

Zwitserleven PPI NV Annual Report 2017

Zwitserleven



actiam

VIVAT

1. Report of the Board of Directors

General

Zwitserleven Premiepensioeninstelling (hereafter ZL PPI) is a 100% subsidiary of the insurance holding VIVAT NV (hereafter VIVAT). ZL PPI aims to accrue an optimal pension for its participants.

ZL PPI has outsourced most of its operational activities to entities of SRLEV (hereafter Zwitserleven, a brand of VIVAT) and/or VIVAT.

ZL PPI has a statutory Board of Directors and a Supervisory Committee. The report of the Board of Directors of ZL PPI gives, in particular, insight into the ambition, activities, the market and financial developments, investments and risk management of ZL PPI during the financial year 2017.

Growth

In 2017, ZL PPI saw an increase in the number of company pension contracts, resulting in a growth both in pension participants and assets under management. After having successfully focussed on smaller companies (with up to 30 employees) in 2016, in 2017 management decided to focus also on larger organisations which resulted in a 112% growth in number of participants and a 162% growth in assets under management.

Participants

ZL PPI is servicing active and inactive participants. An active participant participates in the pension plan of his or her employer, the latter has a pension contract with ZL PPI. When a participant becomes inactive, premium payments for the benefit of the accrual of pension are no longer being made. Participants become inactive mainly because of a change of employer.

Number of participants

	2017	2016
Active	18,922	8,978
Inactive	6,252	2,905
Total	25,174	11,883

Liabilities to participants

In € thousands	2017	2016
Balance as at 1 January 2017	64,806	23,671
Received deposits	64,385	26,704
Incoming transfer values	32,904	10,477
Outgoing transfer values	-126	-87
Investment result participants	7,391	4,155
Other	-492	-114
Balance as at 31 December 2017	168,868	64,806

Employers

In FTE, at year end	2017	2016
Contracts	1,325	775

Ambition

ZL PPI wants to be a leading provider of defined contribution (hereafter DC) pension solutions in the Dutch market. Therefore, ZL PPI aims to be a leading, trusted and customer-centric financial services provider, helping its participants to realize their longterm financial goals. ZL PPI has the task to offer simple pension solutions to our clients at competitive prices. To this end, we aim to sell products that are appropriate, transparent and enable the participants to gear the solutions in such a way that it best fits their defined ambition. In order to achieve long-term sustainable growth ZL PPI will deliver a simple product and adequate service to customers. ZL PPI supports its service delivery by using the most advanced technologies and digital solutions, such as personal portals.

Activities

Administration & organization

ZL PPI has outsourced most of its administrative tasks, including Finance and Risk to Zwitterleven and VIVAT. The management of the investment funds is carried out by VIVAT's asset manager ACTIAM.

The board of ZL PPI consists of two directors. No other staff is directly employed by ZL PPI. Dedicated PPI staff is mostly insourced from Zwitterleven. The board is responsible for ZL PPI and act in the interests of all its stakeholders. The board is responsible for managing its outsourcing contracts, marketing and sales and the full range of risk management and controls.

Products

By offering easy to understand, transparent and innovative products and services at a competitive price, customers will be able to rely on ZL PPI. Building on new regulation, on 1 January 2017, a new product (Nu Pensioen Plus!) was introduced. On top of the legal requirement the participant has the possibility to continue investing after the retirement age. At the same time ZL PPI offers a unique combination of low costs, responsible investment and guarantees (provided by the insurer Zwitterleven). This guarantee enables the participants to buy a long life annuity. In January 2018, this product will also be available to our existing clients.

Many companies with up to 10 employees do not provide a pension scheme due to limited access to advice. For this reason, ZL PPI has started a pilot project enabling employers to obtain a basic pension scheme (*Nu PensioenRekening*) with an easy-to-understand online tool. In 2017, this pilot was extended to intermediaries, enabling them to provide pension services to this type of companies more efficiently.

Market developments

As a result of more focus by all stakeholders in the industry on pension quality and efficiency, we see a further consolidation of the pension market in the Netherlands. The newly introduced APF's (*Algemeen Pensioenfonds*) may play an accelerating role in this development. Furthermore, we see a growth in the market share of PPI's in the expanding Dutch DC market. The Dutch Government is aiming for more personalized pension plans and is working on a reform of the pension system as a whole in the future. PEPP (Pan European Personal Pension) legislation is being drafted on a European level to open up the individual pension market to cater the more individualized labour market, amongst others the self-employed.

Financial developments

Operational results

In line with our operational plan, ZL PPI has grown significantly in 2017 in number of clients and services. As a result of product improvements, increasingly, large companies have also decided to become client of ZL PPI. In total 1,325 employers are being serviced by ZL PPI (plus 71%) involving 25,174 participants. Assets under management almost tripled to € 168,6 million.

