Annual Report Zwitserleven PPI NV 2018

Table of content

Board Report \geq

< 5

\geq	1. Strategy and Developments	ઽઽૼ૱
33	11. About Zwitserleven PPPNV	
353	1.2. Key figures	$\leq \leq 6$
33	1.3, Aim and Corporate Responsibility	<<6
33	1.4. Financial developments and investments	>><§
\mathbf{S}	2. Corporate Governance	>>>> >>13
	2.1. The Board of Directors	>>< >>13
22	2.2.> The Supervisory Committee	313
<u>}</u>	2.3. Report of the Supervisory Committee	2313
33	2.4. Remuneration	5214
		22
	3. Risk and Capital Management	>>16
55	3.1. Risk management system	/16 16
33	3.2. Risk management governance	
\$\$?	3.3. Risk management process and Integrated Control Framework	> - 17 18
33	3.4. Relevant risks	20
53	3.6. Capital management	> 20
<u> </u>	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	
Ż	Financial Statements	22
	4. Financial statements	<>> > 23
553	22222222222222222222222222222222222222	< > 23
33	4.2. Profit and loss account	24
333	4.3. Gash flow statement	25
22		333
35	5. Accounting policies for the financial statements	>-26
\gg	6. Notes to the financial statements	<u>>></u> >-31
\$\$?	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	$\leq \leq \leq$
35	7. Other information	243
	7.1. Provisions in Articles of Association governing the appropriation of profit	>~44 >>>
$\langle \rangle \rangle$	7.2. Independent auditor's report	> 45

3

2



1. Strategy and Developments

1.1. About Zwitserleven PPI NV

Message from the Board of Directors

Zwitserleven Premiepensioeninstelling (hereafter ZL PPI) has grown significantly in 2018. As a result of product improvements, the number of company pension contracts further increased, resulting in a growth both in pension participants and Assets under Management. After having successfully focussed on smaller companies in prior years, an increasing amount of larger organizations decided to become client of ZL PPI, which resulted in a 51% growth in number of participants and a 88% growth in assets under management. We expect growth to continue in 2019.

This annual report of ZL PPI gives, in particular, insight into the products, mission, developments and risk and capital management of ZL PPI during 2018. Due to changes in legislation, ZL PPI has prepared audited financial statements for the first time for the financial year 2018.

ZL PPI is prepared for the implementation of the new legislation IORP II which will be effective in 2019 and is able to fulfil all IORP-related requirements. The IORP II legislation aims, amongst others, to improve the internal market and cross-boarder pension-activities, to enable a consistent way of communication with participants within the EU and to create an independent risk-management.

Concerning the introduction of GDPR legislation which aims to protect all EU citizens from privacy and data breaches, ZL PPI has made agreements with SRLEV (hereafter Zwitserleven, a brand of VIVAT) which manages the outsourced activities of ZL PPI. Clients have been informed about the implementation of GDPR within ZL PPI.

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 2019

The Board of Directors

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

Organisational structure

ZL PPI is a 100% subsidiary of the insurance holding VIVAT NV (hereafter VIVAT) with a registered office in Amstelveen, the Netherlands. ZL PPI is a public limited liability company incorporated under the laws of the Netherlands with a statutory Board of Directors and a Supervisory Committee.

For managing commercial and operational activities, VIVAT established a matrix organisation consisting of risk taking Product Lines (PL) and supporting Functional Lines (FL). Insurance products are sold under the labels Reaal and Zwitserleven, asset management takes place under the brand name ACTIAM.

ZL PPI does not perform business activities on its own. The primary business processes and the investment management processes are outsourced including Finance and Risk to Zwitserleven and VIVAT. The management of the investment funds is performed by VIVAT's asset manager ACTIAM.

ZL PPI has an outsourcing contract both with SRLEV and ACTIAM. Part of the contract is a Service Level Agreement (SLA). The SLA contains the agreed requirements with respect to services, response times, turnaround times, reports, etc.

ZL PPI aims to accrue an optimal pension for its participants. The board is responsible for ZL PPI and acts in the interests of all its stakeholders. No other staff is directly employed by ZL PPI. Dedicated PPI staff is insourced from Zwitserleven.

The responsibilities and duties of the Board of Directors and the Supervisory committee are presented in chapter 2 Corporate Governance.

Product development

In 2018 Zwitserleven 'Nu Pensioen' won the Money View award for the product in the SME (Small and medium-sized enterprise) market with the best product features. For the Board this was prove that the latest product developments greatly enhanced our product range. After having received the award we held several "Ambition sessions" in the Netherlands to inform our advisors on our products and improvements.

