Annual Report 2019

Nederlandsche Algemeene Maatschappij van Levensverzekering

“Conservatrix” N.V.

Sinds 1872

Conservatrix

levensverzekeringen

Contents

PROFILE

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

Key figures

In thousands of euros	**2019**	**2018**	**2017**
Gross premiums	22,955	26,265	29,448
Reinsurance premiums	-1	-231	-101,247
Net premiums	22,954	26,034	-71,799
Income from investments	16,524	8,907	34,349
Claims and benefits paid	53,534	43,261	37,371
Operating expenses (excluding acquisition costs)	11,648	9,284	10,859
Net result	-190,564	-9,515	95,161
Shareholders' funds	-123,962	61,674	74,240
Total assets	637,586	574,366	602,842
MCR ratio	-532%	295%	385%
Solvency II ratio	-183%	148%	188%
Number of customer contracts	80,654	83,301	86,258

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 in 2019:

Executive Board

R.Collé, CEO (from 18-10-2019)

P. Poppe, interim CFO (from 23-12-2019)

Resigned in 2019:

E. van der Wal (CEO until 18-10-2019)

P.C. de Bruijne (CFO until 14-05-2019)

A.W. Bell (CFO from 15-05 until 04-10-2019)

Supervisory Board

R. Hinse (Chair)

J.L. Melis

E.P.M. Joosen (from 23-12-2019)

Resigned in 2019:

M. Castelvetri (as of 09-10-2019)

P.G.Q. Coopmans (as of 17-10-2019)

Mr E. van der Wal was appointed CFO of Conservatrix on 7 April 2020.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board hereby presents the annual accounts 2019, as prepared by the Executive Board of Nederlandsche Algemeene Maatschappij van Levensverzekering “Conservatrix” N.V. (hereinafter: Conservatrix) to the General Meeting of Shareholders. We offer the annual report to you for approval. This approval discharges the Executive Board of their managerial responsibilities and also grants discharge to the Supervisory Board.

In 2019, the Supervisory Board gave special attention to the Executive Board’s progress in further stabilising Conservatrix following the change of shareholder on 15 May 2017. In doing so, particular attention was given to the firm’s undercapitalised position.

On 18 October 2019, Mr E. van der Wal stepped down as the CEO of the company. We would like to thank him for his contribution to the company since the takeover in May 2017. He led the company through various stages of development, in a challenging context. On the same date, Mr R. Collé took on the responsibilities of CEO. Mr P.C. de Bruijne stepped down as CFO with effect from 14 May 2019. Since then, the role of CFO has been fulfilled by external experts. With effect from 9 and 17 October respectively, Mr M. Castelvetri and P.G.Q. Coopmans stepped down as members of the Supervisory Board due to other commitments. We thank them for sharing their expertise. Mr E.P.M Joosen joined the Supervisory Board on 23 December 2019.

All members of the Board signed a moral and ethical statement upon their appointment. There were no conflicts of interest involving members of the Supervisory Board in 2019.
In November 2019, the shareholder waived the right to appoint a representative on the Supervisory Board, instead opting for an ‘observer’ who attends the meetings of the Board. Mr G.D. Nelson has fulfilled this role since November 2019.

The Supervisory Board interprets its role actively. On the one hand, the Supervisory Board followed the regular course of affairs in the organisation, focusing on the development and management of Conservatrix’ solvency on the basis of the current supervisory framework under Solvency II, and on compliance with laws and regulations. On the other hand, as in previous years, it also paid special attention to recapitalisation, achieving the unbundling from the Conservatrix group, and ensuring the integrity and control of business operations. That involved devoting attention to its (day-to-day) operations, sound business practices and the formulation of the long-term strategy in which the Supervisory Board monitors the impact on the position of stakeholders, in particular policyholders, employees and the shareholder. An important focal point was of course the company’s SCR ratio, which had not fulfilled the requirements of Solvency II and the recovery policy since the Q2 2019 report to De Nederlandsche Bank (Dutch Central Bank, DNB).

In 2019, the Supervisory Board met five times in the presence of the Executive Board. In the meetings, in addition to the aforementioned current and general policy topics, areas that came under discussion were the investment policy, the methods and principles for Solvency II, the financial reports, the company’s own risk analysis, and the general course of events in the organisation. In addition, the proposed measures to bring the SCR ratio back in line with the legal requirements were discussed several times at length.
Apart from the formal meetings, the Supervisory Board met several times informally in 2019. In these sessions, preliminary consultations were held on the items on the agenda and the state of affairs was discussed and evaluated with the Executive Board.
The members of the Supervisory Board took part collectively in the Permanent Education (PE) programme with topics geared to current events. The PE program was held once in 2019, along with various events related to permanent education. The subject of the Board’s PE meeting was the new legislation in the area of recovery and settlement, and was facilitated by an external expert.

In 2019, the Supervisory Board did not evaluate its performance and that of the Chair at a special meeting, because the company's special circumstances required full attention and because of the various changes to the composition of the Board during the year.

The Audit and Risk Committee (hereinafter: ARC) was chaired by J.L. Melis. The ARC met four times in 2019. The findings and reports of the second lines of defence (Compliance, Risk Management, Actuarial Tasks) and Internal Audit (third line of defence) were discussed with the people in these roles, as well as other relevant topics related to financial and operational risks such as internal control measures, valuation principles and financial reports. The ARC reported its findings to the Supervisory Board.

The Nomination and Remuneration Committee (NRC) met once in 2019. The performance of the Executive Board and its members, the KPIs and salaries were discussed at this meeting. The NRC also met once informally to discuss the Executive Board's pension arrangement.

The members of the Supervisory Board receive a fixed remuneration for their work as internal supervisors at Conservatrix, which is supplemented if there is a special, above-average effort by the Supervisory Board members concerned.
Finally, the Supervisory Board would like to express its gratitude to the employees and the Executive Board for their hard work, commitment and the way in which they dealt with the many matters that required their attention.

Utrecht, 7 December 2020

R. Hinse, Chair

E.P.M. Joosen

J.L. Melis

REPORT OF THE EXECUTIVE BOARD

General Information

Conservatrix is a life insurer specialised in life insurance and mortgages. In the first half of 2019, the focus of the business was on developing the chosen strategy and obtaining the right level of controlled and stable operations. From mid-2019 onwards, the focus was shifted to remedying Conservatrix' negative solvency ratio.

Business Developments

Developments in solvency

Conservatrix presented its annual financial statement after the end of the period in which the recovery plan, submitted on 3 October 2019, should have remedied the negative solvency ratio. Conservatrix' solvency is expressed in terms of a Solvency Capital Requirement (the SCR ratio). The SCR ratio is the relationship between its eligible own funds and the required own funds. At the end of 2019, the SCR ratio dropped below the legal minimum of 100%, to -183% (end of 2018: 148%). Conservatrix' solvency also decreased at the end of 2019 to below the level of the legal minimum own funds required (referred to as the Minimum Capital Requirement (MCR): - 532%).

Why has Conservatrix' solvency come under pressure?

In 2017, Conservatrix reinsured some of its obligations – in accordance with the Solvency II Directive – by means of a reinsurance contract with Colorado Bankers Life Insurance Company (CBL), an American insurer. In mid-2019, the American regulatory authority placed CBL under heightened supervision (*in rehabilitation*) due to concerns over CBL's financial situation. This led to a decrease in CBL's value. As a consequence of this, the risk-mitigating effect of this reinsurance on the basis of the Solvency II Directive has lessened. This meant that Conservatrix could no longer include the entire value represented by this reinsurance in the calculation of Conservatrix' solvency. As a consequence of the heightened supervision and the deterioration of CBL's financial position, high-impact financial risks arose for Conservatrix. In the interest of the policyholders and after long conversations conducted between the lawyers of both parties, Conservatrix was obliged to enter into a settlement agreement with CBL. This settlement agreement replaced the reinsurance agreement that existed at the time.

