


Annual Report 2017

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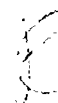
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# Annual Report 2017

Nederlandsche Algemeene Maatschappij van Levensverzekering

"Conservatrix" N.V.



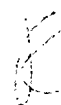


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### Composition of the Board

The composition of the Executive Board and the Supervisory Board of the Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. (Conservatrix) was as follows:

#### Executive Board

Composition as at December 31, 2017

**E. van der Wal, CEO<sup>1</sup>**

**M. R. E. Harkema, CFO a.i.<sup>2</sup>**

Resigned in 2017

**Drs. R. Collé RC, CEO a.i.<sup>4</sup>**

**R. C. van Kooten<sup>4</sup>**

**T. P. M. Stoop, CFO<sup>5</sup>**

#### Supervisory Board

Composition as at December 31, 2017

**R. Hinse, Chairman<sup>1</sup>**

**G. Luecke<sup>1</sup>**

**J. L. Melis<sup>3</sup>**

Resigned in 2017

**Mr. J. W. H. Richters<sup>4</sup>**

**F. Kusse<sup>6</sup>**

Joined in 2018

**M. Castelvetri<sup>7</sup>**

1 Joined May 15, 2017

2 Joined December 12, 2017

3 Joined October 10, 2017

4 Resigned May 15, 2017

5 Joined May 15, 2017 and resigned November 30, 2017

6 Joined May 15, 2017 and resigned November 2, 2017

7 Joined February 1, 2018

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### PROFILE

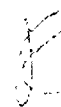
Conservatrix is a life insurer specialized in life insurances and mortgages with a history that dates back to 1872.

Since May 15, 2017 Conservatrix is owned by Trier Holding B.V. With the transfer of ownership Conservatrix is a well-capitalized insurance company at the dawn of a new era. The highest priority is given to attaining controlled and stable operations. This is a critical condition to return to the market as an active player.

The strategic asset-allocation consists of fixed interest securities with an average duration of approximately four years. The latter is a result of the reinsurance construction. Conservatrix currently has a headcount of 48 employees and is based in Utrecht.

### Key figures

<i>In thousands of euros</i>	2017	2016	2015	2014
Gross premiums	29,448	32,384	47,597	115,638
Reinsurance premiums	-101,247	-1,464	-1,456	-1,902
Net premiums	-71,799	30,920	46,141	113,736
Investment income including unrealized result own risk	32,613	36,254	23,384	38,984
Investment income including unrealized result at the risk of policyholders	1,484	761	1,626	1,494
Total income	-37,702	67,935	71,151	154,214
Claims and benefits paid	37,371	31,782	32,016	25,542
Operating expenses (excluding acquisition costs)	10,859	9,071	10,349	10,724
Result after tax (Solvency I)			30,617	-71,017
Result after tax (Solvency II)	95,161	-14,874	11,376	
Own Funds (Solvency I)			3,097	-18,259
Own funds (Solvency II)	74,240	3,953	15,442	
Solvency I ratio			13%	-74%
Solvency II ratio	188%	-16%		



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## REPORT OF THE SUPERVISORY BOARD

The Supervisory Board hereby presents the annual accounts 2017, as prepared by the Executive Board of Conservatrix to the General Meeting of Shareholders. The auditor's statement of approval is included in the report. The annual report is offered to the general meeting for adoption and for discharging the Executive Board for the management and also discharging the Supervisory Board for the supervision conducted in.

On 15 May 2017 Trier Holding B.V.; a Dutch company, acquired Conservatrix. At that moment Mr Richters stepped down and Mr Hinse, Mr Kusse and Mr Luecke were appointed as new Supervisory Board-members. The Supervisory Board was strengthened with Mr Melis on October 10, 2017 and Mr Kusse resigned on November 2, 2017 due to other obligations he had to meet. We like to thank him for his contribution in the start-up phase. All members of the Board have signed a moral ethical statement on their appointment

The Supervisory Board has been actively involved in the post-acquisition phase. On the one hand, the Supervisory Board followed the regular course of affairs in the organization, focusing on the business development and management of the solvency of Conservatrix on the basis of the current supervisory framework under Solvency II, as well as on compliance with laws and regulations. On the other hand, special attention was paid to the recapitalization, the unbundling from the Conservatrix Group S.à.r.l. and the realization of a sufficient organization, including appointment of a new Executive Board and Supervisory Board members, the design of its operations and sound business practices and the design of the strategy in the long term. In this process the Supervisory Board monitored the impact on the position of stakeholders, in particular policyholders, employees and shareholder.

After the acquisition, the Supervisory Board met seven times in the presence of the Executive Board, including two times by telephone. In the meetings, in addition to the aforementioned current and general policy topics, the investment policy, the methods and principles for Solvency II, the financial reports, the own risk analysis, the commercial strategy and the general course of events in the organization were discussed.

In addition, the Supervisory Board itself met several times in 2017. In this, preliminary consultations were held on agenda items and the course of affairs with the Executive Board was discussed and evaluated. The Supervisory Board had also two written meetings confirming the appointment of Mr. Harkema as interim-member of the Executive Board.

The members of the Supervisory Board collectively take part in the established lifelong learning program. The topics are geared to relevant events and are held prior to the quarterly meetings of the Board. The members of the Supervisory Board are satisfied with the structure and content of the program.

The Audit and Risk Committee (hereinafter: ARC) was chaired by board member Mr. J. Melis. The ARC met twice after the acquisition. The findings and reports of the second-line functions (compliance, risk management, actuarial function) and internal audit (third line of defense) have been discussed with these functions as well as other relevant topics related to financial and operational risks, such as the internal control measures, the valuation principles, and the financial



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reports.

The ARC has reported its findings to the Supervisory Board.

The Nomination and Remuneration Committee met once in 2017. In the meeting the remuneration policy and the current and future composition of the staff was discussed.

The members of the Supervisory Board receive a fixed remuneration for their work as supervisor at Conservatrix, which is supplemented if there is a special above-average effort by the relevant supervisory board members.

Finally, the Supervisory Board is grateful to the employees and the Executive Board for the effort and commitment shown in 2017.

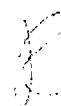
Utrecht, April 26 2018

R. Hinse, Chairman

G. Luecke

J.L. Melis

M. Castelvetri



## REPORT OF THE EXECUTIVE BOARD

### Business Developments

Conservatrix is a life insurer specialized in life insurances and mortgages. On May 15, 2017 De Nederlandsche Bank (DNB) was granted permission by the Amsterdam District Court to transfer the shares of life insurer Conservatrix to a new owner, Trier Holding B.V. and its shareholders. The Amsterdam Court announced its public decision following a request by the Dutch supervisor.

DNB had asked the court for permission to transfer the shares, because Conservatrix did not have sufficient funds to meet its future obligations to policyholders.

As a consequence of this permission and the change of shareholder on May 15, 2017 the new Conservatrix Board was installed. On the same day, the former Conservatrix Board resigned. From May 15, 2017 the board consists of two persons:

- Mr. Erwin van der Wal CEO
- Mr. Dick Stoop CFO (until December 1, 2017), Mr. Menno Harkema (from December 1, 2017)

Before May 15, 2017 Conservatrix was part of the Conservatrix Group (Luxembourg) and due to the change of shareholder, the company needed unbundling.

As part of the agreement with DNB the new shareholder recapitalized the company above the envisaged minimum Solvency II ratio of 135% by injecting € 18.4 million of capital directly and € 72.1 million via a reinsurance agreement with Colorado Bankers Life, an affiliate US company. The market value of the reinsurance agreement was assessed by KPMG Advisory N.V.. After the recapitalization DNB revoked the appointment of the trustee, but the company is still under so-called intensified supervision from DNB.

Due to the reinsurance contract the duration of the asset mix changed and a careful process of rebalancing the duration of the asset mix in line with the liabilities on the balance sheet took place.