Result

The net result of ZL PPI amounted to € 130,000 negative.

Net result

In € thousands	2017	2016
Total income	1,550	765
Total costs	1,723	1,092
Net result continued operations for the period	-130	-245

Capital position

The available capital amounts to € 2,0 million (2016: € 2,2 million). This is well in excess of the required capital of € 500,000.

Investments

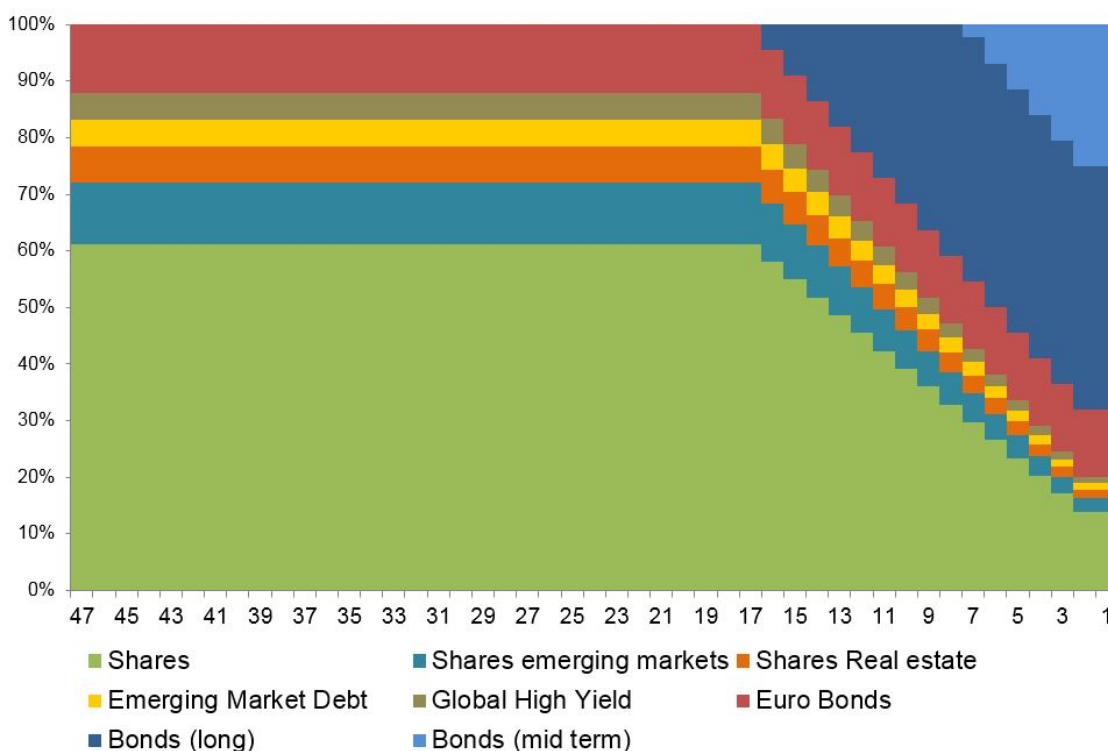
Participants have various options to invest their pension assets. They can choose between investing themselves individually (*vrij beleggen*), or invest in an investment profile of choice (*profiel beleggen*) or, as most (99%) participants do, invest in the default lifecycle (*horizon beleggen*).

Liabilities to participants

In € millions	Horizon beleggingen	Profiel beleggen	Vrij beleggen
Active	138.5	1.6	1.5
Inactive	24.0	0.4	2.9

Assets under management

The default asset mix is determined by a lifecycle. Each participant in lifecycle investments has a personalized asset mix that matches with the age and the risk profile of the participant which is based on the remaining time till retirement. The risks in the lifecycle are automatically reduced towards retirement date. This de-risking is done by investing more in medium and long duration fixed income funds and less in equity funds towards the retirement date. In this manner both the interest rate risk and the risk on equities are being decreased incrementally. As a default the assets are invested in 'Horizon investment', the lifecycle with a risk neutral profile. ZL PPI's lifecycle is tailored towards the pension benefit that is aimed for at retirement date.



Figuur 1 Asset under management

In the table below you will find the investment returns of 'Horizon investment' for different ages. When a participant has not used the other risk profiles and invested in the default, these would have been the results for the 2012-2017 period.