Conservatrix' shareholder has an obligation to reinforce and maintain Conservatrix' capital at the agreed level, which is 135%. Conservatrix has initiated proceedings against its shareholder to inject additional capital and maintain it at this percentage. To date, the shareholder has not yet complied with this obligation. Various measures have been initiated to ensure that the shareholder's capital injection still happens, even after the end of the legal recovery period.

Financial developments

The result before tax for 2019 decreased from € -2.9 million in 2018 to € -161.8 million in 2019. This decrease was caused by the adjustments required to the technical provisions and has had a negative effect on the organisation's own funds in 2019. The decreased result is a consequence, among other things, of the signing of the settlement agreement with CBL. As a result of this settlement agreement, the transfer of risk to CBL has expired and have been returned to the balance sheet of Conservatrix.The required transition to a new interest curve has also had a negative effect on the level of technical provisions. Furthermore, Conservatrix was obliged to increase the provisions for costs.

Because Conservatrix has no longer been active in the sale of products since 2015, the ‘gross premiums earned’ decreased from € 26.3 million in 2018 to € 23.0 million in 2019. The gross claims and benefits paid increased in 2019 to € 54.3 million (2018: € 44.1 million), mainly due to expirations.

Operating expenses increased in 2019 to € 12.0 (2018: € 9.7 million). The main causes of this were the outsourcing of Conservatrix’ pension administration and the cost of (legal) advisors. As a consequence of these developments last year, the organisation’s own funds decreased from € 61.7 million to € -124.0 million. This decrease was partly compensated by the positive outflow of risk margin as a result of expiring policies. This reduction in own funds implied a reduction of the ‘eligible own funds’. The latter amounted to € 41.3 million at the end of 2018 and has fallen to € -124.0 million.

In combination with an increased solvency capital requirement (SCR) of € 67.7 million (2018: € 27.9 million), the result is a Solvency II ratio of -183% (2018: 148%). Thus the Solvency II requirements as named in the Law on Financial Supervision (Wet op het financieel toezicht, Wft) are no longer met.

Capital Management

The aim of capital management at Conservatrix is to fulfil all future claims from the SCR and MCR and for these amounts to be sufficiently covered by the amount of own funds at all times. As explained above, Conservatrix’ solvency is negative.

Dividend policy

When acquiring the shares of Conservatrix on 15 May 2017, it was agreed between DNB and the shareholder Trier Holding that Conservatrix would not pay out any dividend to the shareholder for a period of ten years following the takeover.

Liquidity Management and Asset Management

The goal of liquidity management is to prevent Conservatrix from having insufficient liquidity in the long term and being unable to fulfil its financial obligations. In other words, it means managing the liquidity risk.
Conservatrix’ operational cash flow is predictable to a great extent, meaning that liquidity can be managed in the short term as well as the long term. Estimations are updated on a regular basis. We are not expecting a liquidity deficit in the short or mid-term.

Conservatrix’ investment policy is aimed at generating a positive yield and is adjusted to the liquidity needs of the portfolio at all times. Investments in illiquid assets, including Dutch residential mortgages, constitute a significant part of the asset portfolio, at € 239.1 million. The presence of illiquid assets is counterbalanced by investments of € 200.3 million in liquid securities and € 5.2 million in cash investments. The real estate in Germany was sold at the end of 2019.

Conservatrix has a responsible investment policy that complies with the standards of the Sustainable Investment Code (‘Code Duurzaam Beleggen’) of the Dutch Association of Insurers (‘Verbond van Verzekeraars’). Conservatrix endorses this Code, which incorporates the UN Principles for Responsible Investments. In order to be as transparent as possible to our stakeholders, we have provided an overview of our investments in Appendix I.

Risk Management

Conservatrix has a risk management system consisting of risk policy, processes and reporting procedures. This system is used for ongoing identification, measurement, monitoring, control and reporting, at individual and aggregated level, of the risks, mutual dependencies and relationships between them to which Conservatrix is or may be exposed. In quarterly reports based on this system, the current risks are stated and an assessment is made of how these risks relate to the established risk tolerance and capital policy. Furthermore, an evaluation is made every quarter of whether Conservatrix is 'in control', based on its internal control system.

Outlook

On August 26, 2020, Conservatrix concluded that there were no longer private solutions to independently restore the company. Conservatrix has reported this to De Nederlandsche Bank (the Dutch Central Bank, DNB). On October 30, 2020, DNB informed Conservatrix that DNB endorses the conclusion of Conservatrix. Furthermore, DNB announced that it will start a process that will probably lead to the filing of a petition for the bankruptcy of the company. With the conclusion of Conservatrix and the announcement of DNB, there is no longer any prospect of the company's continued independent existence, with bankruptcy being the most likely scenario when the 2019 annual accounts are issued. As a result, Conservatrix has reconsidered the basis of valuation on a continuity basis. The following aspects were considered in this reconsideration:

- DNB announced that it will start a process that will probably lead to the filing of a petition for the bankruptcy of the company.
- In case of a bankruptcy, it is still uncertain how a settlement plan will be formed: will policyholders be included in the bankruptcy or will there be a portfolio transfer to another insurer;
- If there is a portfolio transfer it is unclear what the value of the investment portfolio will be as part of such a transaction.

The influence of these aspects on the valuation of assets and liabilities can be significant. Despite the fact that there is no longer any perspective into the independent continued existence of the company, Conservatrix believes that the required insight into the annual accounts is optimal when applying principles based on assumed continuity, even in the event of a potential bankruptcy.

Impact on policyholders

It is not yet clear at this point what the impact on our policyholders will be in practice. Conservatrix regrets that the measures taken to date have not been able to lead to a recovery and that the specific impact on policyholders is still unclear.

Appointment of a Financial Supervision Trustee

On 21 September 2020, the DNB appointed a 'Financial Supervision Trustee' at Conservatrix in the context of the Law on Financial Supervision (Wft). Under the Law on Financial Supervision (Wft), the DNB has the power to appoint a Financial Supervision Trustee. This measure was taken because of the uncertain situation Conservatrix finds itself in, because the legal capital requirements have not been fulfilled for some time, as described above, which Conservatrix had already announced on 7 May and 1 July this year. The appointment of the Financial Supervision Trustee will have no impact on policyholders or the services provided by Conservatrix.

Organisation
At the end of 2019 we had 31 employees and a limited number of temporary staff (6). Conservatrix has a works council for small companies ("Personeelsvertegenwoordiging" or "PVT") in which working conditions and staff regulations are evaluated. We would like to thank our colleagues for their hard work and commitment over the previous period. Above all, we wish everyone good health.

COVID-19
Another important event in 2019 is that contagion of a virus, now named Covid-19, occurred in China, spreading all around the world at the beginning of 2020. This led to the current Covid-19 crisis, with implications for both health and the economy. Within SCR Life, a sub-risk catastrophe of only € 0.4 million was present at the end of 2019. Exposure to a risk of catastrophe, a sudden high fatality rate, is therefore minimal.
However, Conservatrix will feel the economic impact of the crisis. The question here is above all how the interest rate will develop. Conservatrix is still sensitive to decreasing interest, although the interest risk was further limited to 90% in the course of 2020.

