3	Totaal
Loans and advances to credit institutions	0	137,520,342	250,793,111	388,313,453
Loans to and receivables from other clients	0	0	937,681,484	937,681,484
Financial liabilities at amortized cost	0	346,543,540	987,906,616	1,334,450,156
Held to maturity	13,969,173	130,298,665	39,064,696	183,332,534

Data as of 31/12/2015	level 1	level 2	level 3	Totaal
Loans and advances to credit institutions	0	107,192,076	278,333,731	385,525,807
Loans to and receivables from other customers	0	0	987,553,740	987,553,740
Financial liabilities at amortized cost	0	348,633,134	1,010,358,149	1,358,991,283
Held to maturity	10,309,688	146,954,883	44,915,190	202,179,761

23.2. Financial instruments recognized at fair value

The following tables present the fair values of the financial instruments that are stated in the balance sheet at their fair value.

The instruments concerned are shown in the tables following the fair value hierarchy of IFRS 13. The fair value level here depends on the type of input used for the valuation of financial instruments.

Level 1 relates to the quoted (unadjusted) prices in active markets (externally available and observable fair values of financial instruments in liquid markets).

Level 2 includes all fair values which can be obtained directly or indirectly based on observable parameters (input), using models.

Finally, the fair values calculated on the basis of non-unobservable parameters (input) are classified under level 3.

The table below provides an overview of the level hierarchy of financial assets and liabilities recognized at fair value.

as of 31/12/2014	level 1	level 2	level 3	Total
Assets recorded at fair value	**4,002,309,851**	**266,816,424**	**33,010,467**	**4,301,193,484**
Financial assets designated at fair value with valuation changes through profit or loss	1,162,716,140	18,418,574	0	1,181,134,714
Available-for-sale assets	2,839,593,711	248,397,850	33,010,467	3,121,002,028
Fixed income securities	2,755,642,736	248,397,850	32,067,209	3,036,107,795
Non-fixed income securities	83,950,975	0	943,258	84,894,233
Liabilities recorded at fair value	**1,162,716,140**	**18,418,574**	**0**	**1,181,134,714**
Financial liabilities designated at fair value with valuation changes through profit or loss	1,162,716,140	18,418,574	0	1,181,134,714

as of 31/12/2015	level 1	level 2	level 3	Total
Assets recorded at fair value	**4,313,438,436**	**241,848,406**	**34,205,821**	**4,589,492,663**
Financial assets designated at fair value with valuation changes through profit or loss	1,660,896,656	9,215,736	0	1,670,112,392
Available-for-sale assets	2,652,541,780	232,632,670	34,205,821	2,919,380,271
Fixed income securities	2,557,335,369	232,632,670	33,192,785	2,823,160,824
Non-fixed income securities	95,206,411	0	1,013,036	96,219,447
Liabilities recorded at fair value	**1,660,896,656**	**9,215,736**	**0**	**1,670,112,392**
Financial liabilities designated at fair value with valuation changes through profit or loss	1,660,896,656	9,215,736	0	1,670,112,392

In the ‘available-for sale’ portfolio we encounter sporadic shifts between Level 1 and Level 2 as a result of changes (e.g. more providers) in market values. These changes in level are documented in conformity with the policy as developed.

The following table provides a reconciliation of Level 3 fair values between 1 January 2014 and 31 December 2015. These are securities, the fair values of which were obtained externally, but are based on non-observable parameters.

	Fixed income securities
Opening balance at 1/1/2014	**9,101,808**
Purchases	5,322,550
Sales	0
Changes to other levels	18,336,209
Other changes	249,900
Closing balance at 31/12/2014	**33,010,467**
Purchases	5,833,765
Sales	0
Maturity date	-4,144,828
Changes from other levels	0
Other changes	-493,583
Closing balance at 31/12/2015	**34,205,821**

Possible level changes in ‘available-for-sale assets’ have no P&L impact. The delta market values are included in Other Comprehensive Income (OCI) under equity.