By offering easy to understand, transparent and innovative products and services at a competitive price, customers will be able to rely on ZL PPI for oranizing their post-pension income plan. Building on new regulation, on 1 January 2017 a new product feature was introduced. The participant has the possibility to continue investing after the retirement age and to buy a guaranteed long life annuity (provided by the insurer Zwitserleven). In 2018, this product was also made 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 2018, this pilot was extended to 4 external advisors, enabling them to provide pension services to this type of companies more efficiently. In 2019 we will evaluate this tool to improve it and roll it out to more advisors.

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

	2018	2017
Active	26,523	18,922
Inactive	11,533	6,252
Total	38,056	25,174

Number of contracts

	2018	2017
Contracts with employers	1,730	1,325

1.2. Key figures

In € thousands	2018	2017	2016 ¹	2015	2014
Profit and loss account					
Total income	2,343	1,550	765	445	75
Total expenses	2,386	1,723	1,092	768	465
Tax expense	-11	-43	-82	-81	-98
Net result for account of PPI	-32	-130	-245	-242	-292
Premium contributions	98,382	64,770	26,704	17,053	2,500
Balance sheet					
Total assets	330,915	177,113	71,623	28,152	5,768
Investments for account of participants	317,857	169,134	64,345	23,677	2,550
Total equity	2,010	2,042	2,172	2,417	2,659
Liabilities to participants	317,857	169,134	64,806	23,671	2,550
Other liabilities	11,048	5,937	4,645	2,064	559
Capital position					
Required capital	500	500	500	500	500
Required solvency	636 ²	500	500	500	500
Number of contracts with employers	1,730	1,325	775	447	52
Number of participants	38,056	25,174	11,883	6,759	722

Balance sheet amounts for years prior to 2017 are presented according to published annual reports; amounts 2017 and 2018 are adjusted

according to new reporting guideline RJ611. Amounts of prior years are not subject to audit 2018. ² The increase of required solvency is explained in paragraph 3.6 Capital management and in note 4 Equity to the financial statements.

1.3. Aim and Corporate Responsibility

Statutory aim of ZL PPI

The main statutory aim of ZL PPI is:

- > to execute the pension plans for its participants without carrying the insurance related risks;
- > to purchase, administer and manage the investments of participants and the related liabilities;

- > to execute the (voting) rights connected to the investments for account of participants;
- > to handle all activities related to before mentioned aims.

Ambition

ZL PPI wants to be a leading provider of Defined Contribution (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 its clients at competitive prices. To this end, ZL PPI aims 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.

Sustainability

ZL PPI works together with its asset manager 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, more eco-friendly 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 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.

Impact Investing

In 2019 we want to enhance our sustainable investment policy by moving to impact investing. We also want to show our participants what their footprint is and make it more transparent what their investments entail. The SDG criteria will be used for that.



Figure 1 Sustainable development goals

What do others think?

We are proud to be able that the brand Zwitserleven is called 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 achieved the highest score in this survey in 2012, 2013, 2014, 2016, 2017 and 2018.

Market developments

The growth of the PPI market share continued to be strong in 2018. The ZL PPI grew even stronger than the average PPI in the market, increasing its market share to around 10%. The legislation on the introduction of PEPP (Pan-European Personal Pension product) is less progressive than expected. The effect of the APF ('Algemeen Pensioenfonds') competitors in the market of defined contribution (DC) is still limited. During the year, there was little progress on the new pension regulations in the Netherlands. This is unfortunate since it creates uncertainty for the industry at large and participants already for several years.

1.4. Financial developments and investments

Growth

As indicated in the 2017 annual report, ZL PPI has grown significantly in 2018 in number of clients and services. As a result of product improvements, more large companies have also decided to become client of ZL PPI.

In total 1,730 employers are being serviced by ZL PPI involving 38,056 participants. Assets under management increased to € 318 million.

Operating result

The operating result before tax, which is the result including all expenses that are necessary to keep the business running, improved from € 173 thousand negative in 2017 to € 43 thousand negative in 2018. The increase was mainly driven by a significant increase in asset management fee income and other fee income. This increase was partly offset by higher administrative expenses. Both movements are due to more participants administered by ZL PPI.

Liquidity position

The liquidity position of a company reflects its ability to pay its current debt with its current assets. In order to stay solvent, the company must have a current ratio of at least 1.0 which means it can exactly meet its current obligations.