Utrecht, 7 December 2020

R. Collé, CEO

E. van der Wal, CFO

FINANCIAL STATEMENTS

Balance Sheet

Before appropriation of result

In thousands of euros		**31 December 2019**		**31 December 2018**	
Investments					
Land and buildings	1		0		9,300
Other financial investments					
Bonds	2	199,085		158,757	
Mortgages	3	239,147		264,075	
Other loans	4	90,742		4,791	
Investment funds	5	42,953		45,732	
Total financial investments			571,927		473,355
Investments at policyholders' risk					
Equity and other investments	6		13,168		11,557
Deferred tax assets	7		0		24,611
Short-term receivables					
Reinsurers		747		751	
Policyholders		1,254		781	
Intermediaries		0		0	
Group companies	8	0		2,826	
Other receivables	9	41,907		411	
Total short-term receivables			43,907		4,769
Other assets					
Operating assets	10	458		691	
Liquid assets		5,249		49,276	
Total other assets			5,706		49,967
Accrued income					
Accrued interest		2,877		651	
Accrued dividend		0		156	
Total accrued income	9		2,877		807
Total assets			**637,586**		**574,366**

In thousands of euros	Note	2019		2018	
Shareholders' funds					
Share capital	11	13,848		13,848	
Share premium	11	46,926		46,926	
Revaluation reserve	11	36,274		35,427	
Other reserves	11	-30,445		-25,011	
Result before appropriation	11	-190,564		-9,515	
Total Shareholders' funds			-123,962		61,674
Technical provisions					
Own risk		779,383		683,577	
Policyholders' risk		9,910		8,321	
Gross technical provisions	12	**789,293**		**691,898**	
Reinsurers' share		-40,757		-191,259	
Net technical provisions			748,536		500,639
Other liabilities			1,228		
Other long-term debts	13	22		28	
Long-term debts			22		28
Reinsurers				1,089	
Intermediaries		47		175	
Group companies	14	2,323		0	
Tax and social security contributions		1,224		424	
Policyholders		6,746		8,678	
Other short-term debts	15	1,422		1,658	
Total short-term debts			11,761		12,025
Total liabilities			**637,586**		**574,366**

Income Statement

In thousands of euros		2019		2018	
Insurance premiums earned					
Gross premiums		22,955		26,265	
Reinsurance premiums		-1		-231	
Net premiums earned	16		22,954		26,034
Income from investments					
Land and buildings	17	260		299	
Other income from investments	18	15,513		13,459	
Realised gains on investments	19	234		-620	
Total income from investments			16,007		13,137
Unrealised gains/losses on investments	20		517		-4,230
Gross claims and benefits paid		54,346		44,121	
Reinsurers' share		-812		-859	
Net claims and benefits paid	21		53,534		43,261
Change in technical provisions					
Gross change in technical provision		97,395		-11,223	
Reinsurers' share		37,640		-4,500	
Net change in technical provision			135,036		-15,724
Acquisition costs		378		440	
Staff, overhead and depreciation costs		11,648		9,284	
Total operating costs	22		12,025		9,724
Investment management expenses			656		568
Income from investments attributable to non-technical account		-898		-1,282	
Result technical account life insurance			-162,670		-4,171
Allocated investment return transferred from the technical account		898		1,282	
Result before tax			-161,773		-2,889
Income tax	23	28,791		6,626	
Net Result			**-190,564**		**-9,515**

The income from investments attributable to the non-technical account is based on the interest rate structure as used for discounting the cash flows in the technical provision. For this, Conservatrix uses the Volatility Adjustment (VA) per 2018YE.

Overview of total result

In thousands of euros	**2019**		**2018**	
Net Result		-190,564		-9,515
Changes:				
Revaluation reserve for property investments	735		285	
Revaluation reserve for other investments	1,100		-149	
Revaluation reserve for loans	2,008		-3,186	
Revaluation reserve for investment funds	1,085		0	
Total amount directly recognized		4,928		-3,050
Changes to Shareholders' funds		-185,636		-12,566

Cash Flow Statement

In thousands of euros	**2019**		**2018**	
Net result before unrealised income and tax		-168,250		1,938
Depreciations and write-downs	186		216	
Change in receivables, group companies	5,149		-2,824	
Change in receivables from intermediaries	-129		-162	
Change in reinsurer debts	-1,089		707	
Change in short-term debts	399		1,163	
Gains realised on policyholders	-131		0	
Gains realised on real estate	-47		0	
Gains realised on bonds	509		2,834	
Gains realised on investment funds	-565		0	
Change in technical provision	247,897		-15,724	
Change in other provisions	1,228		-826	
Amortisation	-133		-136	
Change in other short-term receivables	-117,154		83	
Total changes		136,120		-14,450
Cash flow from operational activities		**-32,130**		**-12,512**
Bonds	209,140		77,480	
Mortgages	27,720		29,610	
Other loans	26,718		63	
Shares	1,108		1,308	
Operating assets	47		0	
Cash flows from divestments		**264,734**		**108,460**
Bonds	-250,519		-24,340	
other loans	-25,733		-45,987	
Shares	-379		0	
Cash flows from acquisitions and purchases		-276,631		-70,327
Cash from investment activities		**-11,897**		**38,133**
Movement of share premium	0		0	
Cash flow from financing activities		0		0
Increase/decrease in cash		**-44,027**		**25,623**

General Accounting Principles

General
The annual financial statement has been drawn up in accordance with the statutory provisions of Title 9 of Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines of the Dutch Accounting Standards Board. This means that Guideline 605 has been applied in the preparation of this annual report. Unless stated otherwise, assets and liabilities are recognised at their fair value. Income and expenditure 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 entering into life insurance contracts, pensions, and mortgages on the Dutch market. Conservatrix is registered at the Chamber of Commerce of Utrecht under number 31007947.

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Use of estimates
The preparation of the annual financial statement requires the Executive Board and management to form opinions and make estimates and assumptions that influence the application of financial reporting standards and the reported value of assets and liabilities, and income and expenditure. The actual results may differ from these estimates.

Fair value hierarchy
Financial assets and liabilities are categorised into the following hierarchy of fair values.
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: valuation derived from pricing. If no direct external or derived market prices are available, Conservatrix uses brokers' quotations.

Based on quoted prices in an active market for identical assets ('Level 1')
The 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 for prices to be regularly available. Examples are shares, bonds and investment funds listed on active markets.

Valuation techniques in which all input data other than quoted prices is based on observable market data ('Level 2')
The fair value measured at Level 2 makes significant use of inputs for the asset or liability that are not based on observable market data. Non-observable inputs may be used if no observable inputs are available, and the fair value can still be measured on the reporting date in situations where there is no or hardly any active market for the 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 (such as interest rates and yield curves observable at customary intervals, volatility, early repayment spreads, loss ratio, credit risks and default percentages) and
- 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, property investments measured using observable market data and quoted debt instruments or shares in a non-active market.

Valuation techniques in which input data is based on non-observable market data ('Level 3')
The fair value measured at level 3 makes significant use of inputs for the asset or liability that are not based on observable market data. Non-observable inputs may be used if no observable inputs are available. The fair value can still be measured on the reporting date in situations where there is no or hardly any active market for the asset or liability.

Property investments
Investments in property are valued at the fair value, supported by market evidence as assessed by a qualified external appraiser. This appraisal is tested once a year by obtaining quotations from other appraisers as well. Changes to the fair value are incorporated into the profit and loss account. A revaluation reserve is set up for the non-realised part, funded by the general reserve. The costs of major maintenance work are incorporated directly into the profit and loss account. Property investments are presented under level 2.

Operating assets
The fair value of operating assets is not materially different from the carrying value. The carrying value is determined by the historic cost price minus the accumulated depreciations and special write-downs.

Bonds
Bonds are valued at fair value. The fair value of investments is measured using the fair value hierarchy described above. Bonds listed in active markets are measured at fair value level 1, and non-listed bonds are measured at fair value level 2.