Notes to the consolidated income statement

24. Net earned premiums

The distribution of premium income is as follows:

	31/12/2014	31/12/2015
Gross premiums	**650,929,521**	**354,852,886**
Gross premium income – non-life	117,809,830	232,947,913
Gross premium income – life	533,119,691	121,904,973
Change in unearned premiums – non-life	**-2,315,885**	**-2,116,855**
Ceded reinsurance premiums	**-5,569,022**	**-4,553,327**
Ceded reinsurance premiums – non-life	-2,815,650	-2,703,051
Ceded reinsurance premiums – life	-2,753,372	-1,850,276
Total	**643,044,614**	**348,182,704**

Below is an overview of the structure of gross 'non-life' insurance premium income during the year.

	31/12/2014	31/12/2015
Accident and health	40,085,845	36,905,567
Motor	40,491,714	43,618,080
Fire	28,208,173	31,278,563
Family	3,933,526	4,339,871
Legal assistance	5,090,572	5,762,892
Total non-life	**117,809,830**	**121,904,973**

Until now the subsidiaries have no 'non-life' activities, so that all activities here are activities of the Company itself.

25. Net interest income

Net interest income breaks down as follows:

	31/12/2014	31/12/2015
Interest income	**123,300,381**	**139,466,033**
Available-for-sale assets	85,223,905	90,800,341
Loans and advances to credit institutions	11,241,404	13,484,880
Loans to and receivables from other clients	26,835,072	35,180,812
Interest expense	**-13,677,717**	**-34,123,081**
Deposits - credit institutions	-14,913	-33,606,591
Deposits - other than credit institutions	-13,642,536	-468,466
Subordinated liabilities	-20,268	-48,024
Net interest income	**109,622,664**	**105,342,952**

The interest expense related to the guaranteed interest on the insurance contracts is included under 'gross cost of claims and changes in technical provisions'.

26. Dividends

The table below gives an overview of dividends received:

	31/12/2014	31/12/2015
Available-for-sale assets	2,154,385	3,136,236
Total	**2,154,385**	**3,136,236**

27. Net commission and fee income

The table below provides a breakdown of net income from commissions and fees:

	31/12/2014	31/12/2015
Net commission and fee income	**13,825,602**	**24,351,884**
Management fees received	13,614,997	22,938,916
Other items	210,605	1,412,968
Net commission and fee expenses	**-1,264,464**	**-4,619,977**
Acquisition costs	-346,803	-2,827,855
Other items	-917,661	-1,792,122
Net commission and fee income	**12,561,138**	**19,731,907**

The management fees received are linked to the growing branch 23 portfolio. The acquisition costs mainly relate to the acquisition of the Dutch mortgage portfolio.

28. Realized gains and losses on available-for-sale financial assets

The realized results on available-for-sale financial assets are structured as follows:

	31/12/2014	31/12/2015
Total realized gains	**7,211,001**	**20,390,985**
Capital gain on fixed income securities	4,907,805	11,237,575
Capital gain on non-fixed income securities	2,303,196	9,153,410
Total realized losses	**-525,071**	**-1,578,512**
Capital loss on fixed income securities	-23,313	-91,510
Capital loss on non-fixed income securities	-501,758	-1,487,002
Net realized result	**6,685,930**	**18,812,473**

29. Net cost of claims and change in technical provisions

The structure of cost of claims and settlement payments as of 31 December is as follows:

	31/12/2014	31/12/2015
Gross cost of claims and change in technical provisions	**-674,288,485**	**-373,920,048**
Non-life	-90,307,247	-92,390,107
Life	-583,981,238	-281,529,941
Reinsurers' share in cost of claims and change in technical provisions	**7,366,513**	**6,973,852**
Non-life	4,110,971	5,371,330
Life	3,255,542	1,602,522
Net cost of claims and settlements	**-666,921,972**	**-366,946,196**

The changes in unearned premiums (non-life) are not included in this heading. These are part of the net earned premiums.