The current assets including cash and cash equivalents of ZL PPI at year-end 2018 are € 13,058 (year-end 2017: € 7,979). The current liablities at year-end 2018 are € 11,048 (year-end 2017: € 5,937), leading to a current ratio of 1.18 at year-end 2018 (2017: 1.34). This means ZL PPI is solvent and more than able to meet its current obligations.

Investments

Participants have various options to invest their pension assets. They can choose between investing in a unique personalized investment profile (*vrij beleggen*), or invest in a standardized investment profile of choice (*profiel beleggen*) or, as most (96%) participants do, invest in the (standardized) default lifecycle (*horizon beleggen*).

Investments for	for account	of participants	2018
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In € millions	Horizon beleggingen	Profiel beleggen	Vrij beleggen
Active	239.9	5.3	2.3
Inactive	50.8	1.0	2.8

The default asset mix is determined by a lifecycle. Each participant in lifecyle 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 derisking 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.

In July 2018 the lifecycles have been updated to enhance the risk/return profile of the pension obligations. The current low interest rate environment is the main driver for the adaptions. The equity exposure has been increased throughout the lifecycle, and the position in government bonds has been reduced. Low risk government bonds are not included in the default lifecycle until 15 years before retirement. Furthermore, corporate bonds are no longer reduced in the final phase of the lifecycle. This improves the diversification in the risk reduction phase. An external consulting firm has analyzed the new lifecycles beforehand to verify the improved results. They report an improved result for all reference persons in neutral and positive scenario's.

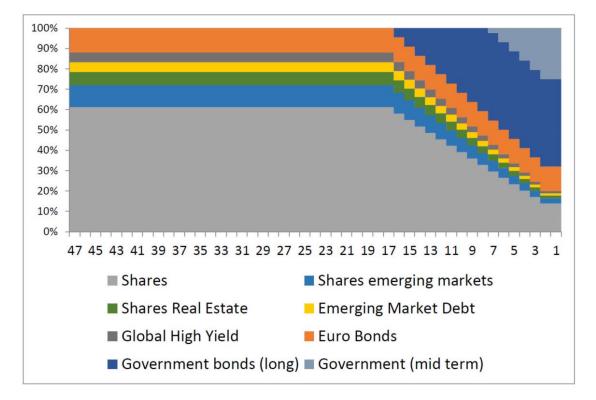


Figure 2 Asset under management

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 2012-2018 period.

	Ag	e 25	Age	e 45	Age	e 55	Age	€ 65
	Life cycle	Index	Life cycle	Index	Life cycle	Index	Life cycle	Index
2018	-5.40%	-5.70%	-5.40%	-5.70%	-3.00%	-3.30%	1.50%	1.40%
2017	8.30%	7.90%	7.90%	7.60%	5.90%	5.00%	0.40%	-0.20%
2016	8.40%	8.00%	8.20%	7.90%	9.00%	9.10%	7.80%	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 - 2018	8.10%	7.80%	7.80%	7.50%	7.40%	7.30%	6.00%	6.20%

Life Cycle historical return

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

Investment performance

	2018		Ave	Average: 3 Year ¹		Average: 5 Year ¹			
	Fund	Index	+/-	Fund	Index	+/-	Fund	Index	+/-
Zwitserleven Wereld Aandelen Fund	-6.22%	-6.77%	0.55%	4.42%	3.97%	0.45%	7.33%	6.86%	0.47%
Zwitserleven Credits Fund	-0.97%	-1.29%	0.32%	2.00%	1.90%	0.10%	2.79%	2.62%	0.17%
Zwitserleven Selectie Fund	-4.85%	-4.16%	-0.69%	3.59%	3.56%	0.03%	5.55%	5.31%	0.24%
Zwitserleven Medium Duration Fund	2.18%	n/a		1.77%	n/a		3.75%	n/a	
Zwitserleven Long Duration Fund	6.38%	n/a		5.25%	n/a		10.35%	n/a	

¹ Up to and including 2018

Costs for asset management are charged to ZL PPI by ACTIAM on a quarterly basis. Those costs are based on rates fixed in the SLA with ACTIAM and depend on the total amount of Assets under management per investment fonds.