Private loans
Private loans are valued at fair value, whereas discounted cash flows are calculated at 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.

Investment funds
Investment funds are valued at fair value. The fair value of investments is determined using the fair value hierarchy described above. Investment funds in active markets listed on the stock exchange are measured at fair value level 1. Investment funds that are not listed in an active market, but for which a valuation policy is in place to provide an objective, consistent and transparent basis for estimating the fair value of the investments held in the fund, are measured at the value provided by the fund in accordance with that policy.

Investments at policyholders' risk
Investments at policyholders' risk are shares and participations in investment vehicles. Participations in these investment vehicles must be calculated at the last known price. These participations are listed on the stock exchange as ordinary and preference shares. Changes in the fair value of investments at policyholders' risk are measured and classified at fair value through the profit and loss account.

Mortgages
Mortgages are measured at fair value, mortgages being divided between residential mortgages and commercial mortgages. The valuation of mortgages is done by a third party.

Receivables and other financial assets
Receivables and other financial assets are valued at fair value.

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

Foreign currency
Transactions expressed in foreign currency are valued in euros when first processed by converting at the current exchange rate that applies between the euro and the foreign currency on the transaction date. Investments expressed in foreign currency are converted to euros on the balance sheet date at the exchange rates applicable on that date. Differences in currency exchange rates resulting from the conversion of investments into foreign currency are processed in the same way as other changes to the value of investments. Differences in currency exchange rates resulting from the sale of investments are processed in the profit and loss account in the period when they occur.

Offsetting
A financial asset and a financial liability are offset if Conservatrix has a proper legal instrument for dealing with the offset of the financial asset and financial liability and Conservatrix has the firm intention of settling the balance as such, net or simultaneously.

Provision for 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 cash value of the future annual payments, plus the future costs of the insurance policies, minus the gross premiums on the basis of best estimate assumptions (the net cash 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 liabilities at the policyholder's risk
The provisions for unit-linked insurance are valued on the basis of the number of investment units assigned to the relevant policyholders at the price per unit on the balance sheet date.

Deferred taxes
Deferred taxes are in principle deferred claims or obligations vis-à-vis the head of the tax entity. Conservatrix 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 tax valuation of shares, bonds, loans, and real estate. The provision is calculated based on the difference between the tax and commercial value of the asset multiplied by the current tax rate of 21.7%, but corrected for limited future tax profits that can be compensated.

Long-term debts
Long-term debts include liabilities with a remaining term longer than one year. The long-term debts are initially valued at fair value and subsequently valued at amortised cost.

Short-term debts
Short-term debts have an expected term of a maximum of one year. The short-term debts are initially valued at fair value and subsequently valued at amortised cost, with the transaction costs that are directly attributable to the acquisition included in the valuation.

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
Yields from investments include the yields realised from the operation of land and buildings, and other investments such as mortgage loans, shares and bonds. The results of currency exchange realised on the sale of real estate or the realised share prices of securities are included in the yields of the investments.

Unrealised gains on investments
Unrealised share prices determined for each individual fund that can no longer be withdrawn from the revaluation reserve created in previous years are debited from the result. Unrealised price gains, determined for each individual fund, that have to do with price losses charged to the result in previous years are recovered and credited to the result.

Own-account payments
Own-account payments consist of the total liabilities resulting from the payment of life insurance minus the amounts to be received from the reinsurers.

Changes to technical provisions for life insurance
The change in own-account technical provisions is equal to the difference between the opening balance and the final balance of the technical provision (after deduction of the reinsurance). This item therefore includes all effects of financial transactions, adjustments to economic actuarial principles and deviations between reality and the assumptions previously applied.

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 corporate income tax is calculated on the result in accordance with the profit and loss account at the applicable rate, with due consideration of the tax relief. Conservatrix is part of a fiscal unity (tax group under Dutch law) for corporate income tax, where Trier Holding B.V. is head of Conservatrix N.V.'s fiscal entity. The calculated corporate income tax has been accounted for in the current account held with Trier Holding B.V. Conservatrix N.V. is jointly and severally liable for the period during which it is part of the fiscal unity.

Cash flow statement accounting principles
The cash flow statement, drawn up according to the indirect method, shows the structure of and changes in Conservatrix' cash assets and cash equivalents during the financial year based on the cash flows arising from operational activities, investment 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 premiums. Cash flows from operational activities include all other activities that belong among the most significant income-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 related parties. In addition, entities, natural persons and other related companies which can control the company are considered to be related parties. Furthermore, statutory directors, other key management of Conservatrix or the ultimate parent company and close relatives are considered to be related parties.
Transactions with related parties are disclosed in the notes insofar as they are not handled under normal market conditions. Their nature, size and other information is disclosed if this is necessary in order to present a 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.

Risk Management

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

a) insurance and the creation of reserves
b) asset and liability management
c) investments, 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 aims to apply an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report the risks to which they are or could be exposed, and their interdependencies, at individual and aggregated level on an ongoing basis.

Design of risk management
The Supervisory Board is responsible for supervising the Executive Board and the general course of events at the company and the business it conducts. The Supervisory Board has two committees, specifically the Audit and Risk Committee and the Nomination and Remuneration Committee that informs the Supervisory Board of any major development in the area of its responsibilities.
The Executive Board is responsible for day-to-day management and the overall strategic direction of the company. In the design of its operations the Executive Board uses the "three lines of defence" model. The three lines of defence model consists of three levels of defensive strategy with different responsibilities with respect to risk management.

The first line of defence lies with the managers whose activities create and manage the risks that can facilitate or prevent the achievement of company goals. This includes taking the right risks. The first line owns the risk, and the design and execution of the organisation's internal control mechanisms for responding to those risks. The first line therefore comprises business managers, including IT, Finance & Control and Human Resource Management.

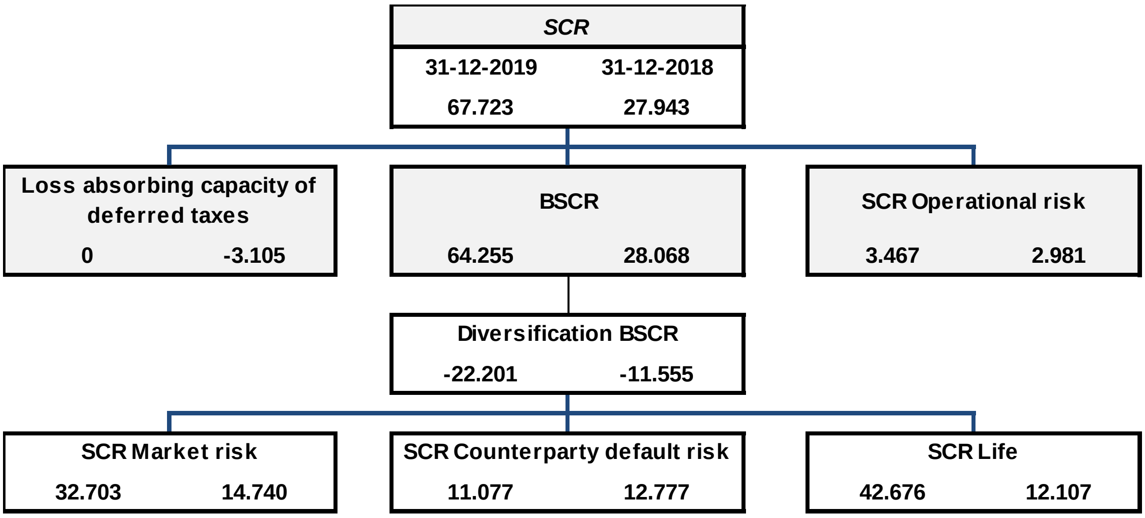
The second line consists of the compliance tasks, actuarial tasks – which are outsourced – and risk management tasks. The second line was put in place to provide a counterweight to the first line and to support management by contributing expertise, process quality and management monitoring as well as the first line of defence, to help ensure that risk and control are managed effectively. Policy offers support in areas such as risk, compliance, and control. There are regular consultations with the Executive Board and the Audit and Risk Committee. Furthermore, persons in second line roles have quarterly meetings with the Chair of the Audit and Risk Committee and/or the Chair of the Supervisory Board.