Life Cycle historical return

	Age 25		Age 45		Age 55		Age 65	
	Life cycle	Index	Life cycle	Index	Life cycle	Index	Life cycle	Index
2017	8.20%	7.90%	7.90%	7.60%	5.30%	5.00%	-0.10%	-0.20%
2016	8.40%	8.00%	8.20%	7.90%	9.30%	9.10%	7.50%	7.40%
2015	5.80%	5.30%	5.60%	5.20%	3.90%	3.60%	0.60%	0.50%
2014	14.40%	14.00%	15.00%	14.70%	17.20%	17.10%	21.60%	21.90%
2013	11.50%	12.00%	8.90%	9.30%	4.90%	5.20%	-2.70%	-2.70%
2012	15.50%	14.90%	15.50%	15.40%	15.60%	16.20%	15.60%	17.70%
Average 2012 - 2017	10.60%	10.30%	10.10%	9.90%	9.20%	9.20%	6.70%	7.00%

The lifecycles are constructed by blending five different investment funds. In the following table you will find the performance per investment fund.

Investment performance

	2017			Average: 3 Year			Average: 5 Year		
	Fund	Index	+/-	Fund	Index	+/-	Fund	Index	+/-
Zwitsereven Wereld Aandelen Fund	10.65%	10.28%	0.37%	9.53%	9.12%	0.41%	12.05%	11.77%	0.28%
Zwitsereven Credits Fund	2.26%	2.37%	-0.11%	2.15%	2.12%	0.03%	3.42%	3.34%	0.08%
Zwitsereven Selectie Fund	7.85%	7.34%	0.51%	7.04%	6.40%	0.65%			
Zwitsereven Medium Duration Fund	-0.33%	n/a		1.13%	n/a		2.93%	n/a	
Zwitsereven Long Duration Fund	-3.40%	n/a		2.60%	n/a		6.88%	n/a	

Equities showed a good performance in 2017. Main reasons for this were the good economic climate and the continuation of the monetary policy of the central banks. The European Central Bank continued its monetary policy and continued the acquisitions of bonds. The acquisition of bonds was one of the reasons that the interest on bonds remained low during 2017.

Sustainability

ZL PPI works together with its asset managers to ensure that pension money is not being invested in companies whose activities are unacceptably harmful to society and the environment. ZL PPI invests for the benefit of the participant's pension scheme, but it also invests with a strongly felt responsibility to create a better future for society and the environment. In addition, transparency and risk diversification are the important pillars of our investment philosophy.

Socially responsible investment policy

Human rights and the environment are important to us. We only invest in companies we know to respect international treaties and pass a 'sustainability test', also known as the ESG criteria. ESG stands for Environmental, Social and Governance. The test checks whether companies respect local and international agreements made on:

- > Human rights
- > Labour laws
- > Corruption

- > The environment
- > Weapons

ZL PPI encourages the companies it invests in to make socially responsible choices. We may engage with these companies on certain topics and we vote at their annual shareholder meetings. ZL PPI does not invest, if a company does not meet the criteria.

ZL PPI also refrains from investing in government bonds issued by countries that do not meet the Socially Responsible Investment Index criteria.

Positive selection

In Europe, ZL PPI uses positive selection to choose companies that feature a sustainable product or an innovative technology, even if these companies do not yet fully comply with the ESG-criteria. ZL PPI engages with these companies to help them improve their ESG-performance. This encourages these companies to continue improving.

Engagement and voting policy

ZL PPI actively encourages companies that it invests in to conduct their business in a socially responsible way. This is called engagement. The purpose of this engagement is to help companies improve their sustainable performance.

We also enter into discussion with companies that are on the verge of breaking rules or laws in an attempt to prevent them from doing so. If the company's sustainable performance does not improve, ZL PPI can always decide to exclude them from its portfolio and sell the investments.

In addition we exercise our right to vote at companies' shareholder meetings to promote corporate and social responsibility.

Integrating ESG

We believe that companies that adopt responsible business practices are better prepared for the future. That is why we aim to invest actively in companies that help to create a sustainable future and that contribute to accomplishing the United Nations Sustainable Development Goals.

To achieve this aim, our asset manager ACTIAM is structurally integrating sustainability information in the investment process. This involves awarding an ESG score to all the countries and companies in which can be invested. The ESG score reflects both the entity's policy and its actual conduct. A company may have a good policy, but this policy says little about the true situation concerning sustainability if it is not actually implemented.

What do others think?

We are proud to be able to call ourselves the most socially responsible pension insurance company in the Netherlands. This has been confirmed by the *Vereniging van Beleggers voor Duurzame Ontwikkeling* (VBDO) (the Dutch Association of Investors for Sustainable Development). The Association compares and evaluates the sustainability of the investment policy of the biggest Dutch insurance companies. Zwitserleven held the highest score in this survey in 2012, 2013, 2014, 2016 and 2017.