Part of the agreement between DNB and Trier Holding and its shareholders was to secure the rights of the Conservatrix policyholders. A process of communication to all relevant stakeholders including customers was undertaken, where each customer received a letter in which the new board presented itself and announced its objectives with the company. The main message in this perspective was "we are here to stay and make the company healthy and profitable again." This message was received well. After the communication, there were no changes in the behavior of policyholders in the portfolio over the remainder of the year.

The first and major goal of the board is to reorganize the company in a way that it has a sound, controlled and ethical operating environment and is fulfilling all its obligations toward all the stakeholders. The activities being focused on are incorporated into the business plan which was submitted and approved by DNB as part of the agreement between DNB and the present shareholder.

Because of the required unbundling immediately after the acquisition, the board completed the reorganization of the Finance & Control and Actuarial departments. Before May 15, 2017 these two departments were organized at group level. The IT department was still at group level at the end of



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2017. Prior to the acquisition, a transfer services agreement was signed to secure the delivery of IT services for Conservatrix by the former shareholder.

For the remaining period of 2017, in order to meet the demands set by DNB to become an active company in the market, the company has been focusing on three major topics:

- To realize a sound, controlled and ethical operating environment, a program was set up to develop a company that is again fulfilling all its duties in line with Solvency II regulation;
- To organize the investment process and procedures in such a way that the company is able to realize the desired yield on its investments to meet the obligations toward the policyholders;
- To unbundle the IT department and IT infrastructure from former group companies and set up a new IT organization within Conservatrix, the present IT infrastructure will be copied and transferred to the cloud. From then on, Conservatrix will be fully independent from former group companies.

The Conservatrix' strategy is to turn the company around into a sustainable, well-organized, flexible and cost-efficient operation and to achieve growth in assets under management by acquiring companies or life insurance portfolios.

Conservatrix has constructed a responsible investment policy that complies with the standards for the sustainable Investment Code ('Code Duurzaam Beleggen') of the Dutch Association of Insurers ('Verbond van Verzekeraars'). Conservatrix subscribes to this Code, in which the UN Principles for Responsible Investments are incorporated.

During the transformation of the company, daily business was performed and necessary improvements were undertaken at the same time. In 2017, Conservatrix activated the remaining policyholders as part of the total program on investment insurance policies.

In general, 2017 was a year of change and reorganization for the company and its employees. This year progress was made in order to enable Conservatrix to become in control about the processes again, compliance with the regulation.

In 2018 Conservatrix will be reorganizing its total IT infrastructure, in order to realize the strategy. After migration to the cloud Conservatrix plans to migrate its legacy systems to a new IT infrastructure. Outsourcing of non-core activities in order to secure flexibility and a scalable cost model will be achieved in 2018. The company will be organized in such a way that the demands of the customers are taken care of and at the same time a high level of (self) service by our customers can be attained.

Conservatrix envisages to improve in 2018 the yield on its investment portfolio within its risk appetite by shifting part of the investment portfolio to less liquid, higher yielding assets. Conservatrix also plans gradually reduce the relative share of its mortgage loans portfolio.

Conservatrix foresees a stable workforce in 2018. We aim to have at least 30% women on the Executive and Supervisory Board and in the management layer immediately below. We did not meet this target in 2017, however we actively seek opportunities to enhance gender diversity at all management levels

The Conservatrix Board appreciates the hard work undertaken by the company and its employees and is convinced that together with the team the goals set will be achieved.





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### Financial Developments

The full-year 2017 result before tax increased significantly to € 84.9 million compared with € -18.3 million in the previous year. This improvement was mainly caused by a new reinsurance agreement with Colorado Bankers Life Insurance Company.

A single reinsurance premium of € 100 million was paid while the reinsurers' share of the changes in technical provisions rose to € 152 million. Due to the reinsurance agreement €10.7 million of risk margin was released.

- In connection with the reinsurance contract, Conservatrix started to change the duration of the asset mix. This resulted in higher realized gains on investments totaling € 18.9 million compared with € 10.1 million in the previous year.

Gross premiums earned decreased to € 29.4 million from € 32.3 million in the previous year, mainly due to lower premiums from the "ISP" product, while gross claims and benefits paid rose with € 5.8 million to € 39.1 million in 2017 mainly due to increased expirations.

Operating expenses increased to € 11.3 million from € 9.5 million in the previous year, caused by higher staff costs (termination fees, external staff) and overhead expenses due to the disentanglement of the former companies and investments in the business to achieve a stabilized new company.

Shareholders funds increased € 70.2 million from € 3.9 million to € 74.2 million due to the higher profit before tax of € 103.0 million driven by the reinsurance agreement, and a share premium contribution of € 18.4 million. This increase was partly offset by negative movement in revaluation reserves of € 43.3 million and € 7.0 million of favorable taxation compared with the previous year.

The increase of shareholders funds and higher deferred tax assets was followed by improved eligible own funds totaling € 47.7 million in 2017. In combination with a significantly decreased solvency capital requirement (SCR) to € 25.4 million, this resulted in a Solvency II ratio of 188% (2016: -16%).



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### Capital Management

The aim of capital management at Conservatrix is to meet all future policyholder claims. An important precondition is that the amounts of the SCR and the minimum capital requirement are at all times sufficiently covered by the amount of own funds.

#### Dividend Policy and Capital Actions

When acquiring the shares of Conservatrix on May 15, 2017 it was stated that Conservatrix will refrain from declaring or paying out any dividend within a period of ten years.

After the transfer of its shares to Trier Holding B.V. the capital position of Conservatrix was strengthened by means of a direct capital injection of € 18.4 million. Next to that the capital position was reinforced with € 72.1 million via a reinsurance agreement with Colorado Bankers Life Insurance Company. Due to the reinsurance contract also € 10.7 million of risk margin was released.

Furthermore, Conservatrix adjusted for the loss-absorbing capacity of deferred taxes as of May 15, 2017, which enhances its capital position. As of May 15, 2017 the internal minimum solvency ratio is 135%, calculating the SCR according to the Solvency II standard formula.

Additional information on capital management is available in the Financial Statements section.

### Liquidity Management

Liquidity risk means the risk that Conservatrix is unable to realize investments and other assets in order to settle its financial obligations when they fall due.

The operational cash flow of Conservatrix is to a considerable extent predictable. Liquidity is managed for the short term as well as the long term. Estimations are updated on a regular basis. Furthermore, a substantial part of Conservatrix investments is marketable.

Liquidity risk is a risk that is also specifically mentioned in the "own risk and solvency assessment" policy.

### Risk Management

Solvency II classifies risks for instance for submodules calculating the SCR. Conservatrix calculates its SCR in accordance with the standard formula and the individual risk modules that comprise the SCR. If risks are not covered by the standard formula they will be assessed in the own risk and solvency assessment (ORSA) process.

The "three lines of defense" model is incorporated in the organizational design and operations. The three lines of defense model consist of three defense lines with different responsibilities with respect to the ownership of controlling risks. Ownership and implementation, within the first line, is comprised of business managers. Compliance, actuarial function, and risk management, as the second line, monitor and help to ensure that risk and controls are effectively managed. Internal audit controls the first and second lines in order to provide assurance to the Board of Directors and the Supervisory Board.

Additional information on risk management is available in the Financial Statements section.