Internal audit, as the third line of defence, monitors the first and second line in order to provide extra assurance to the Board of Directors and the Supervisory Board. At the end of 2017 a broad skillset was 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 aspects of the system of governance. Furthermore, the internal auditors report directly to the Supervisory Board, thus independently of the operational roles. There are regular meetings with the Executive Board, the chair of the Audit and Risk Committee and/or the chair of the Supervisory Board. The second line, i.e. actuarial, compliance and risk management, along with the third line, i.e. internal auditing, are considered to be the "key roles" in Solvency II.

Approach to risk management

Solvency II categorises 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 firms. Conservatrix uses the standard formula and has no indication that the standard formula does not adequately reflect Conservatrix' risk profile.

The standard formula distinguishes between financial and non-financial risks. Financial risks are risks that come with Conservatrix insurance and investment activities. Non-financial risks are operational risks. Integrity risks are not included in the standard formula of Solvency II. Risks with no direct link to a SCR standard formula will be assessed during the company's own risk and solvency assessment process (ORSA) and the systematic integrity risk analysis (SIRA). The results of the SCR calculation for several risk types is presented below.



The required solvency capitals are distributed differently at the end of 2019 than at the end of 2018. The increases in market risk and life risk are mainly caused by the fact that the risks previously reinsured by CBL are now for the company's own account. However the counterparty risk has decreased somewhat.

Market risk

Market risk means the risk of loss or of adverse changes in the financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments. The Conservatrix investment portfolio leads to an exposure to market risks, mainly in interest and spread. The Solvency Capital Requirement (SCR) for market risk rose from € 14.7 million in 2018 to € 32.7 million in 2019. In the course of 2019, the spread risk decreased due to different types of investments. De-risking is done by divesting of high-spread investments such as corporates, DWS funds and Apollo and making investments in short- and long-term state bonds that are free from (spread) risk.

Signing the settlement agreement with CBL after the balance sheet date has had two important consequences for market risk:

- firstly, the mitigating effect on the interest risk has disappeared, leading to an increase in this risk, and
- secondly, the company bonds and bank balances transferred in 2020 are included on Conservatrix' balance sheet at the end of 2019. This has caused a temporary increase in the spread risk. These company bonds have since been sold for roughly the same value as the value we received, once again reducing the spread risk.

Credit risk or counterparty risk

The credit risk or counterparty risk reflects possible losses due to unexpected default, or deterioration in the credit standing of the counterparties and debtors of insurance and reinsurance firms in the next twelve months. The counterparty risk takes into account risk-mitigating contracts such as reinsurance arrangements, securitisations and derivatives, receivables from intermediaries and any other credit exposures that are not covered under market risk. Conservatrix appropriately takes account of collateral or other security and the risks associated with them.
Counterparty risk consists of type 1 and type 2 risks. Type 1 risk concerns cash assets at banks and reinsurance contracts. See also C.6 for more information on the reinsurance contract.
The counterparty risk for Heco Re has fallen but is not zero, because the collateral combined with their solvency ratio does not entirely cover the reinsured risk.
Type 2 risk relates to the mortgage loan portfolio and defaults. For every residential mortgage loan, the amount that exceeds the threshold value corresponding to a loan-to-value of 60% is subject to counterparty risk. This applies to both mortgages held directly by Conservatrix and mortgages in funds that Conservatrix may invest in, as a result of the look-through approach.
The average loan-to-value at the end of 2019 is 59%.

The collateral on the mortgage loans on Conservatrix' balance sheet consists of real estate. The value of this real estate is monitored at least every three years by means of a third-party statistical method or revaluation by third parties. The monitoring may result in an identification of property that needs revaluation. In addition to the fixed costs on the property, most mortgage loans also have a National Mortgage Guarantee (Nationale Hypotheek Garantie or NHG). The 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 were a level payment mortgage, even if the actual guaranteed loan has other payment terms, e.g. interest only. When calculating the SCR for counterparty risk, Conservatrix does not take the NHG guarantee into account.
Changes to the valuation of mortgage loans lead to changes in the counterparty risk and changes in the underwriting risk, since the yield on the mortgage loans is linked to profit sharing for a considerable number of policyholders.
Late payments that are more than three months overdue are subject to the risk of counterparty default. There are overdue payments among mortgages, insurance intermediaries and policyholders. Dealing with overdue mortgage payments is outsourced to Hypocasso. Other overdue payments are not applicable.
The payment resulting from the sale of one real estate property is not yet received on the balance sheet date, but is in a third-party account. Likewise, that qualifies as a type 2 counterparty risk. In the meantime, that transaction has been completed and payment was received after the balance sheet date.

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, which includes mortality risk and the risk of expiry, is inherent to life insurance businesses. The risks are monitored within the existing portfolio. For Conservatrix' existing products, the underwriting risk is assessed as an element of the 'product approval and review process' (PARP).

Operational risk

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

ORSA process and SIRA

The ORSA and SIRA focus on risk areas potentially not covered by the standard formula. In 2017 and 2018, Conservatrix worked hard to comply with all covenants determined by the DNB upon the purchase in May 2017, including an ORSA and SIRA. In April 2019, Conservatrix conducted a supplementary ORSA (Own Risk and Solvency Assessment) because of the report that the SII ratio was below 135% in February 2019. Later in 2019, the supplementary ORSA was viewed as a regular ORSA.

Capital Management

Since 15 May 2017, the internal minimum solvency ratio has been set at 135%, with the SCR calculated according to the Solvency II standard formula. When the shares in Conservatrix were acquired on 15 May 2017, it was stated that Conservatrix would refrain from paying out any dividend for a period of ten years. Moreover, there is a recapitalisation commitment from direct and indirect shareholders to replenish any shortfall in the SCR ratio.
The amount of SCR is supposed to enable Conservatrix to absorb unexpected losses originating from the types of risk covered by the SCR, as described in the section on risk management. In line with the Solvency II Directive, the SCR reflects a Value-at-Risk benchmark, with a 99.5% reliability level, over a one-year period.

Events that trigger an ad hoc ORSA

An ad hoc ORSA is triggered by predetermined events. One of the trigger events 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 the determination of actions rather than triggering the intervention of the supervisor. In February 2019, the Solvency II ratio dropped below 135%, making an ad hoc ORSA necessary.

Eligible own funds

In thousands of euros	2019		2018	
Own funds		-123,962		61,674
Tier 1	-123,962		37,063	
Tier 2	0		0	
Tier 3	0		24,611	
Own funds		-123,962		61,674
Eligible own funds		-123,962		41,255
Solvency capital requirement				
Market risk	32,703		14,740	
Counterparty risk	11,077		12,777	
Underwriting risk for life insurance	42,676		12,107	
Diversification	-22,201		-11,555	
Basic solvency capital requirement (BSCR)		64,255		28,068
Operational risk	3,468		2,981	
LACDT	0		-3,105	
Total solvency capital required		67,723		27,943
Minimum capital required (MCR)		23,320		12,574
Solvency II ratio (EOF/SCR)		-183%		148%
Solvency II ratio internal minimum target level		135%		135%

Solvency ratio

On 31 December 2019, the eligible own funds were € -124.0 million and the required capital € 67.7 million, resulting in a solvency ratio of -183%. The calculation of the solvency ratio is based on the standard formula.