30. Realized gains and losses on sale of fixed assets

The realized results on the sale of fixed assets can be detailed as follows:

	31/12/2014	31/12/2015
Sale of property investments	18,502	0
Total net income	**18,502**	**0**

31. Other operating result

The other operating result consists of the following components:

	31/12/2014	31/12/2015
Operating expenses	**-24,041,125**	**-24,778,439**
with respect to cost sharing among group companies	-22,816,565	-24,065,582
with respect to insurance operations	-1,204,674	-707,982
other expenses	-19,886	-4,875
Operating income	**1,455,985**	**1,094,125**
with respect to cost sharing among group companies	0	0
with respect to insurance operations	1,455,985	1,094,125
other income	0	0
Total other operating result	**-22,585,140**	**-23,684,314**

The cost sharing among group companies relates to the charging on of costs from and to 'entities not consolidated by the Company' of the Argenta Group (in this case BVg itself) and the Bank Pool.

32. Administrative costs

Personnel costs consist of the following components:

	31/12/2014	31/12/2015
Total personnel costs	**-6,011,677**	**-5,485,751**
Remuneration	-3,961,605	-3,702,601
Social charges	-1,286,495	-1,216,887
Pension costs	-516,158	-404,046
Share-based payments	0	0
Other personnel costs	-247,419	-162,217
Average number of personnel	**93.7**	**86.5**
Senior management	4.8	4.8
White-collar employees	88.9	81.7
Hourly-paid workers	0	0

The Company only has pension obligations based on defined contribution schemes. In Belgium, a minimum return is provided for in respect of the group insurance plans, which is guaranteed by the respective insurance company(-ies).

Based on the situation at 31 December 2015 an assessment was made by the external insurer of the adequacy of the technical reserves of the group insurance. Based on this assessment, no additional charges and liabilities were recorded in 2015.

General and administrative expenses and operating expenses are as follows:

	31/12/2014	31/12/2015
Total general and administrative expenses	**-14,796,775**	**-16,015,024**
Marketing expenses	-99,898	-114,660
Fees and IT expenditure	-5,678,099	-5,099,865
Rents	-72,177	-35,138
Contributions to the government	-5,440,955	-1,444,970
Other contributions	-1,750,667	-2,569,042
Total general and administrative expenses	-1,754,979	-6,751,349

The 'other general and administrative expenses' heading includes telephone calls, postage, office supplies, contributions to professional organizations, administration costs of insurance operations and travel costs.

33. Impairments

The changes in impairments and the outstanding impairments can be specified as follows:

Impairment losses on assets not designated at fair value through P&L (determined on an individual and group basis)	31/12/2014	31/12/2015
Available-for-sale assets	-651,037	-2,098,858
Loans and advances	158,357	639,214
Total impairments losses	**-492,680**	**-1,459,644**

Evolution of the impairments on loans and receivables and their impact on the result.

	opening balance 31/12/2013	growth via P&L	release via P&L	closing balance 31/12/2014	recoveries via P&L	direct wri-te-outs	collective provision	total P&L impact
Mortgage loans	1,961,658	1,418,676	-1,958,647	1,421,688	-5,530	-73,783	460,926	-158,357
Total	**1,961,658**	**1,418,676**	**-1,958,647**	**1,421,688**	**-5,530**	**-73,783**	**460,926**	**-158,357**

	opening balance 31/12/2014	growth via P&L	release via P&L	closing balance 31/12/2015	recoveries via P&L	direct wri-te-outs	collective provision	total P&L impact
Mortgage loans	1,421,688	1,156,582	-1,419,292	1,158,977	-4,557	30,703	-402,649	-639,214
Total	**1,421,688**	**1,156,582**	**-1,419,292**	**1,158,977**	**-4,557**	**30,703**	**-402,649**	**-639,214**

On balance, there was a negative impact of EUR 158,357 in 2014, and in 2015 an impairment loss of EUR 639,214 was recorded on 'loans and receivables'.