Risk management

Risk management system

The board of ZL PPI is responsible for the total risk management. ZL PPI has outsourced most of its operational activities to VIVAT, including risk management. Every year the board makes a risk assessment with support of several risk departments within VIVAT.

Risk management governance

Vision and risk strategy

Following from ZL PPI's vision that pensions should be simpler, cheaper and more transparent, ZL PPI's strategy is to access the pension market with two products: Zwitterleven NuPensioen and Zwitterleven NuPensioenrekening. Especially the last product properly reflects the vision to have the participant in control of his own retirement. The ZL PPI product can be sold jointly with a life product, sourced from Zwitterleven to its (potential) customers. The underwriting risks are therefore borne by Zwitterleven.

Risk organization

The risk management organization of ZL PPI is organized at VIVAT-level, as part of the outsourced activities. VIVAT, including ZL PPI outsourcing partner Zwitterleven as its most relevant brand, has established the "Three Lines of Defense" control model (3LoD).

The first line focuses on the primary process of the business, relating to policy administration, claims handling and investment activities.

The second line has a monitoring role in respect of the risk management actions and activities carried out by the first line and assesses the effectiveness of procedures by means of testing key controls. A VIVAT second line risk manager regularly discusses risk issues with the Board of ZL PPI and facilitates an annual risk assessment. Compliance with relevant regulations and internal policies for ZL PPI by means of compliance monitoring and reporting is ensured by close cooperation with the VIVAT departments 'Legal Affairs' and 'Compliance, Security issues and Operational risk management'.

Audit VIVAT is the independently operating third line audit function and has a supervising role assessing the functioning of the risk management system (including the interaction between first and second line). Audit monitors the compliance and risk framework (at least once a year) and reports back to the board of ZL PPI.

Risk Committees are part of VIVAT's risk management organization. At the highest level of the risk management organization the VIVAT Risk Committee (VRC) decides on risk management issues at VIVAT level. The Product Committee (PC) is one of the underlying committees and approves developments of products and services. The PC is the most relevant committee for ZL PPI.

ZL PPI holds a separate position and relies on the risk management processes and risk committees which are organized within VIVAT. Within two committees ZL PPI is represented by a Board member which holds a permanent seat. The committees are:

- A Product Market Pricing Management Team (PMP MT) is established for each product line (PL) which report and give account to the PC on product related developments. ZL PPI is represented in the PMP MT of Life Corporate (LC), which manages the Zwitterleven label. ZL PPI's product related issues are separately scheduled during the PMP MT meetings of LC.

- An Operational Risk and Compliance Management Team (ORC MT) is established for each PL/FL. The ORC MT is responsible for managing the non-financial risks incurred by the PL/FL. ZL PPI is represented in the ORC MT of LC. Topics related to the PPI are explicitly incorporated into the ORC MT meetings, with separate schedules and minutes.

ZL PPI is a separate legal entity and has its own duties and responsibilities. Therefore conflicting issues could arise between ZL PPI and Zwitterleven. These are addressed explicitly in the meetings of the PMP MT and ORC MT of LC.

In both committees, ZL PPI is represented by a Director of PPI as a permanent member. As ZL PPI has its own duties and responsibilities, they may be different from or contradictory to those of Zwitterleven. Any such conflicts will be discussed explicitly in the ORC MT and the PMP MT, should this arise.

To enable ZL PPI taking responsibility for the activities that have been outsourced, duties and responsibilities are formulated in an SLA with Zwitterleven and executed for the purpose of achieving effective risk management, including adequate monitoring of the outsourced activities. Zwitterleven provides a monthly monitoring on key performance indicators.

Furthermore from time to time, ZL PPI requests the VIVAT's Audit department to execute several independent audits. In 2017, the PPI requested the audit department to perform an audit on the risk analysis process and an audit on the outsourcing of investment management services from ZL PPI to ACTIAM.

Risk policies

The risk management policy is incorporated in the integrated risk management policy structure of VIVAT. The entire policy structure is accessible for employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

Risk management process and Integrated Control Framework

The established Internal Control Framework (ICF) provides the basis for the internal control system on risk management maturity. The ICF contains core components that together form the basis for controlled business operations within VIVAT including the PPI, and demonstrably supports being in control. It measures the maturity of risk management and ensures steering on correct and complete risk reports via management controls and process key controls. For all components within the ICF, standards are including the minimum requirements. Both management controls and process controls are registered and monitored by ZL PPI.

All components of ICF are scored for each product line and functional line via a yearly assessment of all management controls in which both first line and second line of defense are involved. The outcomes are discussed in the VRC and the outcomes of Life Corporate are discussed in the ORC MT LC&PPI and are the basis for improvement plans.