Under Solvency II, a reduction of the required capital is permitted with the mitigating tax effects resulting from a loss of one in two hundred years ('shock loss'). A tax effect could be that the shock loss can be partially compensated with taxable profits. Insurers can only underwrite the net deferred tax claims after a shock with future profits if the SCR is complied with within the currently applicable recovery period. Conservatrix included a beneficial effect on its solvency ratio(s) as a result of the application of the loss-absorbing capacity of deferred taxes (LAC DT). The LAC DT volume is € 0.0 million.

Profit appropriation

Conservatrix proposes to deduct the result from the other reserves within the shareholders' funds.

Notes on the Balance Sheet

1. Land and buildings	2019		2018	
At 1 January		9,300		9,300
Disposal	-9,300		0	
Revaluation	0		0	
At 31 December		0		**9,300**

2. Bonds	2019		2018	
At 1 January		158,757		214,939
Purchases	250,519		24,340	
Disposal	-209,649		-77,481	
Change in revaluation	1,407		144	
Unrealised result	-1,947		-3,185	
At 31 December		**199,085**		**158,757**

Cost price of bonds amounts to € 202.4 million (2018: € 161.5 million).

3. Mortgages	2019		2018	
At 1 January		264,075		300,222
Redemptions	-27,720		-29,610	
Change in revaluation	2,792		-6,537	
At 31 December		**239,147**		**264,075**

The mortgage loans are mainly 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 mainly entered into with a National Mortgage Guarantee (NHG guarantee). The face value amounts to € 197.2 million (2018: € 224.9 million). The mortgage loans are maintained to mitigate the interest rate risk included in the future cash flows of long-term insurance liabilities.

4. Other loans	2019		2018	
At 1 January		4,791		4,841
Purchases	85,430		0	
Change in amortisation	133		136	
Redemptions	0		-62	
Change in revaluation	388		-124	
At 31 December		**90,742**		**4,791**

Purchases of loans mainly consist of a claim on CBL for € 81.4 million, face value: € 75.3 million, and the purchase of a private loan of € 4.0 million.

5. Investment funds	2019		2018	
At 1 January		45,732		0
Purchases	25,733		45,987	
Disposal	-30,153			
Change in revaluation	1,642		-255	
At 31 December		**42,953**		**45,732**

6. Investments at policyholders' risk	2019		2018	
At 1 January		11,557		14,514
Purchases	379			
Disposal	-977		-1,308	
Change in revaluation	2,209		-1,649	
At 31 December		**13,168**		**11,557**

Details of investments

For details concerning investments at Conservatrix, please refer to Appendix I.

7. Deferred tax assets	2019		2018	
Active deferred tax				
At 1 January		33,619		43,169
Change resulting from technical provision	22,126		-2,181	
Devaluation due to limited unsettled gains	-48,954		0	
Technical provision for change in tax rate	3,263		-7,369	
At 31 December		**10,053**		**33,619**
Passive deferred tax				
At 1 January		9,008		12,826
Revaluation of land and buildings	-735		-285	
Unrealised gains on bonds	288		-52	
Unrealised gains on loans	904		-1,665	
Change to tax rate	588		-1,816	
At 31 December		**10,053**		**9,008**
Total deferred tax assets		**0**		**24,611**

The devaluation due to limited unsettled gains is based on the expectation that there will be insufficient profits in the future to justify a deferred tax claim.

8. Group companies	2019		2018	
Trier Holding BV	0		2,795	
Other	0		31	
At 31 December		**0**		**2,826**

9. Other amounts receivable / accrued receivables	2019		2018	
Intermediaries				
Current account	0		259	
Allowance for uncollectible accounts	0		-259	
Total intermediaries		**0**		0
Accrued income				
Other receivables	1,705		0	
Bonds	1,172		651	
Dividend	0		156	
Total accrued income		**2,877**		**807**
Other receivables				
Debtors	779		0	
Other	41,128		411	
Total other receivables		**41,907**		**411**

The other receivable of € 41.1 million consists mainly of a cash receivable that arose from the settlement reached with the reinsurer CBL in 2020. All other receivables have a maturity of less than one year.

10. Operating assets	31 Dec 2019	Depreciation	Purchases/ Disposal	31 Dec 2018
Cost price				
Company cars	0	0	-114	114
Inventory	919	0	-47	966
Total cost price	919	0	-161	1,080
Book value				
Company cars	0	-3	0	3
Inventory	458	-230	0	688
Total book value	458	-233	0	691

The depreciation rate for office improvement and company cars is 20%.

11. Shareholders' funds	31 December 2019	Result of current financial year	Result of previous financial year	Change in revaluation reserve	31 December 2018
Share capital	13,848				13,848
Share premium	46,926				46,926
Revaluation reserve	36,274			847	35,427
Other reserves	-30,445		-9,515	4,081	-25,011
Result before appropriation	-190,564	-190,564	9,515		-9,515
Total Shareholders' funds	**-123,962**	**-190,564**	**0**	**4,928**	**61,675**

The company's ordinary share capital consists of 5,539 ordinary shares with a face value of € 13,848. The change in revaluation of the other reserve is entirely attributable to the release of the revaluation reserve resulting from the sale of real estate on 31 December 2019.

12. Technical provisions	2019		2018	
At 1 January		691,898		703,122
Addition	97,395		-11,224	
Gross technical provisions		789,293		691,898
Reinsurers' share	-40,757		-191,259	
At 31 December		**748,536**		**500,639**
Own risk	738,626		492,318	
Policyholders' risk	9,910		8,321	
At 31 December		**748,536**		**500,639**
Best estimate	720,406		490,558	
Risk margin	28,130		10,081	
At 31 December		**748,536**		**500,639**

Change to the net best estimate	2019		2018	
At 1 January		**490,558**		**506,548**
Reinsurers' share		191,259		186,759
At 1 January gross		**681,818**		**693,307**
Change to model at start of year		1,378		-602
Roll-forward of existing portfolio		-36,832		-22,856
Best estimate for econ., non-econ. assumptions		**646,364**		**669,849**
Non-economic variance		-1,561		-2,445
Death	0		279	
Settlement	876		1,155	
Expenses	28,165		10,251	
Adjustment of non-economic assumptions		29,041		11,685
Inflation curve	-1,873		-1,765	
Interest	89,193		4,494	
Economic variance		87,320		2,729
Best estimate gross		**761,164**		**681,818**
Reinsurers' share		-40,757		-191,259
At 31 December		**720,406**		**490,558**

13. Other long-term debts	2019	2018
Premium deposit	22	28
At 31 December	**22**	**28**

14. Group companies	2019		2018	
Receivable Trier Holding BV	1,573		0	
Other	750		0	
At 31 December		**2,323**		**0**

15 Other short-term debts	2019		2018	
Creditors	670		780	
Accruals	752		878	
At 31 December		**1,422**		**1,658**

Assets given in collateral by reinsurers for ceded technical provisions

	2019		2018	
Heco Re				
BNP Paribas bonds	0		25,296	
BNP Paribas shares	0		8,814	
BNP Paribas liquid assets	0		370	
KasBank bonds	25,834		0	
KasBank shares	7,023		0	
KasBank liquid assets	5,972		0	
Accrued interest	303		233	
Total Heco Re		39,132		34,713
CBL				
Fifth Third Bank - Fixed and floating		0	148,973	
Fifth Third Bank - liquid assets		0	8,863	
Accrued interest		0	2,518	
Total CBL		0		160,354
At 31 December		**39,132**		**195,067**

Due to a settlement agreement with CBL, CBL's collateral has been converted to a receivable and other loans. See also the notes on other loans and amounts receivable.