Utrecht, April 26, 2018

E. van der Wal

M.R.E. Harkema

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## FINANCIAL STATEMENTS

### Balance Sheet

Before appropriation of result

<i>In thousands of euros</i>	December 31, 2017	December 31, 2016
<b>Investments</b>		
Investment property	9,300	7,400
Financial investments		
Bonds	214,939	222,010
Derivatives	0	70,700
Mortgages	300,222	332,158
Other loans	4,841	13,472
Total financial investments	520,002	638,340
<b>Investments at policyholders risk</b>		
Equity and other investments	14,514	13,911
<b>Deferred tax assets</b>	30,343	11,886
<b>Short term receivables</b>		
Reinsurers	1,819	854
Policyholders	700	511
Intermediaries	1	7
Shareholder	2	0
Group companies	0	1,018
Other receivables	574	376
Total short term receivables	3,096	2,766
<b>Other assets</b>		
Equipment	907	185
Cash	23,653	25,197
Total other assets	24,560	25,382
<b>Accrued income</b>		
Accrued interest	1,027	966
<b>Total Assets</b>	<b>602,842</b>	<b>700,651</b>

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<i>In thousands of euros</i>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Shareholders' funds</b>		
Share capital	13,848	13,848
Share premium	46,926	28,500
Revaluation reserve	38,478	81,777
Other reserves	-120,172	-105,298
Result before appropriation	95,161	-14,874
<b>Total shareholders' funds</b>	<b>74,240</b>	<b>3,953</b>
<b>Insurance liabilities</b>		
At own risk	688,990	708,783
At policyholders' risk	14,132	14,270
<b>Gross insurance liabilities</b>	<b>703,122</b>	<b>723,053</b>
Reinsurers' share	-186,759	-36,650
<b>Net insurance liabilities</b>	<b>516,363</b>	<b>686,403</b>
<b>Provisions</b>		
Restructuring provisions	0	2,250
Pension obligations	826	2,034
<b>Total provisions</b>	<b>826</b>	<b>4,284</b>
<b>Long-term liabilities</b>		
Other long-term liabilities	34	40
<b>Total long-term liabilities</b>	<b>34</b>	<b>40</b>
<b>Short term liabilities</b>		
Reinsurers	1,450	0
Intermediaries	337	307
Shareholders	0	273
Tax and social security contributions	611	290
Other liabilities	8,981	5,101
<b>Total short term liabilities</b>	<b>11,379</b>	<b>5,971</b>
<b>Total Liabilities</b>	<b>602,842</b>	<b>700,651</b>

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### Income Statement

<i>In thousands of euros</i>	2017	2016
<b>Insurance premiums earned</b>		
Gross premiums	29,448	32,384
Outgoing reinsurance premiums	-101,247	-1,464
Net premiums earned	-71,799	30,920
<b>Investment income</b>		
Investment property	252	371
Other investments	14,669	15,590
Realized gains on investments	18,964	10,105
Total investment income	33,885	26,066
<b>Unrealized gains on investments</b>	464	10,949
<b>Claims and benefits paid</b>		
Gross claims and benefits paid	39,183	33,335
Reinsurers' share	-1,812	-1,553
Net claims and benefits paid	37,371	31,782
<b>Change in technical provisions</b>		
Gross change in technical provision	-19,931	41,912
Reinsurers' share	-150,109	-761
Net change in technical provision	-170,040	41,151
<b>Change in other provisions</b>	-1,654	3,112
<b>Profit sharing and benefits</b>	13	21
<b>Operating expenses</b>		
Staff, overhead and depreciation costs	10,859	9,071
Acquisition costs	508	496
Total operating expenses	11,367	9,567
<b>Investment management expenses</b>	553	376
<b>Investment income attributable to non-technical account</b>	-1,232	-229
<b>Result technical account life insurance</b>	83,708	-18,303
<b>Investment income attributable from technical account</b>	1,232	229
<b>Result before tax</b>	84,940	-18,074
<b>Income tax</b>	-10,221	-3,200
<b>Net Result</b>	<b>95,161</b>	<b>-14,874</b>

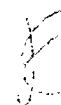
### Statement of Comprehensive Income

<i>In thousands of euros</i>	2017	2016
<b>Net result</b>	<b>95,161</b>	<b>-14,874</b>
Change revaluation reserve investment property	1,207	0
Change revaluation reserve other investments	-24,214	6,227
Change revaluation reserve loans	-20,293	-2,842
<b>Total amount recognized directly in equity</b>	<b>-43,300</b>	<b>3,385</b>
<b>Total comprehensive income</b>	<b>51,861</b>	<b>-11,489</b>
<b>Share premium contribution</b>	<b>18,426</b>	<b>0</b>
<b>Movement shareholders' funds</b>	<b>70,287</b>	<b>-11,489</b>

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### Cash Flow Statement

<i>In thousands of euros</i>	2017	2016
<b>Net result before unrealized income and tax</b>	<b>54,941</b>	<b>-38,338</b>
Depreciation equipment	184	114
Change in liability to intermediars	6	10
Change in receivables group companies	1,018	-195
Change in receivables to intermediars	30	10
Change liability reinsurer	29	0
Change short term liability	5,622	-1,651
Change technical provision	-170,040	41,151
Change other provision	-3,458	3,004
Change in equity securities	-273	31
Change depot insurers	-6	-6
Change amortization	-171	0
Change other short term receivables	-1,415	-64
<b>Total movement</b>	<b>-168,474</b>	<b>42,404</b>
<b>Cash flow from operational activities</b>	<b>-113,533</b>	<b>4,066</b>
Mortgage loans	40,849	32,504
Other loans	6,805	11
Equity securities	700	18,941
Derivatives	67,369	0
Bonds	169,887	30,510
Equipment	48	0
<b>Disinvestments, sales and disposals</b>	<b>285,658</b>	<b>81,966</b>
Mortgage loans	-27,145	-11,458
Other loans	0	-465
Equity	-270	-1,410
Bonds	-163,726	-70,950
Equipment	-954	-3
<b>Total Investments in acquisitions and purchases</b>	<b>-192,095</b>	<b>-84,286</b>
<b>Cash flow from investing activities</b>	<b>93,563</b>	<b>-2,320</b>
Movement of share premium	18,426	0
<b>Cash flow from financial activities</b>	<b>18,426</b>	<b>0</b>
<b>Net increase/decrease in cash</b>	<b>-1,544</b>	<b>1,746</b>



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### Accounting Principles

#### General

The financial statements have been drawn up in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines of the Dutch Accounting Standards Board. This implies that Guideline 605 has been applied in the preparation of this annual report. Unless stated otherwise, assets and liabilities are recognized at their face value. Income and expenses are allocated to the year to which they pertain. The activities of the Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V., with its registered office in Utrecht, consist of concluding life insurance contracts, pensions, and mortgages on the Dutch market.

The financial statements have been drawn up on the basis of a going concern principle.

#### Use of estimates

The preparation of the financial statements requires the Executive Board and management to form opinions and make estimates and assumptions that influence the application of accounting principles and the reported value of assets and liabilities, and income and expenses. The actual results may differ from these estimates.

#### Changes in accounting estimates:

During the financial year, the percentage used to calculate the deferred tax asset arising from the temporary difference between the book value and the value for tax purposes of the provision for insurance obligations changed from 18% to 25%. During the financial year, the percentage used to calculate the deferred tax provision arising from the revaluation of the mortgage and private loans changed from 18% to 25% (immovable property from 15% to 25%). The impact for 2017 amounts € 8,221 and for 2016 € 5,050, in total € 13,271.

#### Continuity

With effect from May 15, 2017 Trier Holding B.V., acquired Conservatrix. The new shareholder invested with a direct capital injection of € 18.4 million in Conservatrix and indirectly reinforced the capital with another € 72.1 million through a reinsurance agreement with Colorado Bankers Life Insurance Company.

Before the change of shareholder, arrangements were made in an agreement with DNB. In the Agreement it is made explicit, among other things, that:

- DNB will reconsider the restrictions within 24 months and, unless the Company is not sufficiently stable, treat the company as any other stable insurance company.
- Eli Global will recapitalize the Company to at least 135% with Tier 1 capital.

In addition, the company has sufficient liquid assets and readily marketable investments at its disposal to meet its obligations over the coming years. Consequently, the financial statements have been drawn up on the basis of the going concern principle.

#### Fair value hierarchy

Financial assets and liabilities are categorized into the following fair value hierarchy.

Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Conservatrix uses brokers' quotes.

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### *Published prices in active markets ('Level 1')*

Fair value measured at Level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

### *Measurement method based on significant observable market inputs ('Level 2')*

Fair value measured at Level 2 uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a Level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at Level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields, on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

### *Measurement method not based on significant observable market inputs ('Level 3')*

Fair value measured at Level 3 significantly uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available, and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability.