Zwitterleven reports on a quarterly basis to the board of ZL PPI on the effectiveness of the process key controls as agreed within the SLA. Outcomes of the first and second line testing within Zwitterleven are discussed in the board of ZL PPI, where the progress on action points is also monitored.

Based upon the outcomes of the monitoring throughout the year, the PPI's board formulates an In Control Statement for the PPI once a year.

Relevant risks

Risk classification

ZL PPI has defined and structured several risk types based on its own assessment of risks given its risk profile and taking into account applicable laws and regulations. The risk classification is structured in main risk types and corresponding sub-risk types. Underwriting risks and market risks do not apply. Financial risks are predominantly counterparty risk and liquidity risk. The most relevant risks are the non-financial operational risks (including outsourcing) and compliance risks.

Operational risk

Operational risk is the risk of direct or indirect losses due to inadequate or deficient internal processes and systems, owing to inadequate action being taken, human error or external events. In this sense, operational risk is overarching in nature. ZL PPI has outsourced the execution of its main operating activities to Zwitterleven and ACTIAM NV. ZL PPI recognizes several types of operational risk:

1. Product and customer risk

An important risk for ZL PPI is that the product specification and pricing do not correspond to the wishes of the customer. ZL PPI products are offered to the market through a specific marketing and distribution strategy. The products and pricing are developed within Zwitterleven based on the latest market developments. ZL PPI has outsourced the Product Approval and Review Process to the PMP ZL&PPI, which advises ZL PPI's management board.

Customer complaints or expressions of dissatisfaction are an important indicator for this risk type. Zwitterleven reports periodically to the ZL PPI on customer complaint figures, trends and improvement plans. ACTIAM also periodically reports to the ZL PPI on incidents related to these risk types.

2. Execution and process management risk

As back office processes are outsourced to Zwitterleven (Life Corporate) the PPI must carefully monitor the quality of the processes and effectiveness of controls in place within Life Corporate. The PPI monitors the effectiveness of both management controls and operational key controls and receives incident analysis reports when applicable. In the ORC, ZL PPI may address concerns and propose additional actions to be taken. Furthermore, each year the PPI requests ISAE reports for both ACTIAM and Life Corporate.

3. Information technology risk

IT risk and business continuity risk are related to the outsourced processes to Zwitterleven. The PPI supervises these risks by monitoring the SLA report. In the ORC, ZL PPI may address concerns and propose additional actions to be taken. Effectiveness of general IT-controls are also part of both ISAE reports of ACTIAM and Life Corporate.

Other operational risks such as internal fraud, security, safety and personnel and model risk are monitored likewise via the internal reporting process of Zwitterleven.

Compliance risk

Compliance risk is the risk that an organization could suffer legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with laws, regulations, rules, self-regulatory standards, codes and unwritten rules that apply to its activities.

Non-compliance with integrity and conduct-related rules can lead to regulatory action, financial loss or damage to the reputation of ZL PPI, for example conviction of payment in fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations in scope consist among others of those laws and regulations under which the supervisory authorities, such as Authority for the Financial Markets (AFM), Dutch Central Bank (DNB), Authority for Consumers and Markets (ACM) and Data Protection Authority (AP) supervise aspects related to (non-) financial risks, such as the Dutch Financial Supervision Act (Wft), the Dutch Money Laundering and Terrorist Financing (Prevention) Act (Wft) and the Dutch Sanctions Act.

Compliance risk is also managed by the SLA with Zwitserleven and the investment management agreement with ACTIAM.

At least quarterly, the VIVAT Compliance department proactively consults with the board members of ZL PPI where issues and developments are exchanged. In addition, on average a monthly informal meetings is held on specific topics and/or new laws and regulations.

Once a year, the VIVAT Compliance department attends a meeting of the Supervisory Committee of the PPI, where specific compliance topics are discussed. Examples of these topics are:

- > Compliance with existing laws and regulations
- > Implementation of new laws/regulations
- > Incidents and complaint reports
- > Focus on compliance with (non-) financial risks on the Three lines of defense.

Counterparty risk

ZL PPI defines counterparty risk as the risk of potential losses due to an unexpected payment default of the counterparties.

Insurance risks are borne by Zwitserleven. Zwitserleven is also responsible for the risk that customers do not fulfill the payment obligation. Zwitserleven is responsible for the execution of payment arrears' process in accordance with the Pensions Act and for meeting legal deadlines.

The remaining counterparty risk for ZL PPI is marginal.