Management and performance fees, transaction costs and asset management fees 2018

In € thousands	Management fee	Performance fee	Transaction costs
Shares and similar investments	239	-	65
Fixed-income investments	141	-	38
Investment property	22	-	6
Investments in investments funds	402	-	109
Other investments	-	-	-
Cash of participants to be invested	-	-	-
Other investments	-	-	-
Total management fees, performance fees and transaction costs	402	-	109
Asset management fees	847	-	-
Total	1,249	-	109

Management and performance fees, transaction costs and asset management fees 2017

In € thousands	Management fee	Performance fee	Transaction costs ¹
Shares and similar investments	103	-	-
Fixed-income investments	77	-	-
Investment property	11	-	-
Investments in investments funds	191	-	-
Other investments	-	-	-
Cash of participants to be invested	-	-	-
Other investments	-	-	-
Total management fees, performance fees and transaction costs	191	-	-
Asset management fees	471	-	-
Total	662	-	-

¹ Information on transaction costs for 2017 is not available.

Management and performance fees and transaction costs are charged within the investment funds and deducted from the Assets under Management. Therefore those are not visible in the profit & loss account of ZL PPI.

Asset management fees are charged to the participants by deducting the amounts from the provision of obligation for risk participants. These amounts are presented in the profit & loss account of ZL PPI.

2. Corporate Governance

2.1. The Board of Directors

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

ZL PPI aims to have gender balance in the board of directors. The current directors are in charge since the beginning of ZL PPI. In case of a vacancy, we will always aim to find the best candidate for the position. When more candidates show equal qualities, we will give preference to the person that will help us reach the intended gender balance.

2.2. The Supervisory Committee

The duty of the Supervisory Committee is to oversee the overall management of the company. The commission oversees the Board's performance, the management processes, the execution of ZL PPI's investment policy and its risk management. The Supervisory Committee consists of four members of whom three members are from outside the VIVAT company. VIVAT is represented by a member of its Executive Board. TheSupervisory Committee meets every three months with the Board.

The members of the Supervisory Committee are:

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

No changes have taken place in the composition of the Supervisory Committee in 2018.

2.3. Report of the Supervisory Committee

The ZL PPI Supervisory Committee is satisfied about the results and the operations of the ZL PPI in 2018.

At the beginning of the year, the Supervisory Committee discussed the allocation of focus areas between the committee members because of the changed formation at the end of 2017. In 2018, the Supervisory Committee held four meetings. In these meetings, a number of issues were discussed. The schedule of the year-plan was followed. Interim results were discussed every meeting.

Amongst others, special attention was given to:

> implementation of new legislation (GDPR and IORP II);

> risk management; the adjustments of the risk control matrix and the changes of the risk management;

- > the results of the evaluation of the SLA;
- > the market position of ZL PPI;
- > the extension of the white label variant of the execution-only tool;
- > the independence of ZL PPI.

During one of the meetings the Supervisory Committee focused on modified lifecycles.

Throughout the year, the Supervisory Committee has tested the principle of 'putting the client first' ('klantbelang centraal'). This was specifically done at the time when the new product feature 'negative risk premium', which acts as a longevity bonus, was introduced. The Supervisory Committee was pleased with the outcome of those tests and feels the management board is compliant with this important business principle. Furthermore, a meeting with advisers was attended in the context of 'putting the client first' to find out how the products and product adjustments are experienced by them.

The Supervisory Committee follows the developments around VIVAT. Various scenarios and the corresponding actions to be taken have been discussed.

An update of the strategy of ZL PPI has been discussed. ZL PPI plans to grow further in line with the operational plan that has been discussed during the meetings. Developments on pensions both at a European level as at a national level will be followed closely, as structural changes may be expected.

Amstelveen, The Netherlands, 29 May 2019

The Supervisory Committee

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

2.4. Remuneration

Remuneration Policy

All employees are employed by VIVAT. The Group Remuneration Policy VIVAT applies to all employees working under the responsibility of VIVAT, including the Statutory Board members of ZL PPI. For the Statutory Board members of ZL PPI the VIVAT Collective Labot Agreement (CLA) 2018-2019 and the Group Remuneration Policy is applicable.

The Group Remuneration Policy is based on principles making sure it supports the corporate strategy, is compliant with applicable legal rules and regulations, not threaten VIVAT's ability to maintain an adequate capital base, takes into account the interests of all stakeholders of VIVAT, is transparent, aligned with VIVAT's ambition and risk profile and supports the attraction and retention of qualified employees.

Governance

The Supervisory Board of VIVAT approved the Group Remuneration Policy VIVAT. The supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepared the decision on the Group Remuneration Policy. The Executive Board of VIVAT is responsible for the implementation of the remuneration policies.