### **Investment property**

Investment property (including property under construction) is held for long-term rental yields and is not occupied by Conservatrix. Investment property is measured at fair value, which is supported by market evidence, as assessed by a qualified external appraiser. These appraiser quotes are challenged once a year by obtaining quotes from other appraisers as well. Changes in the fair value are recognized in the shareholders' funds within the other reserve. Investment property is presented under level 2.

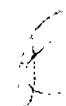
### **Equipment**

The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

### **Bonds**

Bonds are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described above. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the share holder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement. When the fair value is below cost price the revaluation is accounted for in the income statement in the period in which the value change occurs. Quoted bonds in active markets are measured at fair value level 1, unquoted are measured at fair value level 2.





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### Private loans

Private Loans are measured at Fair Value whereas discounted cash flows are calculated against the interest rate associated with the duration of that cash flow. This includes the use of an index and credit profile of comparable investments for each individual loan. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the share holder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve into the income statement. When the fair value is below cost price the revaluation is accounted for in the income statement in the period in which the value change occurs. This method is measured at fair value level 3.

### Investments at policyholders' risk

Investments at policyholders' risk are equity securities and participations in investment institutes. For participations in these investment institutions these are required to be calculated against the last known price; these participations are listed on the stock exchange as common and preferred stocks. Changes in the fair value of investments at policyholders' risk are measured and classified at fair value through profit and loss.

### Mortgages

Mortgages are recognized at fair value for which mortgages are divided between residential mortgages and commercial mortgages. The valuation of residential mortgages is currently undertaken by Dynamic Credit and further evaluated in the document "Market Valuation Methodology". Commercial mortgages are at nominal or lower value. The revaluation of the mortgages is recognized through share holder's funds within the other reserve.

### Receivables and other financial assets

Receivables and other Financial assets initially are presented against amortized costs. A provision is created in case debtors have financial difficulties on an individual basis. Receivables related to reinsurance contracts are short and long term receivables on reinsurance companies. These receivables are depended on the expected claims from the reinsurance contracts. The valuation is based on the same assumptions as for the gross technical provisions it corresponds with the individual agreements with the reinsurance company.

### Cash


Cash is directly available funds at banks. The carrying value of cash is regarded as a good approximation of the fair value, as these assets are of a short-term nature. Cash are measured against fair value Level 1.

### Cash equivalents

Cash equivalents are measured at the nominal value including accrued interest. Types of Securities are Treasury bills; agency discount notes; insured certificates of deposit and money market funds. The carrying value of cash equivalents is regarded as a good approximation of the fair value, as these assets are of short-term nature. Cash equivalents are measured against fair value Level 1.

### Provisions

Provisions are created for concrete or specific risks and obligations existing on the balance sheet date, whose magnitude is uncertain, but which can be reasonably estimated.



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### Insurance liabilities

The provision for insurance liabilities is calculated on the basis of the Solvency II principles. The interest rate used for this purpose is based on the interest rate structure published by the regulatory authority, adjusted for volatility.

The provision is the sum of:

- the expected value equal to the present value of the future annual payments plus the future costs of the insurances minus the gross premiums on the basis of best estimate assumptions (the net present value is calculated on the basis of the interest rate structure prescribed and published by the EIOPA, adjusted for volatility)
- the required risk margin, given the calculated solvency capital requirement on the basis of the risks quantified for the company.

### Provisions for insurance of investments at policyholders' risk

The provisions for insurance in investment units are valued based on the number of units assigned to the relevant policyholders at the price per unit as at the balance sheet date.

### Provisions for deferred taxes

Provisions for deferred taxes concern the tax claim that rests on all qualifying differences between commercial valuations and valuations for tax purposes of assets and liabilities, as well as the amount for which the reserves permitted for tax purposes have been created.

The provisions are created in relation to a lower valuation for tax purposes of equities, bonds, loans, and immovable property.

The provision is calculated on the difference between the tax and commercial value of the asset multiplied by the current tax rate of 25%.

### Long-term liabilities

Long-term liabilities include liabilities with a remaining term longer than one year.

The long-term liabilities are initially valued at fair value and are subsequently valued at amortized cost.

### Short-term liabilities

The short-term liabilities have an expected term of a maximum of one year.

### Accounting principles for determining the result

#### Premiums earned for own account

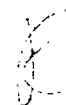
Premiums earned for our own account consist of regular gross premiums and single premiums minus outgoing reinsurance premiums.

#### Yields from investments

This includes the proceeds realized on the operation of lands and buildings, and other investments such as mortgage loans, equities, and bonds. The realized exchange results on the sale of immovable property or the realized share prices of securities are included in the proceeds of the investments.

#### Unrealized gain on investments

Unrealized equity prices, determined for each individual fund that can no longer be withdrawn from the revaluation reserve created in previous years are debited to the result. Unrealized price gains, determined for each individual fund, that pertain to price losses charged to the result in previous years are recovered and credited to the result.



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### **Benefit payments own account**

The benefit payments own account consists of the total liabilities arising from the payment of life insurance policies minus the amounts to be received from the reinsurers.

### **Change in technical provisions for life insurance**

The change in technical provisions own account is equal to the difference between the opening balance and the final balance of the technical provision (after deducting the reinsurance).

This item therefore includes all effects of financial transactions, adjustments to economic actuarial principles and deviations between reality and the previously used assumptions.

### **Operating costs**

The operating costs are determined on a historical basis and are allocated to the financial year to which they relate.

### **Taxes from ordinary business operations**

The company tax is calculated on the result in accordance with the profit and loss account at the applicable rate, with due consideration to the tax facilities.

### **Cash flow statement accounting principles**

The statement of cash flows, prepared according to the indirect method, shows the structure of and changes in cash and cash equivalents of Conservatrix during the financial year from the cash flows arising from operating activities, investing activities and financing activities. The cash flows from investing activities primarily comprise changes in investment securities (such as securities available-for-sale or loans to customers). Financing activities include all cash flows from transactions involving the issuing of own shares, paid share premium. Cash flows from operating activities contain all other activities, which belong to the principal revenue-generating activities.

### **Related parties**

All legal entities, natural persons and other related companies that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities, natural persons and other related companies which can control the Company are considered to be a related party. In addition, statutory directors, other key management of Conservatrix or the ultimate parent company and close relatives are regarded as related parties.

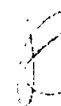
Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the true and fair view.

### **Comparison with previous year**

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

### **Collateral**

Until 2016 the collateral with Heco-Re was presented on the Balance Sheet. As this is effectively presented at the Balance Sheet of Heco-re it was decided to remove this from the Balance Sheet. For comparing purposes this was corrected in the 2016 Balance Sheet.



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### Risk Management

#### Risk management system

The Conservatrix' risk management system is in accordance with Solvency II requirements and covers the following areas:

- a) underwriting and reserving
- b) asset-and liability management
- c) investment, in particular derivatives and similar commitments
- d) liquidity and concentration risk management
- e) operational risk management, including integrity and compliance risks
- f) reinsurance and other risk-mitigation techniques

Conservatrix seeks an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies

#### Design of risk management

The Supervisory Board is responsible for supervising the Executive Board and the general course of affairs of the company and the business with it. The Supervisory Board has two committees, i.e., the Audit and Risk committee, and the Remuneration and Nomination Committee that inform the Supervisory Board of any major development in the area of its responsibility. The Executive Board is responsible for the day-to-day management and the overall strategic direction of the company. In the design of its operations Conservatrix uses the "three lines of defense" model.

The three lines of defense model consist of three defense lines with different responsibilities with respect to the ownership of controlling risks. The first line comprises business managers, including IT, Finance & Control, and Human Resource Management. The first line of defense lies with the managers whose activities create and manage the risks that can facilitate or prevent company objectives from being achieved. This includes taking the right risks. The first line owns the risk, and the design and execution of the organization's controls to respond to those risks.