Liquidity risk

Liquidity risk is defined as the risk of ZL PPI not having enough liquid assets to meet its financial liabilities in the short term or in times of a stress situation, without incurring unacceptable costs or losses. ZL PPI has a current account relationship with Zwitserleven for the services provided. This interest bearing current account provides a credit facility to ensure a sufficient cash position, making the liquidity risk being low. The PPI monitors liquidity risk via internal reporting of Zwitserleven.

Capital management

The objective of the board of ZL PPI is to ensure that there is sufficient capital to fulfill obligations towards participants and meet legal requirements. At least annually, ZL PPI provides a risk analysis, quantifies risks arising from this risk analysis in order to determine an internal capital requirement, and ensures that it has sufficient capital to meet the internal capital requirement, taking into account the minimum required regulatory capital of €500,000. The internal capital requirement has been set at 150%.

Gratitude

We would like to thank our customers, our shareholder and our business partners for the trust that they have placed in us.

Amstelveen, The Netherlands, 29 May 2018

The Board of Directors

Drs. A.E. van Zanten CEO
Drs. E.P. van Santen COO



2. Report of the Supervisory Committee

General

The ZL PPI Supervisory Committee is satisfied about the results and the operations of the ZL PPI in 2017.

In 2017, the Supervisory Committee held six meetings. In these meetings, a number of issues were discussed. The planned year schedule was followed: interim results were discussed every meeting, asset management and client centricity were addressed extensively twice in 2017. Special attention was given to:

- > the '*wet verbeterde premieregeling*' as it is a new part of the pension regulations in the Netherlands;
- > compliance in the presence of a senior compliance officer of VIVAT;
- > risk management; the adjustments of the risk control matrix were discussed;
- > the results of the evaluation of the SLA were treated extensively;
- > the independence of ZL PPI.

A special meeting focused on sustainable investments as it is one of the unique selling points of the ZL PPI. The white label variant of the execution-only tool was launched as a pilot with one of the ZL PPI distribution partners. The Supervisory Committee will continue to monitor the progress on execution only in 2018. VIVAT's compliance manager also attended one of the meetings dealing with that topic.

At the end of 2017, the ZL PPI, for the first time, adjusted all prices and some conditions of its products through an en-bloc clause, resulting in no specific changes in the portfolio of the PPI.

Throughout the year, the Supervisory Committee has tested the principle of 'putting the client first' (*'klant-belang centraal'*). This was specifically done at the time of introducing new product features and at the time of using the en-bloc clause for product adjustments. The Supervisory Committee was pleased with the outcome of those tests and feels the management board is compliant with this important business principle.

ZL PPI plans to grow further in line with the operational plan that has been discussed during the meetings. We are keen to monitor the developments with regard to the distribution of the white label tool. Also developments on pensions both at a European level as at a national level will be followed closely, as structural changes are expected.

During the last quarter of 2017, Dick Mik has joined the Supervisory Committee, now consisting of four members of which two are "independent" and two are related to ZL PPI. The Committee feels in this composition it is fully equipped to perform its supervisory role.

The Supervisory Committee

D.J. Okhuijsen
J.C. Rietvelt
J.C.A. Potjes
D.H. Mik

3. Financial statements

3.1. Company statement of financial position

Before appropriation of profit or loss and in € thousands	Notes ¹	31 December 2017	31 December 2016
> Assets			
Investments for account of participants	1	168,551	64,345
Corporate income tax		125	82
Receivables from related parties	2	52	535
Other receivables	3	1,392	1,262
Cash and cash equivalents	4	7,048	5,399
Total assets		177,168	71,623
> Equity and liabilities			
Share capital		225	225
Share premium reserve		2,725	2,725
Other reserves		-778	-533
Retained earnings		-130	-245
Total equity	5	2,042	2,172
Liabilities to participants	6	168,868	64,806
Other liabilities	7 ²	6,258	4,645
Total liabilities		175,126	69,451
Total equity and liabilities		177,168	71,623

¹ The references next to the company statement of financial position items relate to the notes to the statement of financial position in chapter 5.

² Note 8 and 9 do not relate to specific balance sheet or profit and loss accounts.

3.2. Company statement of profit or loss

In € thousands	Notes ¹	2017	2016
> Income			
Management and administrative fees	10	1,547	753
Interest income	11	3	12
Total income		1,550	765
> Expenses			
Employee benefit expenses	12	394	406
Other expenses	13	1,329	686
Total expenses		1,723	1,092
Operating result before taxation		-173	-327
Taxation		-43	-82
Net result from continuing operations for the period		-130	-245

¹ The references next to the company statement of profit or loss items relate to the notes to the statement of profit or loss in chapter 5.