Contingent liabilities

Fiscal unity

For corporate income tax purposes, Conservatrix N.V. was part of the Conservatrix Groep B.V. fiscal unity until 29 December 2015. From 30 December 2015 onwards, Conservatrix N.V. was part of the Nuvema N.V. fiscal unity, until this fiscal unity was broken-up as a result of the transfer dated 15 May 2017. Since then, Conservatrix has formed a fiscal unity with Trier Holding B.V.
Conservatrix determined its fiscal position on the transfer date based on best efforts, taking into account the advice from tax specialists and lawyers. When the Conservatrix shares were transferred, no agreements were signed regarding how to handle the tax positions. For tax purposes, Conservatrix applies the Decree on Profit Determination and Technical Reserves for Insurance Companies 2001 (BWRV) and determines its technical provisions based on historical rates. Conservatrix considers this a consistent approach, in line with Dutch legislation.

However, the former fiscal unity filed a request with the Dutch tax authority to change the tax base of the technical provisions, which would lead to an additional tax loss. Conservatrix considers this change to be incorrect.
Pursuant to the Collection of State Taxes Act, Conservatrix and the other entities in the former fiscal unity with Nuvema N.V. are jointly and severally liable for the tax payable by the combination until 15 May 2017.

The current tax position is justified in the intercompany position at Trier Holding BV. Tax losses are carried forward for a maximum of six years. The tax loss of the fiscal unity Trier is expected to be compensated within the available time frame. A provision for taxable losses that can be offset is therefore valued at nil. Because Trier is the head of the fiscal unity, Conservatrix has a current account relationship with Trier.

Other information

Events after the balance sheet date

Filing petition for bankruptcy
On August 26, 2020, Conservatrix concluded that there were no longer private solutions to independently restore the company. Conservatrix has reported this to De Nederlandsche Bank (the Dutch Central Bank, DNB). On October 30, 2020, DNB informed Conservatrix that DNB endorses the conclusion of Conservatrix. Furthermore, DNB announced that it will start a process that will probably lead to the filing of a petition for the bankruptcy of the company. With the conclusion of Conservatrix and the announcement of DNB, there is no longer any prospect of the company's continued independent existence, with bankruptcy being the most likely scenario when the 2019 annual accounts are issued.

Appointment of a Financial Supervision Trustee
On 21 September 2020, Conservatrix announced that the DNB had appointed a ‘Financial Supervision Trustee’ at Conservatrix. Under the Law on Financial Supervision (Wft), the DNB has the power to appoint a Financial Supervision Trustee. This measure was taken because of the uncertain situation Conservatrix finds itself in, because Conservatrix has not been able to fulfil the legal capital requirements for some time, as described above and previously announced by Conservatrix on 7 May and 1 July this year. The appointment of the Financial Supervision Trustee will have no impact on policyholders or the services provided by Conservatrix.

Settlement agreement with CBL
Conservatrix’ solvency is expressed in terms of a Solvency Capital Requirement (the SCR ratio). The SCR ratio is the relationship between its eligible own funds and the required own funds. At the end of 2019, the SCR ratio dropped below the legal minimum of 100%, to -183% (end of 2018: 148%). Conservatrix’ solvency also decreased at the end of 2019 to below the level of the legal minimum own funds required (referred to as the Minimum Capital Requirement (MCR): - 532%).

In 2017, Conservatrix reinsured some of its obligations – in accordance with the Solvency II Directive – by means of a reinsurance contract with Colorado Bankers Life Insurance Company (CBL), an American insurer. In mid-2019, the American regulatory authority placed CBL under heightened supervision (*in rehabilitation*) due to concerns over CBL’s financial situation. This led to a decrease in CBL’s value. As a consequence of this, the risk-mitigating effect of this reinsurance on the basis of the Solvency II Directive has lessened. This meant that Conservatrix could no longer include the entire value represented by this reinsurance in the calculation of Conservatrix’ solvency. As a consequence of the heightened supervision and the deterioration of CBL’s financial position, high-impact financial risks arose for Conservatrix. In the interest of the policyholders and after long conversations conducted between the lawyers of both parties, Conservatrix was obliged to enter into a settlement agreement with CBL. This settlement agreement replaced the reinsurance agreement that existed at the time.

Conservatrix’ shareholder has an obligation to reinforce and maintain Conservatrix’ capital at the agreed level, which is 135%. Proceedings have been initiated against the shareholder with regard to this obligation. To date, the shareholder has not yet complied with this obligation. Various measures have been initiated to ensure that the shareholder’s capital injection still happens, even after the end of the legal recovery period.

Escrow agreement with regard to the reinsurance contract with Heco Re
The reinsurer Heco Re S.A. cancelled the existing escrow agreement in a letter dated 23 October 2020 (with effect from 23 January 2021). The financial impact of this cancellation is limited.

Escrow claim concerning the reinsurance contract with CBL.
Standard Financial Limited registered in Malta, a party associated with the shareholder, lodged a claim on 19 October 2020 at the court in Hamilton County (U.S.A.). The claim has to do with the financing in 2017 of part of the escrow relating to the reinsurance contract with CBL.

Covid-19
At the end of 2019, contagions of the virus now called Covid-19 began in China, spreading all over the world at the beginning of 2020. This led to the current Covid-19 crisis, with implications for both health and the economy. The Covid-19 crisis will have the effect of increasing inflation. This possible increase will impact the scale of the technical provisions for expenses. This also has the effect of reducing the own funds and increasing the SCR.

Off-balance sheet positions

Bank guarantees
Bank guarantees have been provided for a total amount of € 0.1 million (2018: € 0.1 million). This commitment has a duration in the category of between one and five years.

Lease contract
Conservatrix has a non-cancellable office lease contract of € 0.2 million per year until August 2022.

Stater contract
Conservatrix has signed a contract with Stater Nederland B.V. for the transfer and collection of funds relating to the mortgage loans provided by Conservatrix to private individuals. A provision for dealing with late payments while collecting outstanding amounts on these loans is appended to this contract. All services are provided on behalf of Conservatrix and at its risk.

Unit4
Conservatrix has outsourced the payment of salaries to its own staff to Unit4. The calculation of (regular) payments, such as the tax benefits on pensions, annuities and one-off settlements is also outsourced to Unit4.

Reinsurance contract
Conservatrix has reinsured a partial portfolio with pension insurance policies. The reinsurance has been taken out with Heco Re S.A., a reinsurer established in Luxembourg. To cover the counterparty's credit risk, it has been agreed that this reinsurer will maintain a reinsurance deposit in the insurer's name for the amount of the maximum technical provision in accordance with the Solvency II principles, and 90% of the technical provision based on the basic rates minus the initial costs connected to these liabilities that are activated on the reinsurer's balance sheet.
This condition must be fulfilled no later than 1 July following the end of the financial year. At the time of drawing up this annual financial statement, the value of the investments held in escrow on 31 December 2019 was € 1.6 million lower than the value of the provision according to Solvency II principles.

Tikehau
On the balance sheet date, Conservatrix has the obligation to invest € 9.8 million in the Tikehau fund. This fund has a duration until the end of 2025 with an option to extend it twice by one year if necessary.

Sale of real estate
A difference of opinion arose with the buyer of the property in Lingen after the balance sheet date regarding the completion of the sale transaction. This has to do with an outstanding balance of deposits from tenants and the cost of removing asbestos found by the buyer. The impact is uncertain and currently appears to be a maximum of € 0.4 million.