The second line consists of compliance, actuarial function—by means of outsourcing—and risk management. The second line is put in place to give countervailing power to the first line and to support management by bringing expertise, process excellence, and management monitoring alongside the first line to help ensure that risk and control are effectively managed. Policies provide support in areas such as risk, compliance, and control. There are meetings on a regular basis with the Executive Board and the Audit and Risk Committee. Furthermore the second line functions have quarterly meetings with the Chairman of the Audit and Risk Committee or the Chairman of the Supervisory Board.

Internal audit, as the third line, controls the first and second line in order to provide assurance to the Board of Directors and the Supervisory Board. At the end of 2017 a broad skills set has been made available to Conservatrix by means of outsourcing. Internal audit evaluates the adequacy and effectiveness of the internal control system -including outsourced activities- and other elements of the system of governance. Furthermore, the internal audit function is objective and independent



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from the operational functions. There are meetings on a regular basis with the Executive Board, Chairman of the Audit and Risk Committee or the Chairman of the Supervisory Board.

The second line, i.e., actuarial function, compliance function, and risk management function, together with the third line i.e., internal audit, are considered to be the Solvency II key functions.

### Approach of risk management

Solvency II categorizes types of risks in order to calculate the SCR. This calculation can be performed with the SCR standard formula. The standard formula is intended to reflect the risk profile of most insurance undertakings. Conservatrix uses the standard formula and has no indication the standard formula should not adequately reflect the risk profile of Conservatrix.

Conservatrix assesses its risks and classifies the risks in two categories. First, risks that directly link to a SCR standard formula, including its submodules, and second risks that can not directly be linked to a SCR standard formula. Risks that do not directly link to a SCR standard formula will be assessed during the own risk and solvency assessment (ORSA) process and systematic integrity risk analysis (SIRA).

The standard formula discriminates between financial and non-financial risks. Financial risks are risks that come with the insurance and investment activities of Conservatrix. Non-financial risks are operational risks. Integrity risks are not included in the standard formula of Solvency II.

The main risks for Conservatrix are currently related to counterparty default risk, insurance activities, and reinsurance. Colorado Bankers Life Insurance concentrates on the reinsurance, the counterparty default risk is mitigated by means of collateral in a trust account. Investments are at present relatively liquid and of high credit quality. This limits SCR, albeit it also limits yields. The Conservatrix risk profile could change due to external developments and changes in business activities. The risk profile is quantified by an SCR standard formula. If risks are not covered by the standard formula they are assessed in the ORSA process.

Conservatrix uses the following risk categories:

- a) underwriting risk
- b) market risk
- c) counterparty default risk
- d) operational risk.

### Underwriting risk

Underwriting risk means the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

This risk, entailing mortality risk and lapse risk, is intrinsic to life insurance undertakings. The risks are monitored within the existing portfolio. For products both existing and envisioned, or product changes, the underwriting risk is assessed as part of the product approval and review process (PARP).

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### Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The Conservatrix investment portfolio leads to an exposure to market risks. Changes in the valuation of the mortgage loans drives market risk as well as underwriting risk, as the yield on the mortgage loans is linked to the claims of a substantial number of policyholders.

### Counterparty default risk

The counterparty default risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following twelve months. The counterparty default risk takes into account: risk-mitigating contracts such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit exposures that are not covered under market risk. Conservatrix takes appropriate account of collateral or other security and the risks associated therewith.

Counterparty default risk consists of type 1 and type 2 risks. Type 1 risk especially relates to cash at banks and reinsurance arrangements. The counterparty default risk for the reinsurers Heco Re and Colorado Bankers Life Insurance is nil due to the collateral provided and their adequate solvency ratios. Type 2 relates to the mortgage loan portfolio.

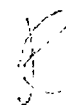
The value of the property is monitored at least once every three years by means of a third-party statistical method or a third-party revaluation. The monitoring may result in an identification of property that needs revaluation. In addition to the mortgage on the property, most mortgage loans also have a National Mortgage Guarantee—in Dutch: *Nationale Hypotheek Garantie* (NHG). NHG is a guarantee provided to the mortgage lender by a government-backed foundation, the Homeownership Guarantee Fund (*Waarborgfonds Eigen Woningen*). The guarantee decreases as if the mortgage loan is a level payment mortgage, even if the actual guaranteed loan would have another terms of redemption e.g., interest only. When calculating the SCR for counterparty default risk, Conservatrix does not take into account the NHG guarantee.

### Operational risk

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk includes legal risks, and exclude risks arising from strategic decisions, as well as reputation and integrity risks.

### ORSA process and SIRA

Prior to the transfer of shares of Conservatrix to Trier Holding B.V. on May 15, 2017 analyses were undertaken to substantiate the bid. Via the order of the Amsterdam District Court it is public information that the basis of the bid was known by DNB and has led to specific conditions by DNB for the bid. Conservatrix is in the opinion these analysis and the process with the supervisor are comparable to an ORSA and SIRA, so during 2017 no formal ORSA or SIRA has been filed with the supervisor. During 2018 Conservatrix will perform an ORSA and SIRA as part of the normal business routine.



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### Significant changes in risk management

Up until May 15, 2017 Conservatrix N.V. was part of Conservatrix Groep S.à.r.l., so risk management was set up as part of the group's risk management. As of the transfer of Conservatrix shares the business operations were run as a separate entity. The design of the governance was changed accordingly e.g., change of Articles of Association, charter of the Executive Board, charter of the Supervisory Board and its committees as well as the charters of the Investment Committee, compliance function, actuarial, risk management function and internal audit function. The bid for the Conservatrix shares was carried out to restore a sound, controlled and ethical operating environment. During 2017 the governance and design of operations have been adjusted to the new ownership.

A significant change is the establishment of the reinsurance agreement with Colorado Bankers Life Insurance Company. Most of the Conservatrix life underwriting risk and a significant part of interest rate risk is now reinsured. The counterparty default risk is mitigated by means of collateral in a trust account.

## Capital Management

### Capital management

As of May 15, 2017 the internal minimum solvency ratio is 135% calculating the SCR according to the Solvency II standard formula. When acquiring the shares of Conservatrix on May 15, 2017 it was stated Conservatrix will refrain from declaring or paying out any dividend within a period of ten years. In addition to this there is a recapitalization commitment from direct and indirect shareholders to replenish any shortfall in the SCR ratio after six months if there is a viable business case.

Conservatrix uses the SCR-ratio as main indicator for risks. The SCR-ratio is the ratio between own funds and solvency capital required. SCR is computed for several types of risks. The amount of SCR should enable Conservatrix to absorb unexpected losses originating from these types of risk. In line with the Solvency II Directive the SCR reflects a Value-at-Risk measure, with a 99.5 % confidence level, over a one-year period.

The SCR ratio is calculated and reported every quarter. Changes are monitored in quarterly reports, and material changes are explained.

### Trigger events

An ad hoc ORSA is triggered by preset events. One trigger event is a breach of the minimum level for the SCR ratio. The Conservatrix capital policy includes several actions to keep the SCR ratio above the envisioned minimum. These actions should lead to a rise in the SCR ratio and to determine actions rather than triggering the intervention of the supervisor. After May 15, 2017 no trigger events occurred.

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### Own funds and solvency capital required

<i>In thousands of euros</i>	2017	2016
Own funds	74,240	3,953
Tier 1	43,897	-7,933
Tier 2	0	0
Tier 3	30,343	11,886
<b>Total available own funds</b>	<b>74,240</b>	<b>3,953</b>
<b>Eligible own funds</b>	<b>47,700</b>	<b>-7,933</b>
Solvency capital required		
Market risk	10,116	7,300
Counterparty risk	15,692	22,806
Life underwriting risk	11,767	32,774
Diversification	-10,775	-15,720
BSCR	26,800	47,160
Operational risk	3,029	3,056
LACDT	-4,475	0
<b>Total solvency capital required</b>	<b>25,354</b>	<b>50,216</b>
Minimum capital required	11,410	21,213
Solvency II ratio	188%	-16%
Solvency II ratio target level	135%	130%

### Solvency ratio

As part of the agreement with DNB the new shareholder committed to recapitalize the company above the envisaged minimum Solvency II ratio of 135%. At December 31, 2017 Eligible Own Funds Solvency II was € 47.7 million and the required capital was € 25.4 million resulting in a Solvency ratio of 188%. The calculation of the solvency ratio is based on the standard formula.