4. Accounting policies for the company financial statements

4.1. General information

Zwitslerleven PPI NV (further referred to as: 'ZL PPI'), incorporated and established in the Netherlands, is a public limited company incorporated under the laws of the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 55646484.

Group structure

ZL PPI is a wholly owned subsidiary of VIVAT NV, which is a wholly owned subsidiary of Anbang Group Holdings Co. Limited with a registered office at Hong Kong, ultimate parent of which is Anbang Insurance Group Co. Ltd with its headquarters in Beijing, People's Republic of China.

Related parties

Legal entities that are members of the Anbang Group qualify as related parties, as do executive directors and their next of kin.

Tax group

VIVAT NV and its subsidiaries, including ZL PPI, form a tax group.

4.2. Basis of preparation

The financial statements of ZL PPI have been prepared in accordance with the provisions of Book 2, Part 9 of the Netherlands Civil Code and the associated Guidelines for Annual Reporting in the Netherlands issued by the Dutch Accounting Standards Board.

4.3. General accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in the financial statements. The financial statements have been prepared on an accrual basis.

Functional currency and reporting currency

The financial statements have been prepared in thousands of euros (€). The euro is the functional and reporting currency of ZL PPI. ZL PPI only invests in investment funds stated in euros.

All financial data presented in euros is rounded to the nearest thousand, unless stated otherwise. Counts are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

4.4. Accounting policies for the statement of financial position

Unless indicated otherwise, assets and liabilities are recognised at the amounts at which they were acquired or incurred.

Assets are recognised in the statement of financial position when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Liabilities are recognised in the statement of financial position when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated.

Investments for account of participants

ZL PPI is not exposed to any risk attached to investments on behalf of participants. The investments are recognised at the transaction date. Investments for account of participants and the corresponding liabilities to members are recognised as an equal amount simultaneously in the statement of financial position.

Any gains and losses on investments for account of participants are added directly to the liabilities to participants.

Listed investments are measured at fair value based on current market prices. Unlisted investments are measured at fair value with due observance of last known market prices and valuation methods based on generally accepted calculation models.

Accrued interest on fixed-income securities is recognised as part of the fair value of investments in fixed-income securities.

Investment property concerns indirect investments in real estate investment funds.

Corporate income tax

Corporate income tax relates to recoverable or payable tax for the reporting period and taxes due for previous periods, if any. Current tax assets and liabilities are measured at nominal value using the applicable tax rate.

Receivables

Receivables are measured at nominal value.

Cash and cash equivalents

This item concerns receivables from banks and deposits falling due in less than 12 months other than in the form of interest-bearing securities. These receivables are measured at amortised cost based on the effective interest method net of impairment losses, if any.

Equity

Share capital and share premium reserve

The share capital comprises the issued and paid-up ordinary shares. The share premium reserve concerns capital that has been paid up over and above the nominal value of the issued ordinary shares.

Other reserves

The other reserves comprise retained earnings of prior years.

Retained earnings

This concerns the profit for the reporting period net of income tax.

Liabilities to participants

This item concerns the liabilities corresponding to the investments for account of participants. In accordance with the IORP regulations and the contracts with the participants' employers dependants' benefits are charged against these liabilities.

To the extent that the value of the existing investments exceeds the liabilities to participants and/or their beneficially entitled surviving relatives or the employer, the excess will be released to ZL PPI in the year in which it arises (see also: Investments for account of participants).

Other liabilities

Other liabilities are measured at nominal value.

4.5. Accounting policies for the statement of profit or loss

Income and expense are allocated to the period to which they relate. Costs are recognised within in the cost category to which they relate.

Income

Income primarily consists of management and administration fees and interest income, which are recognised in the reporting period in which the services are provided.

Expenses

Expenses consist of the management expenses, administration expenses and asset management fees. Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between costs incurred and the corresponding economic benefits. If future economic benefits are expected to arise in multiple reporting periods, expenses are recognised in the statement of profit or loss based on a systematic allocation method. Expenses are directly recognised in the statement of profit or loss if future economic benefits will not occur.

Income tax expense

Tax on profit is calculated at the prevailing nominal rate, taking into account the effects of tax facilities.

4.6. Contingent liabilities and commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the occurrence or non-occurrence is contingent of one or more uncertain events in the future not wholly within the control of ZL PPI.

5. Notes to the company financial statements

1. Investments for account of participants

Breakdown of investments for account of participants

In € thousands	2017	2016
Shares and similar investments	90,964	35,302
Fixed-income investments	68,272	25,371
Investment property	9,315	3,672
Total	168,551	64,345

The increase in the amount of investments for account of participants is due to the expansion of ZL PPI in 2017. 1,325 employers are customer of ZL PPI (2016: 775), involving 25,174 participants (2016: 11,883).