The Supervisory Committee of ZL PPI will monitor that the remuneration policy of ZL PPI is in line with laws, regulations and applicable codes.

The Group Remuneration Policy is, amongst other rules, based on and in line the Financial Undertakings Remuneration Policy Act (*Wet Beloningsbeleid Financiële Ondernemingen*) which is incorporated in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht* or "**FMSA**") and the Regulation on Sound Remuneration Policies 2017 (*Regeling Beheerst Beloningsbeleid 2017*, "**RBB 2017**") with respect to staff working under the responsibility of Zwitserleven PPI N.V.

For the Statutory Board of ZL PPI we follow RBB 2017.

Elements of the Group Remuneration Policy

Fixed annual salary

The fixed annual gross salary consists of a fixed annual gross salary, including holiday allowance of 8% and a 13th-month payment of 8.33% and insofar as applicable other fixed allowances. The annual gross salary is based on applicable salary scales. The annual salary increase depends on the achievements on competences, space in the salary scale and is also subject to a financial condition (knockout).

Pension

Nearly all employees participate in the same pension scheme of VIVAT. The contributions are paid by VIVAT and employees respectively as employer and employee contributions. For employees who were employed by VIVAT as per December 31, 2017 and with a salary exceeding the maximum pensionable salary for pension accrual, a compensation of 16.35% on an employee's pensionable salary in excess of € 105.075 is applied.

Other elements

Other elements of the Group remuneration policy include:

- > Severance Payments;
- > Social Plan 2018-2019 with the unions which is applicable in case of reorganization(s);
- > Sign-on bonus & Retention bonus;
- > Other benefits like lease car of lease car allowance;
- > Hold back & Claw back regulations based on applicable legal rules.

As of 2018 VIVAT abolished the performance related bonus in the CLA.

Actual Remuneration members of the Board of Directors of Zwitserleven PPI and the Supervisory Committee

Reference is made to note 9 Related parties for the actual remuneration of the members of the Statutory Board and the Supervisory Committee of ZL PPI.

3. Risk and Capital Management

3.1. Risk management system

Risk management is essential for controlled risk-taking in ZL PPI's activities. This must result in the ability to provide assurance to the customers of ZL PPI on its resilience and continuity. To achieve this objective in the most efficient way, ZL PPI embedded risk management in the day-to-day processes and as part of the decision making process. This must ensure that new risks and the development in existing risks, are properly identified, measured, mitigated and monitored.

ZL PPI applies an Enterprise Risk Management system (ERM) as an integrated approach to manage the risks to which it is or could be exposed. ERM consists of several components which are interrelated. The core of the Risk Management system consists of a strategic part in which, starting from the ZL PPI's Vision and Mission and business strategy, the risk strategy and risk appetite are derived.

The more tactical/operational risk management processes are supported by the Integrated Control Framework (ICF). The components Risk Classification, Risk Policy, and Risk Organization are necessary to enable these strategic risk processes.

To fully understand the risk implications of ZL PPI's plan and that the planning approach is based on sound hypotheses and assumptions at least once a year a Risk Self-Assessment (RSA) is exercised by the Board in cooperation with VIVAT's Operational Risk Management (VIVAT ORM). The RSA gives an overview of the risk landscape ZL PPI is operating in and provides input on the assessment of the overall level of control. If necessary additional measures can be taken to meet risk tolerance limits.

3.2. Risk management governance

Risk management governance

ZL PPI's risk management system is set out in Risk Management and Governance documentation. The Risk Management Policy is incorporated in the integrated risk management policy structure of VIVAT. 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 Management Policy is assessed, adjusted if necessary and approved following regular governance.

Risk management 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 Zwitserleven as its most relevant brand, has established the "Three Lines of Defense" control model (3LoD).

To ensure control over the activities exercised by ZL PPI all processes are typically subject to the three lines of defense. The first line of control is represented by risk control activities performed by front-line employees. The second line has a monitoring role in respect of risk management actions and activities carried out by

the first line and assesses the effectiveness of control frameworks through testing the execution and results of the controls. These activities are provided by risk management. In addition second line activities are exercised by Compliance and Legal. The third line of control is held by Audit VIVAT. The main task of the third line of defense is to provide independent assurance to the Board and the Supervisory Committee.