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a one in two hundred year loss ('Shock loss'). A tax effect could be that the shock loss can be partially compensated with taxable profits. Insurers can only substantiate the post-shock net deferred tax assets with future profits if the SCR are met within the currently applicable recovery period. Conservatrix included a beneficial effect on its solvency ratio(s) due to the application of the loss-absorbing capacity of deferred taxes (LAC DT). The LAC DT volume is € 4.5.

### Profit appropriation

The Executive Board proposes to add the result to the other reserves within the shareholders' funds.



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### Notes to the Balance Sheet

*In thousands of euros*

<b>Investment property</b>	<b>2017</b>	<b>2016</b>
At January 1	7,400	7,400
Revaluation	1,900	0
<b>At December 31</b>	<b>9,300</b>	<b>7,400</b>

Cost of investment property amounts € 5,219.

<b>Equity securities and other investments</b>	<b>2017</b>	<b>2016</b>
At January 1	0	17,219
Purchase	0	818
Unrealized gain/losses	0	-20
Disposals	0	-17,618
Transfer to share of policy holders risk	0	-399
<b>At December 31</b>	<b>0</b>	<b>0</b>

<b>Bonds</b>	<b>2017</b>	<b>2016</b>
At January 1	222,010	167,957
Purchase	163,726	70,950
Disposals	-169,887	-30,510
Unrealized result	-910	13,613
<b>At December 31</b>	<b>214,939</b>	<b>222,010</b>

Cost of bonds amounts to € 215,825.

<b>Derivatives</b>	<b>2017</b>	<b>2016</b>
At January 1	70,700	60,025
Disposals	-67,369	0
Unrealized result	-3,331	10,675
<b>At December 31</b>	<b>0</b>	<b>70,700</b>

<b>Mortgages</b>	<b>2017</b>	<b>2016</b>
At January 1	332,158	289,263
Additions	27,145	11,458
Redemptions	-40,849	-32,504
Change in revaluation	-18,232	63,941
<b>At December 31</b>	<b>300,222</b>	<b>332,158</b>

The mortgage loans are primarily provided to private individuals on the Dutch market, have a predominantly long-term interest rate review date of 10, 15 and 20 years, and are primarily concluded with a National Mortgage Guarantee (NHG guarantee). The nominal value amounts € 340,230.

The mortgage loans are maintained to mitigate the interest rate risk included in the future cash flows of long-term insurance liabilities.

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*In thousands of euros*

<b>Other loans</b>	<b>2017</b>	<b>2016</b>
At January 1	13,472	9,921
Change amortization	171	465
Redemptions	-6,805	-11
Revaluations	-1,997	3,097
<b>At December 31</b>	<b>4,841</b>	<b>13,472</b>

Other loans mainly consists of private loans issued to financial institutions and a building society. The nominal value amounts € 5,638 .

<b>Investments at policy holders risk</b>	<b>2017</b>	<b>2016</b>
At January 1	13,911	13,872
Purchase	270	592
Disposals	-700	-1,323
Unrealized result	1,033	371
Transfer to equity securities own risk	0	399
<b>At December 31</b>	<b>14,514</b>	<b>13,911</b>

<b>Deferred tax</b>	<b>2017</b>	<b>2016</b>
Deferred tax assets	43,169	35,431
Deferred tax liabilities	-12,826	-23,545
<b>At December 31</b>	<b>30,343</b>	<b>11,886</b>
At January 1	11,886	10,145
Revaluation investment property	-475	0
Unrealized gains bonds	10,955	-2,076
Unrealized gains loans	4,594	620
Change in technical provision	-5,533	3,197
Change tax rate investment property and loans	-4,355	0
Change tax rate technical provision	13,271	0
<b>At December 31</b>	<b>30,343</b>	<b>11,886</b>

<b>Short term receivables</b>	<b>2017</b>	<b>2016</b>
<b>Intermediaries</b>		
Intermediaries current account	275	305
Provision for uncollectability	-274	-298
<b>Total intermediaries</b>	<b>1</b>	<b>7</b>
<b>Current interest</b>		
Mortgage loans	43	46
Bonds	984	907
Cash	0	13
<b>Total current interest</b>	<b>1,027</b>	<b>966</b>
<b>Other receivables</b>		
Debtors	7	0
Prepayments	81	221
Other	486	155
<b>Total other receivables</b>	<b>574</b>	<b>376</b>

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Property and equipment	Cost Dec 31, 2016	Disposal or depreciation	Purchase 2017	Cost Dec 31, 2017
Computer equipment	4,066	4,066	0	0
Office equipment	523	523	0	0
Company cars	162	48	0	114
Office improvement	0	0	954	954
Other office equipment	4,751	4,637	954	1,068

Property and equipment	Carrying value Dec 31, 2016	Disposal or depreciation	Purchase 2017	Carrying value Dec 31, 2017
Computer equipment	95	95	0	0
Office equipment	18	18	0	0
Company cars	72	42	0	30
Office improvement	0	77	954	877
Other office equipment	185	232	954	907

Depreciation rate is: Computer equipment 20%; Office equipment 20%.

Cash	2017	2016
Bank	23,653	25,197

Issued share capital	2017	2016
Share capital	13,848	13,848

The company's ordinary share capital consists of 5,539 ordinary shares with a nominal value of € 13,847,500

Share premium	2017	2016
At January 1	28,500	28,500
Share premium contribution	18,426	0
At December 31	46,926	28,500

Revaluation reserve	2017	2016
At January 1	81,777	78,392
Revaluation property	1,207	0
Revaluation loans	-20,293	-2,842
Revaluation bonds	78	13,210
Realized gain/loss bonds	-24,291	-6,983
At December 31	38,478	81,777

Other reserve	2017	2016
At January 1	-105,298	-116,674
Result prior year	-14,874	11,376
At December 31	-120,172	-105,298

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Result before appropriation	2017	2016
At January 1	-14,874	11,376
Result current year	95,161	-14,874
Transfer to other reserve	14,874	-11,376
<b>At December 31</b>	<b>95,161</b>	<b>-14,874</b>

Technical provisions	2017	2016
At January 1	723,053	681,158
Addition	-19,931	41,895
<b>Gross technical provisions</b>	<b>703,122</b>	<b>723,053</b>
Reinsurers' share	-186,759	-36,650
<b>At December 31</b>	<b>516,363</b>	<b>686,403</b>

Technical provisions	2017	2016
At own risk	502,231	672,133
At policyholders risk	14,132	14,720
<b>At December 31</b>	<b>516,363</b>	<b>686,403</b>

Technical provisions	2017	2016
Best Estimate	506,548	662,456
Risk margin	9,815	23,947
<b>At December 31</b>	<b>516,363</b>	<b>686,403</b>

### The movement of the best estimate is as follows:

<b>Best estimate at January 1</b>	<b>662,456</b>	<b>620,693</b>
Reinsurers' share	36,650	34,010
<b>Best estimate at January 1</b>	<b>699,106</b>	<b>654,703</b>
Change model primo	2,549	-3,025
Roll forward existing portfolio	-10,654	-6,076
<b>Best estimate at December 31</b>	<b>691,001</b>	<b>645,602</b>
Variance non economical	-2,346	586
Death	2,107	-1,338
Lapse	7,673	2,992
Expenses	7,517	-837
<b>Adjustment non economical assumptions</b>	<b>1,951</b>	<b>817</b>
Inflation curve	92	509
Interest	2,609	51,592
Variance economical	2,701	52,101
<b>Best estimate at December 31</b>	<b>693,307</b>	<b>699,106</b>
Reinsurers' share	-186,759	-36,650
<b>Best estimate at December 31</b>	<b>506,548</b>	<b>662,456</b>

## Annual Report 2017

Restructuring provision	2017	2016
At January 1	2,250	1,280
Addition	0	1,078
Withdrawal	-1,804	-108
Release	-446	0
<b>At December 31</b>	<b>0</b>	<b>2,250</b>

Pension provision	2017	2016
At January 1	2,034	0
Addition	0	2,034
Withdrawal	0	0
Release	-1,208	0
<b>At December 31</b>	<b>826</b>	<b>2,034</b>

The company has a pension scheme that grants participants a pension, whereby the company runs an actuarial risk. Effective from the start of the previous financial year an additional pension provision was created relating to this risk based on the provisions of IAS 19R, which also meets the Solvency II regulations.