The deposits of participants are completely invested in investment funds. For each investment fund a breakdown of the underlying asset classes is made. Due to timing differences the actual breakdown can vary slightly, but this is corrected periodically. The investment funds are valued at fair value.

2. Receivables from related parties

The receivables from related parties (less than one year) is a current account with SRLEV NV, which is settled in January 2018.

3. Other receivables

Specification other receivables

In € thousands	2017	2016
Receivables from customers	933	779
Other receivables	459	483
Total	1,392	1,262

The receivables from customers include deposits to be received. The other receivables mainly consist of outstanding settlements regarding investment transactions.

4. Cash and cash equivalents

Of the cash and cash equivalents in 2017, € 5,5 million is not at free disposal of the entity (2016: € 2,3 million). This amount relates to (pre)paid deposits of customers, which has not yet been invested.

5. Equity

Statement of changes in total equity 2017

In € thousands	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2017	225	2,725	-533	-245	2,172
Reclassification net result 2016	-	-	-245	245	-
Net result 2017	-	-	-	-130	-130
Balance as at 31 December 2017	225	2,725	-778	-130	2,042

The share capital amounts to € 1,125,000 and comprises 112,500 ordinary shares with a nominal value of € 10 each. Of all shares, 22,500 shares are issued and fully paid up.

ZL PPI provides at least annually a risk analysis, quantifies risks arising from this risk analysis in order to determine an internal capital requirement, and ensures that it has sufficient capital to meet the internal capital requirement, involving the minimum required regulatory capital of € 500,000.

ZL PPI announces that, similar to 2016, no dividend has been distributed in 2017 to VIVAT NV.

Statement of changes in total equity 2016

In € thousands	Issued share capital	Share premium reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2016	225	2,725	-291	-242	2,417
Reclassification net result 2015	-	-	-242	242	-
Net result 2016	-	-	-	-245	-245
Balance as at 31 December 2016	225	2,725	-533	-245	2,172

6. Liabilities to participants

Breakdown of liabilities to participants

In € thousands	2017	2016
Balance as at 1 January 2017	64,806	23,671
Received deposits	64,385	26,704
Incoming transfer values	32,904	10,477
Outgoing transfer values	-126	-87
Investment result participants	7,391	4,155
Other	-492	-114
Balance as at 31 December 2017	168,868	64,806

7. Other liabilities

Breakdown of other liabilities

In € thousands	2017	2016
Debts to group companies	255	1,217
Liabilities to other parties	4,904	2,753
Prepaid deposits	1,054	659
Accrued liabilities	45	16
Total	6,258	4,645

The other liabilities are due in less than one year. The liabilities to other parties mainly consist of credit balances with customers € 4,6 million (2016: € 1,8 million). These liabilities increased compared to 2016 due to the growing customer portfolio.

8. Post balance sheet events

No post balance sheet events to be disclosed, have occurred in 2018 concerning ZL PPI 2017.

9. Contingent liabilities

No contingent liabilities are recognised for ZL PPI.

10. Management and administrative fees

The management fees of € 471,000 (2016: € 203,000) relate to the investments and are for the account of participants. The administrative fees of € 1,076,000 (2016: € 550,000) are charged to customers.

11. Interest income

Interest income concerns the interest received on bank accounts.

12. Employee benefit expenses

Breakdown of employee benefit expenses

In € thousands	2017	2016
Salaries	310	323
Pension costs	41	40
Social security contributions	21	21
Other staff costs	22	22
Total	394	406

13. Other expenses

Breakdown of other expenses

In € thousands	2017	2016
Administration expenses	937	440
Investment management expenses	320	153
Other expenses	72	93
Total	1,329	686



6. Other information

6.1. Independent auditor's report

Notice pursuant to Section 392 (1a), Book 2 of the Netherlands Civil Code. ZL PPI is classified as a small company according to Section 396, Book 2 of the Netherlands Civil Code. Under the provisions of Section 393 (1), Book 2 of the Netherlands Civil Code, an auditor's report has not been included.

6.2. Provisions regarding appropriation of profit or loss

Loss for 2017: € 130,000.

6.2.1. Provisions in Articles of Association governing the appropriation of profit or loss

Article 31

31.1. The profit shall be to the appropriation of the General Meeting of Shareholders.

31.2. The entity may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law.

31.3. Profits will be only distributed after adoption of the financial statements showing that this is justified.

6.2.2. Result appropriation

The loss for 2017 will be deducted from the other reserves of ZL PPI.

Amstelveen, the Netherlands, 29 May 2018

The Board of Directors

Drs. A.E. van Zanten CEO
Drs. E.P. van Santen COO