Risk Committees

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) 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 and holds a permanent seat. The committees are:

- > A Product Market Pricing Management Team (PMP MT) is established for each product line (PL) which reports and gives account to the PC on product related developments. ZL PPI is represented in the PMP MT of Life Corporate (LC), which manages the Zwitserleven 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 product line/ functional line (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.

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

3.3. Risk management process and Integrated Control Framework

Risk management is a continuous process of identifying and assessing risks and establishing controls. Risk management is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing of control effectiveness. The first and second line departments have been assigned a responsibility in this process, which is supported by the Integrated Control Framework (ICF).

The ICF provides the basis for the internal control system on risk management maturity. It contains core components that together form the basis for sound and controlled business operations within VIVAT including ZL 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 PL/FL via a yearly assessment of all management controls where both first line and second line of defence 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.

Zwitserleven 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 Zwitserleven 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, ZL PPI's board formulates an Internal Control Statement for the PPI once a year.

3.4. 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 Zwitserleven 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 Zwitserleven based on the latest market developments. ZL PPI has outsourced the Product Approval and Review Process to the PMP, which advises ZL PPI's management board.

Customer complaints or expressions of dissatisfaction are an important indicator for this risk type. Zwitserleven 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 Zwitserleven and the asset management activities to ACTIAM, ZL PPI must carefully monitor the quality of the processes and the effectiveness of existing controls within the service providers. The effectiveness of both management controls and operational key controls are monitored by ZL PPI and incident analysis reports when applicable are received and discussed. In the ORC MT, ZL PPI may address concerns and propose additional actions to be taken. Furthermore, each year the PPI requests ISAE reports for both ACTIAM and Zwitserleven.

3. Information technology risk

IT risk and business continuity risk are related to the outsourced processes to Zwitserleven. The PPI supervises these risks by monitoring the SLA report. In the ORC MT, 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 Zwitserleven.

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

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 (Wwft) 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 ZL 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

Counterparty default risk

ZL PPI defines counterparty default risk as the risk of potential losses due to an unexpected payment default of the counterparties. The main source of counterparty default risk is the risk of customers not fulfilling their paument obligations. 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.

3.5. Developments

In 2018 there have been no incidents or developments in the risk landscape of ZL PPI which resulted in an adjustment of its risk management framework or risk appetite. When incidents did occur in 2018, the risk management framework proved to be effective in making these incidents discussible and taking the lessons learned into consideration for further improvements in process and control design.

At 13 January 2019, the IORP II guideline was implemented in Dutch law and came into effect. In order to be prepared for this change in legislation, ZL PPI incorporated adjustments in its Risk Policy and governance. One of the specific changes is that the key functions for risk management and internal audit will be organized alongside the existing risk management structures. The adjusted Risk Policy was discussed by the Supervisory Committee.

To improve the RSA methodology in 2018 the involvement of more risk and business disciplines was organized. Especially the role of ORM for the assessment of the risks ZL PPI faces and for the determination of the level of required capital was intensified. ORM also participates in the MT-meetings to track any developments which could affect the result of the RSA.

Given the importance of the potential risks in the outsourcing of activities, the outsourcing has become a standard agenda item of MT meetings. Any developments related to the outsourcing partners are discussed. Also the performance of the activities executed by the outsourcing partners is monitored through the delivered reports. This improves the management of the risks related to outsourcing.

3.6. Capital management

Legal requirements

The minimum capital a PPI entity is required to have is determined in chapter 9 of the Decree on Prudential Rules for Financial Undertakings (Besluit prudentiële regels Wft, Bpr).

PPI entities have to meet the following capital requirements:

- > Minimum capital requirement (article 48 Bpr): € 500 thousand;
- > Minimum solvency requirement (article 63a Bpr): at least 0.2% of the amount of assets under management to the extent that this exceeds € 250 million with a maximum of € 20 million. To qualify for the 0,2% the PPI must have an adequate professional liability insurance. If the PPI chooses not to take on such insurance coverage, the solvency requirement is at least 0.3%.

The calculation of the capital and solvency position of ZL PPI is further explained and reported in the Financial statements under Note 4 Equity.



Financial Statements

4. Financial statements

4.1. Balance sheet

Before result appropriation and in \in thousands	Notes ¹	31 December 2018	31 December 2017
Assets			
Fixed Assets			
Investments for account of participants	1	317,857	169,134
Current Assets			
Receivables and accrued assets	2	10,964	6,017
Cash and cash equivalents	3	2,094	1,962
Total assets		330,915	177,113
P Equity and liabilities			
Equity			
Share capital		225	225
Share premium reserve		2,725	2,725
Other reserves		-908	-778
Retained earnings		-32	-130
Total equity	4	2,010	2,042
Liabilities			
Liabilities to participants	5	317,857	169,134
Other payables and accruals	6	11,048	5,937
Total liabilities		328,905	175,071
Total equity and liabilities		330,915	177,113

¹ The references next to the financial statement items relate to the notes to the financial statements in chapter 6.