Short term liabilities	2017	2016
Premium deposit	34	40
<b>At December 31</b>	<b>34</b>	<b>40</b>

Short term liabilities	2017	2016
Other liabilities		
Creditors	6,787	4,191
Accruals	2,193	910
<b>At December 31</b>	<b>8,980</b>	<b>5,101</b>

## Assets pledged by reinsurers for ceded technical provisions

Collateral	2017	2016
Heco Re		
ABN AMRO – bonds	22,790	21,841
ABN AMRO – equity securities	8,296	12,220
ABN AMRO – cash	8,983	10,635
<b>Total Heco Re</b>	<b>40,069</b>	<b>44,696</b>
CBL		
Fifth Third Bank – bonds	93,490	0
Fifth Third Bank – cash	63,431	0
<b>Total CBL</b>	<b>156,921</b>	<b>0</b>
<b>At December 31</b>	<b>196,990</b>	<b>44,696</b>



## Annual Report 2017

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### Contingent liabilities

#### Fiscal unity

In relation to the corporation tax, the Nederlandsche Algemeene Maatschappij van Levensverzekering N.V. "Conservatrix", from December 30, 2015 up to and including May 15, 2017, formed a fiscal unity with:

- Nederlandse Uitvaartverzekering Maatschappij Nuvema N.V. (group head)
- Bouw- en Exploitatie Maatschappij Nijzoon B.V.
- Hooghenraed Levensverzekeringen N.V.

Each company is independently liable for the corporation taxes owed by the fiscal entity.

#### Events after the balance sheet date

There were no significant events after the balance sheet date.

### Other information

#### Off-balance sheet commitments

Guarantees have been issued for the total amount of € 411,593.

#### Independent banking liability

Conservatrix Groep S.à.r.l., N.V., Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix", Nederlandse Uitvaartverzekering Maatschappij Nuvema N.V., Hooghenraed Levensverzekeringen N.V., Nijzoon B.V., and Sean Europe N.V. jointly signed a banking agreement with Rabobank N.V. pursuant to which each account holder was jointly and severally liable for everything the bank was entitled to claim or receive from any other account holder in relation to the agreement. The maximum debit balance of the combined balance (the balance limit) was € 0. On April 20, 2017, the Nederlandsche Algemeene Maatschappij van Levensverzekering N.V. "Conservatrix" withdrew from this agreement.

#### Stater contract

On December 22, 2011, Conservatrix signed a contract with Stater Nederland B.V. for transferring and collecting monies in respect of the mortgage loans provided by the company to private individuals. In 2013, a provision for handling arrears during the collection of amounts owed in respect of these loans was added to this contract. Any services are provided for in the account and risk of the company. The term of the contract is seven years.

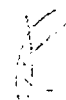
Should Conservatrix decide to cancel the contract prior to the end of its term, there is an exit fee that decreases in accordance with an agreed upon sliding scale for each year of early termination.

#### Reinsurance contract

Conservatrix has reinsured a sub portfolio with pension insurances. The reinsurance was contracted with Heco Re S.A., a reinsurer domiciled in Luxembourg. To cover the counterparty credit risk it is agreed that this reinsurer will maintain a reinsurance deposit in the name of the insurer in the amount of the maximum technical provision in accordance with the Solvency II principles, and 90% of the technical provision on the basis of the tariff bases less the initial costs relating to these obligations capitalized on the reinsurer's balance sheet.

This condition must be met no later than July 1, following the end of the financial year.

At the time these financial statements were drawn up, the value of the investments maintained in the deposit was higher than the value of the provision pursuant to the Solvency II principles, as at



## Annual Report 2017

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December 31, 2017. Conservatrix has reinsured its DIL (Immediate Annuity) products sub portfolio and its NGP (Natural Guarantee Plan) products sub portfolio. The reinsurance was contracted with Colorado Bankers Life Insurance Company (CBL). To cover the counterparty credit risk it is agreed that this reinsurer will maintain a reinsurance deposit in the name of the insurer in the amount of 105% of the liabilities.

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### Notes to the Income Statement

#### Details of Income

<i>In thousands of euros</i>	2017	2016
Regular premiums	28,852	31,210
Single premiums	596	1,174
Outgoing reinsurance premiums	-101,247	-1,464
<b>Premiums earned</b>	<b>-71,799</b>	<b>30,920</b>

The premium income came entirely from insurance contracts concluded in the Netherlands.

	2017	2016
Rental income	841	873
Operating expenses	-589	-502
<b>Proceeds from land and buildings</b>	<b>252</b>	<b>371</b>

	2017	2016
Mortgage loans	12,788	12,854
Equity securities	424	686
Bonds	1,574	1,548
Other loans	171	465
Policy loans	5	7
Interest on bank accounts	36	30
Paid interest	-329	0
<b>Income from other investments</b>	<b>14,669</b>	<b>15,590</b>

	2017	2016
Own risk	14,245	15,180
Policy holder	424	410
<b>Income from other investments</b>	<b>14,669</b>	<b>15,590</b>

	2017	2016
Own risk	18,942	10,126
Policy holder	22	-21
<b>Realized gains on investments</b>	<b>18,964</b>	<b>10,105</b>

Investment income attributed to non technical account concerns the result of the technical investment income related to the average Shareholders' funds.



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## Annual Report 2017

	2017	2016
Own risk	-574	10,577
Policy holder	1,038	372
<b>Unrealized gains on investments</b>	<b>464</b>	<b>10,949</b>

## Details of expenses

	2017	2016
Benefits at death	2,070	1,894
Benefits on expirations	14,382	9,244
Annuity benefits	2,727	3,094
Pension benefits	6,754	6,726
Expenses on premium exemption	11	39
Reinsurers' share	-1,812	-1,553
<b>Total claims and benefits paid</b>	<b>24,132</b>	<b>19,444</b>
Surrenders	14,660	12,338
<b>Total surrenders</b>	<b>14,660</b>	<b>12,338</b>
<b>Total claims and benefits paid</b>	<b>38,792</b>	<b>31,782</b>

	2017	2016
Profit policyholders	13	21
<b>Profit-sharing and discounts</b>	<b>13</b>	<b>21</b>

	2017	2016
<b>Operational expenses</b>		
Salaries	2,142	3,029
Termination benefits	2,245	104
Social security contributions	275	386
Pension expenses	364	346
Travel costs	136	134
External staff	2,217	1,756
Other staff costs	544	169
Withdrawal restructuring provision	-1,804	-104
Allocated to group companies	-161	-1,240
<b>Staff costs</b>	<b>5,958</b>	<b>4,580</b>
Office costs	1,261	957
Housing costs	208	121
Marketing costs	686	26
Other costs	2,103	2,777
<b>Overhead expenses</b>	<b>4,258</b>	<b>3,881</b>
Depreciation	643	610
<b>Staff-, overhead- and depreciation costs</b>	<b>10,859</b>	<b>9,071</b>
Acquisition costs	508	496
<b>Total expenses</b>	<b>11,367</b>	<b>9,567</b>

✓ At the end of the financial year, the number of permanent staff members was 35 (2016: 46)

## Annual Report 2017

- ✓ The staff costs include the remuneration of the Executive Board members in the amount of € 1,185 (previous financial year: € 657) and the remuneration of the Supervisory Board members in the amount of 118 (previous financial year: 35).
- ✓ The accountants fee has been estimated on about € 544,500.