Notes on the Income Statement

16 Net premiums	2019	2018
Regular premiums	22,750	25,695
Single premiums	206	570
Reinsurance premiums	-1	-231
Total net premiums	22,954	26,034

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

17 Land and buildings	2019	2018
Rental income	875	887
Operating costs	-616	-588
Total land and buildings	260	299

18 Income from other investments	2019	2018
Mortgage loans	9,607	10,817
Shares	425	537
Bonds	2,690	1,958
Other receivables	1,840	107
Dividend	1,073	298
Interest paid	-124	-259
Total income from other investments	15,513	13,459

18 Other income from investments	2019	2018
Own risk	15,087	13,034
Policyholders' risk	425	425
Total other income from investments	15,513	13,459

19 Realised gains on investments	2019	2018
Own risk	103	508
Policyholders' risk	131	-112
Total realised gains on investments	234	-620

20 Unrealised gains / losses on investments	2019	2018
Own risk	-1,692	-2,325
Policyholders' risk	2,209	-1,905
Total unrealised gains / losses on investments	517	-4,230

21 Claims and benefits paid	2019		2018	
Death	1,888		1,667	
Expirations	31,373		21,122	
Annuities	1,982		2,347	
Pensions	6,222		6,503	
Expenses on premium exemption	11		11	
Reinsurers' share	-812		-859	
Total claims and benefits		40,664		30,791
Settlements		12,870		12,470
Total payouts, expirations and redemptions		53,534		**43,261**

22 Operating costs	2019		2018	
Salaries	3,119		3,151	
Termination benefits	70		345	
Social security contributions	374		352	
Pensions	521		-316	
Travel costs	247		213	
External staff	677		1,462	
Other staff costs	611		34	
Total operating costs		5,620		5,242
Office costs	1,262		1,911	
Housing costs	258		261	
Marketing costs	19		-168	
Other costs	4,302		2,156	
Overhead expenses		5,842		4,159
Building renovation costs	186		221	
Release of intangible fixed assets	0		-337	
Depreciation		186		-117
Total staff, overhead and depreciation costs		11,648		9,284
Acquisition costs	378		440	
Total operating costs		12,025		9,724

- The average full-time equivalent of permanent employees was 30.4 (2018: 36.9).
- The staff costs include remuneration of the Executive Board members amounting to € 1,039,5 (2018: € 997.7) and the remuneration of the Supervisory Board members amounting to € 224.5 (2018: € 139.0).
- The accountant has invoiced a fee of € 676.8 up to and including 10 September 2020 for the 2019 financial year.
  - Auditing of the annual financial statement and the Solvency II statuses: € 659.5 (excl. VAT)
  - Other non-auditing tasks: € 16.2 (excl. VAT)

Income tax
The determination of the corporate income tax takes the permanent and temporary differences between the commercial result and the taxable result into account. The devaluation due to limited unsettled gains to zero is based on the expectation that there will be insufficient profits in the future to justify a deferred tax claim.

The amount included in the income statement/profit and loss account is made up of the following:

23 Income tax on profit	2019	2018
Current taxes	5,225	-2,924
Change in tax rate for deferred taxes	-3,263	7,369
Correction due to limited compensation for losses on deferred taxes	48,954	0
Change in deferred taxes, old rate	-22,126	2,181
Total taxes	28,791	6,626

Analysis of the result by margin

Own funds	2019		2018	
At 1 January		61,674		74,240
Changes due to investments and financial liabilities	17,180		9,475	
Changes in deferred taxes	-24,611		-5,732	
Total changes to technical provisions	-42,605		-26,952	
Release of technical provisions	-247,897		15,724	
Changes to unit-linked investments	2,757		-2,883	
Other changes to assets in excess of liabilities	109,540		-2,196	
At 31 December		-123,962		61,674

Utrecht, 7 December 2020

Executive Board

R. Collé, CEO

E. van der Wal, CFO

Supervisory Board

R. Hinse, Chair

J.L. Melis

E.P.M. Joosen

OTHER INFORMATION

Independent Auditor's Report

Due to the specific circumstances mentioned in the Report of the Executive Board there is no independent auditor's report.

Appropriation of the Results according to the Articles of Association

According to the Company's articles of association the result is at the disposal of the General Meeting.

APPENDIX I

Specification of investments

in thousands of euros	ISIN CODE	Market Value
Dutch mortgages		239,147
Other securities		81,430
4.85% O SPAIN 20	ES00000122T3	37,503
0.35% O ITALY 20 BDS	IT0005250946	37,098
FRANCE (GOVT OF) 1.5% 25/5/2050	FR0013404969	30,878
Tikehau Invest II	TIKEHAU II	25,856
DUTCH GOVERNMENT 0.5% 15/1/2040	NL0013552060	21,298
2.75% O NETHERLANDS 47	NL0010721999	17,702
NN European Fixed Income Fund - I	NL0012441703	17,097
FRANCE (GOVT OF) 1.25% 25/5/2034	FR0013313582	9,076
EURO DM SECURITIES 0% 8/4/2021	DE0004778469	6,533
ABN AMRO BANK NV 3.625% 22/6/2020	XS0519053184	5,507
NEDER WATERSCHAPSBANK FRN 27/4/2021	XS0611951814	4,688
REPUBLIC OF AUSTRIA INTL 0.591% 24/10/2035	XS0231558858	4,660
BK NEDERLANDSE GEMEENTEN FRN 9/2/2021	XS0575962286	4,641
0% Woningbouw Coop Allliantie 01-04-07 /01-04-2032		4,200
REPUBLIC OF AUSTRIA INTL 2.112% 4/8/2025	XS0224366608	4,089
AEGON BANK 0.25% 1/12/2020	XS1327151228	4,022
Gemeente Hardinxveld -0.41% 27-07-2020		3,992
BUNDESREPUB. DEUTSCHLAND 4.75% 4/7/2040	DE0001135366	2,906
BUONI POLIENNALI DEL TES 3.1% 1/3/2040	IT0005377152	2,639
EUROPEAN INVESTMENT BANK 1.25% 15/7/2020	XS0222759689	2,438
REPUBLIC OF AUSTRIA 0.669% 29/6/2020	XS0221500571	1,171
REPUBLIC OF AUSTRIA INTL 5.498% 22/4/2020	XS0216258763	1,159
0% Achmea Hypotheekbank N.V. 05-08-99 / 05-08-24		1,083
KFW F 07/25/20 EMTN	XS0202421672	543
REPUBLIC OF AUSTRIA 1.298% 10/10/2025	XS0229808315	534
Loans to other Dutch residents		38
Total financial investments		**571,927**

Investments at policyholders' risk	ISIN CODE	Market Value
NN Dutch Fund	NL0000287993	3,887
Robeco Hollands Bezit	NL0000286615	2,697
Robeco All Strategies Funds - Robeco Multi Asset I	LU1387747915	2,157
Robeco NV	NL0000289783	1,447
Rolinco	NL0000289817	696
Koninklijke Ahold Delhaize NV	NL0011794037	532
ACTIAM Duurzaam Mixfonds Neutraal	NL0010579165	461
UNILEVER NV	NL0000388619	423
Robeco Capital Growth Funds - All Strategy Euro Bo	LU0528646820	313
Royal Dutch Shell PLC	GB00B03MLX29	232
DWS INVEST CLIMATE IN "LC" (EUR)	LU1863264153	155
Unibail-Rodamco SE & WFD Unibail-Rodamco NV	FR0013326246	74
ACTIAM Duurzaam Europees Aandelenfonds	NL0010579074	65
DWS Invest - Global Agribusiness	LU0273158872	15
ING Groep NV	NL0011821202	14
Total investments at policyholders' risk		**13,168**