Outstanding impairments on assets not designated at fair value through P&L (determined on an individual and group basis)	31/12/2014	31/12/2015
Available-for-sale assets (fixed income securities)	**-2,847,967**	**-4,946,711**
Fixed income securities	-114	-2,271,165
Non-fixed income securities	-2,847,853	-2,675,546
Loans and advances	**-1,421,688**	**-1,158,977**
Mortgage loans	-1,421,688	-1,158,977
Total outstanding impairments	**-4,269,655**	**-6,105,688**

34. Income tax expense

Current and deferred income taxes are detailed below.

Reconciliation of statutory and effective tax rate	31/12/2014	31/12/2015
Current tax expense for the financial year	-17,823,706	-25,309,806
Current tax expense in respect of prior periods	3,205,231	-396,037
Deferred taxes - temporary differences	-797,004	1,645,777
Deferred taxes - amortized cost calculations	352,957	-55,044
Total taxes	**-15,062,522**	**-24,115,070**
Reconciliation of statutory and effective tax rate		
Profit before tax	61,135,251	79,697,979
Statutory tax rate	33.99%	33.99%
Income tax calculated at statutory rate	20,779,872	27,089,343
Differences in tax rates in other countries	-48,630	-267,844
Differences due to non-taxable income	-41,293	-73,328
Differences due to expenses not deductible for tax purposes	-2,003,275	-2,988,936
Differences due to tax losses	0	0
Differences due to provisions from previous periods	-2,115,681	261,425
Other increase (decrease) in statutory taxation.	90,769	406,288
Notional interest deduction	-1,599,242	-311,878
Total income tax	**15,062,522**	**24,115,070**
Effective tax rate	24.64%	30.26%

35. Off-balance sheet liabilities

At end-2014 the Company had repurchase agreements with other financial institutions guaranteed by OLOs in a nominal amount of EUR 250 million. At end-2015 the guarantee amount stood slightly higher, at EUR 258 million.

As of 31 December 2014, the Company held EUR 1,339,948 of collateral received from the reinsurers. As of end-2015 this amounted to EUR 6,163,005.

Mortgage registrations rose - parallel to the rising mortgage portfolio - from EUR 819,355,527 in 2014 to EUR 902,909,448 in 2015.

At end-2014 there was EUR 4,525,712 of bond lending. As of end-2015, there was a balance here of EUR 3,266,799.

36. Contingent liabilities

The Company is a defendant in a number of disputes within the framework of normal business operations.

The Company creates provisions for such cases when, in the opinion of management and after consultation with its legal advisers, it is probable that the Company will have to make payments, and the payable amount can be reasonably estimated.

With regard to further claims and legal proceedings against the Company of which management is aware (and for which no provision has been made in accordance with the principles described above), management, after obtaining professional advice, considers that these claims have no chance of success, or that the Company can defend itself successfully against them or that the outcome of these claims is not expected to result in a significant loss in income.

37. Events after the balance sheet date

There have been no material events after the balance sheet date that require an adjustment of the consolidated financial statements of the Company as of 31 December 2015.

On 22 March 2016, the Board of Directors reviewed the financial statements and approved them for publication. The financial statements will be submitted to the general meeting of shareholders on 29 April 2016.

Antwerp, 22 March 2016

Additional Information

The IFRS financial statements of the Company published in Dutch and English. The Dutch version of this report is the original text; the English version is a translation. The Company warrants that every reasonable effort has been made to avoid any discrepancies between the two language versions. Should such discrepancies exist, the Dutch version will take precedence. Questions related to the distribution of these reports should be directed to:

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Complaints Management

If you have a complaint or comment concerning the Argenta Group's services, we request that you first get in touch with the branch manager of the branch where you are a customer. Our branch managers are always ready to try and do all they can to help resolve your problem. If you are not satisfied with the outcome, you can then contract Argenta Group's Complaints Management service for both Bank Pool and Insurance Pool issues.

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