### Depreciation costs

The total amount of depreciation costs was as follows:

Depreciation costs	2017	2016
Own assets	107	115
Allocated from group companies	717	548
Allocated to group companies	-181	-53
<b>Total depreciation costs</b>	<b>643</b>	<b>610</b>

### Profit sharing and discounts

This concerns the profit additions in favor of the holders of policies belonging to the traditional portfolio.

### Corporation tax

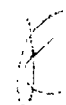
The determination of the corporation tax takes the permanent and temporary differences between the commercial result and the taxable result into account.

An effective corporate income tax rate of 25% is used for the calculation of the deferred asset arising from the difference between the provision for insurance obligations, determined on a commercial and a tax basis.

The amount included in the profit and loss account is structured as follows:

Income tax	2017	2016
Current tax	-2,483	-3
Change in tax rate movement gross deferred tax asset	-13,271	
Movement gross deferred tax asset	5,533	-3,197
<b>Total income tax</b>	<b>-10,221</b>	<b>-3,200</b>

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### Analysis of the result by margin

<i>In thousands of euros</i>	<b>2017</b>
Income from investments allocated to insurance contracts	32,564
Interest allocated to insurance contracts	883
<b>Result on interest</b>	<b>33,447</b>
Release costs from premium/costs settled with reserves	3,319
Operating expenses	-11,367
<b>Result on costs</b>	<b>-8,048</b>
Result on reinsurance agreement*	48,861
Result on actuarial assumptions	9,448
<b>Other technical result</b>	<b>58,309</b>
<b>Result technical account</b>	<b>83,708</b>

\* Extraordinary technical result due to the reinsurance agreement with CBL

Utrecht, April 26, 2018

#### Executive board

E. van der Wal

M.R.E. Harkema

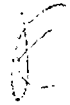
#### Supervisory board

R. Hinse, Chairman

G. Luecke

J.L. Melis

M. Castelvetti



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## **OTHER INFORMATION**

### **Independent auditor's report**

We refer for the Independent auditor's report to the next page.

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### **Appropriation result according to the Articles of Association**

According to the Company's articles of association the profits are at the disposal of the General Meeting.

## Independent auditor's report

To: the shareholders and Supervisory Board of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V.

### A. Report on the audit of the financial statements 2017

#### Our opinion

We have audited the financial statements 2017 of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V., based in Utrecht.

WE HAVE AUDITED	OUR OPINION
The financial statements which comprise: 1. the statement of financial position as at 31 December 2017; 2. the following statements for 2017: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed financial statements give a true and fair view of the financial position of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Unaudited corresponding figures

We have not audited the financial statements 2016. Consequently, we have not audited the corresponding figures included in the profit and loss account, in the statements of changes and in the related notes.

### Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 930.000. The materiality has been calculated with reference to a benchmark of equity (representing 2% of equity) which we consider to be one of the principal considerations for stakeholders of the company in assessing the financial performance of the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Audit Committee that misstatements in excess of € 46.500, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of management and the audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INSURANCE LIABILITIES	OUR AUDIT APPROACH
<p>Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. has insurance liabilities in their accounts. To calculate the insurance liabilities management has to make assumptions (generation table, decrease of the portfolio, interest, mortality, morbidity future costs and other assumptions) based on judgement of management.</p> <p>The insurance liabilities consists of complex calculations and significant estimates. The valuation of the gross insurance liabilities and the reinsurers share has a major influence on equity and result of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. and therefore this is a key audit matter.</p>	<p>We determined the effective operation of the internal control measures which secure the reliability of the policy data and determined that all policies are accounted for in the insurance liabilities. With the support of an independent and professional auditor's expert we audited the gross insurance liabilities and the reinsurers share based on the quantitative and qualitative analyses and calculations. We determined whether the reinsurers share is in accordance with the definitions included in the reinsurance contract. We performed audit activities regarding the accuracy of the calculations made internally at Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. including the actuarial and economic assumptions used. The auditor's expert reviewed the adequacy of the Actuarial Function Holder report. We evaluated the competence and objectivity of the auditor's expert. We evaluated the adequacy of the work performed by the auditor's expert too.</p>

	<p>We checked whether the accounting policies, stated on page 18 of the financial statements and the supplementary information on pages 28 and 29 of the financial statements, are in accordance with the applicable accounting policies. We ascertained whether the gross insurance liabilities and the reinsurers share are disclosed correctly in the financial statements.</p>
<b>OPENING BALANCE AUDIT</b>	<b>OUR AUDIT APPROACH</b>
<p>Due to the fact that the financial statements 2016 have not been audited we performed an audit on the opening balance as per 1 January 2017.</p> <p>Due to the fact that we needed to obtain sufficient appropriate audit evidence about whether the opening balance does contain misstatements as a starting point for our year-end audit we determined this a key audit matter.</p>	<p>We determined whether the prior period's closing balances have been correctly brought forward to the current period and determined whether the opening balances reflect the application of appropriate accounting policies. Furthermore we audited the balance sheet items based on audit evidence available and evaluated whether audit procedures performed for the year-end audit provided evidence relevant to the opening balance. Regarding the technical provision we followed the same audit approach as described under Key Audit Matter Insurance Liabilities. We have not audited the corresponding figures included in the profit and loss account, in the statements of changes and in the related notes.</p>
<b>IT ENVIRONMENT</b>	<b>OUR AUDIT APPROACH</b>
<p>The continuity of the activities of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. depends strongly on the IT-infrastructure. Some IT processes are outsourced to service organizations within the former group organization. Due to the importance of the IT infrastructure for the activities of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. this is a key audit matter.</p>	<p>In our audit team specialized IT auditors are involved. Our audit procedures consisted of a review of the developments in the IT infrastructure and testing of the relevant internal control measures regarding the IT environment, like reliability and continuity of the policy and claim registration. We audited whether the segregation of duties are also implemented in the applications used for the policy and claim registration and we determined whether procedures regarding identification and authentication regarding these applications are sufficient.</p>

	Regarding the outsourcing of IT procedures we determined how Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. is in control regarding these procedures. For this purpose we performed the activities described above also at the service organization
SOLVENCY II	OUR AUDIT APPROACH
The solvency II regulation includes guidelines to calculate the (minimum) solvency capital requirement and the existing solvency capital requirement. These calculations are based on estimates and significant assumptions of management. In the financial statements a disclosure is included regarding the application of this regulation. Given the importance of Solvency II for the financial position of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. and the complexity of the calculations regarding the (minimum) solvency capital requirement and the existing solvency capital requirement we defined the adequate application of the Solvency II regulation as a key audit matter.	We verified the method used by Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. for calculating the Solvency Capital Requirement and also verified the application of the Solvency II regulation in the disclosures of the financial statements. We audited the effective operation of the internal control procedures regarding the calculations. We also reviewed the Actuarial Function Holder Report. Furthermore we performed audit procedures regarding the data used for the calculations and audited whether the assumptions and calculations are in accordance with the Solvency II regulations. For this we used the support of an auditor's expert. We evaluated the expertise and objectivity of this expert. We reviewed whether the disclosure in the financial statements is in accordance with internal Solvency II reports. We audited whether the disclosures in the financial statements are in accordance with the applicable accounting policies.

## B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- ▶ Report of the Supervisory Board;
- ▶ Report of the Executive Board;
- ▶ the other information on page 36.

Based on the procedures as mentioned below, we are of the opinion that the other information:

- ▶ is consistent with the financial statements and contains no material deficiencies;
- ▶ includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.



We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the management board report and the other information on page 36 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### **C. Report on other legal and regulatory requirements**

#### **Engagement**

We were engaged by the Supervisory Board as auditor of Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. on 28 September 2017 as of the audit for financial year 2017 and have operated as statutory auditor ever since that financial year.

#### **No prohibited non-audit services**

We have not provided prohibited non-audit services as referred to in Article 5 (1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

### **D. Description of responsibilities for the financial statements**

#### **Responsibilities of management and the Supervisory Board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

#### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing; ethical requirements and independence requirements. Our audit included e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

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Utrecht, 26 April 2018

For and on behalf of BDO Audit & Assurance B.V.,      For identification purposes only      -      -

W.J.P. Hoeve RA

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