4.2. Profit and loss account

In € thousands	Notes ¹	2018	2017
Results for account of PPI			
Income			
Asset management fee income		847	47
Other fee income		1,469	1,076
Other income		27	3
Total income	10	2,343	1,550
Expenses			
Administrative expenses		2,324	1,65
Other expenses		62	72
Total expenses	11	2,386	1,723
Result before tax		-43	-173
Taxation		-11	-43
Result after tax		-32	-130

12	-847	-471
	-1,824	-492
	-2,260	-126
12	-16,367	7,476
	56,592	32,905
	98,382	64,770
	12	56,592 56,592 12 -16,367 -2,260 -1,824

¹ The references next to the financial statement items relate to the notes to the financial statements in chapter 6.

24

4.3. Cash flow statement

in € thousands	2018	2017
Cash flow from operating activities		
Operating loss before tax	-32	-130
Change in operating assets and liabilities:		
Change in advances and liabilities	164	-45
Change in other operating activities	-	
Net cash flow from operating activities	132	-58
 Cash flow from investment activities Net cash flow from investment activities 	-	
Cash flow from finance activities		
Net cash flow from financing activities	-	
Net increase in cash and cash equivalents	132	-58
Cash and cash equivalents 1 January	1,962	2,543
Cash and cash equivalents as at 31 December	2,094	1,962

The cash flow statement only comprises cash flows for account of ZL PPI, not of the participants of the ZL PPI. All cash flows of ZL PPI are reported as operating cash flows since ZL PPI has no investments for own account.

5. Accounting policies for the financial statements

5.1. General information

Zwitserleven 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. ZL PPI has its registered office located in Utrecht, the Netherlands and has its principal place of business located at Burgemeester Rijnderslaan 7, 1185 MD Amstelveen, 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 (Utrecht, the Netherlands), which is a wholly owned subsidiary of Anbang Group Holdings Co. Limited (Anbang) with a registered office at Hong Kong, People's Republic of China, whose ultimate parent is China Insurance Security Fund Co., Ltd with its headquarters in Beijing, People's Republic of China.

Related parties

ZL PPI's related parties are Anbang, its parent VIVAT NV, affiliates and ZL PPI's key management personnel and their close family members.

Tax group

VIVAT NV and its subsidiaries, including ZL PPI, form a tax group for corporate income tax and/or value added tax (VAT) and are jointly and severally liable for the fiscal unity's corporate income tax and VAT related liabilities in respect of the reporting year.

5.2. 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.

Since 2018 the new Law Supplementary Governance Accountant Organizations (*Wet aanvullende maatregelen accountantsorganisaties*) applies, according to which the Financial Supervision Act (*Wet op het financieel toezicht*) has been adjusted. According to the new section 3:70a of Financial Supervision Act ZL PPI may no longer apply the exemptions for small and medium-sized companies. As a result the financial statement of ZL PPI becomes a subject to a statutory audit.

Change in presentation

In February 2018 the Dutch Accounting Standards Board has issued RJ611. This standard aims to standardise the financial statements issued by PPI entities. The measurement methods required by RJ611 match the

accounting principles applied by ZL PPI, therefore the application of RJ611 does not have impact on ZL PPI result after taxation and equity. RJ611 requires PPI entities to apply the RJ611's prescribed format of the balance sheet and the profit and loss account. Correspondingly ZL PPI adjusted the presentation of its balance sheet and profit and loss account in line with RJ611 requirements. As a result the aggregation of the items of the 2017 comparative figures is different compared to the last years' set of the financial statements published by ZL PPI.

5.3. General accounting policies

The accounting policies set out below have been applied consistently to all 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 (\in). 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.

5.4. Accounting policies applied to the valuation of assets and liabilities

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

Assets are recognised in the balance sheet 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 balance sheet 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 participants are recognised as an equal amount simultaneously in the balance sheet.

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

The investments for account of participants are entirely made in investment funds and are disaggregated based on the underlying investment type:

- > Investment property
- > Shares and similar investments
- > Fixed-income investments

The fair value of these investments is determined based on quoted prices in an active market or other available market data.

Other investments for account of participants mainly comprise cash and deposits falling due in less than 12 months. For these investments their fair value is deemed to equal their nominal value.

Receivables and accrued assets

All the items classified as receivables and other accured assets have the maturity of less than 12 months. These investments are measured at nominal value.

Receipts and receivables from participants

The item corresponds to the amounts receivable from employers of participants in ZL PPI.

Corporate income tax

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

Receivables from group companies

The item corresponds to the current account with SRLEV NV.

Cash and cash equivalents

This item concerns receivables from banks and deposits falling due in less than 12 months other than those for account of participants. 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 in 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 net income over the current reporting period net of income tax.

Liabilities to participants

This item concerns the liabilities corresponding to the investments for account of participants. The amount recognised mirrors the fair value of the investments for account of participants (refer to the section "Investments for account of participants"). In accordance with the Institutions for Occupational Retirement Provision (IORP) regulations and the contracts with the participants' employers dependants' benefits are charged against the liabilities.

Other payables and accruals

All the items classified as other payables and accruals fall due in less than 12 months. These payables are measured at nominal value. These payables comprise mainly the credit balances with the participants.

5.5. Principles for the determination of the result

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

Results for account of PPI

Income

Income primarily consists of (asset) management and administration fees, which are recognised in the reporting period in which the services are provided.

Expenses

Expenses consist primarily of the execution expenses (corresponding to collection and administrative activities) as well as ZL PPI's staff costs. These expenses are recognised as incurred.

Tax

Tax on profit is calculated using the applicable tax rate, taking into account the effects of tax facilities.

Results for account of participants

Premium contributions

The amount corresponds to the premiums from the participants receivable in the reporting period.

Incoming transfer values

The item corresponds to the amounts received in the course of pension scheme transfers from other entities.

Investment result participants

This item comprises realised and unrealised changes in the fair value of the investments for account of participants.

Outgoing transfer values

The item corresponds to the amounts paid to the other entities in the course of pension scheme transfers.

Expiration capital

The item corresponds to the amounts becoming available to the participants as a result of policies in the pension schemes, that have reached their maturity date. The participants may subsequently decide about the way, in which the benefits would be paid out.

Deducted costs

This item corresponds to the management fees directly deducted from the deposits of participants.

5.6. Accounting policies for the cash flow statement

The cash flow statement only comprises cash flows for account of ZL PPI, not for the account of the participants of the ZL PPI. All the cash flows are reported as operating cash flows since ZL PPI has no investing or financing activities.

5.7. Contingent liabilities and commitments

Contingent liabilities are liabilities not recognised in the balance sheet because the occurrence or nonoccurrence is contingent of one or more uncertain events in the future not wholly within the control of ZL PPI.

30

6. Notes to the financial statements

1. Investments for account of participants

Breakdown of investments for account of participants

In € thousands	2018	2017
Shares and similar investments	188,130	90,815
Fixed-income investments	96,481	68,421
Investment property	17,317	9,315
Investments in investments funds	301,928	168,551
Other investments	224	-
Cash and other receivables of participants	15,705	583
Other investments	15,929	583
Total	317,857	169,134

The increase in the amount of investments for account of participants is due to the expansion of ZL PPI in 2018. This is the result of the increase in contracts signed with employers (2018: 1,730 vs 2017: 1,325). As a result, the number of involving participants increased to 38,056 (year-end 2017: 25,174 participants).

The premiums received from participants invested in investment funds increased by \notin 133 million to \notin 302 million. 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.

In addition to the premiums invested in funds, cash amounts to be invested into investment funds and other investments for account of participants are classified as investments.

The investments for account of participants have not been lent to third parties.

	0	1 I		1 1		
In € thousands	Shares and similar investments	Fixed- income investments	Investment property	Other	Cash and other receivables of participants	Total
Balance as at 1 January	90,815	68,421	9,315	-	583	169,134
Purchases and advances	114,114	61,466	9,196	-	-	184,776
Revaluations	-18,224	-413	-877	-	-	-19,514
Disposals	-1,030	-33,979	-23	-	-	-35,032
Reinvested direct investment income	2,455	672	20	-	-	3,147
Other	0	314	-314	224	15,122	15,346
Balance as at 31 December	188,130	96,481	17,317	224	15,705	317,857

Statement of change investments for account of participants 2018

Statement of change investments for account of participants 2017

In € thousands	Shares and similar investments	Fixed- income investments	Investment property	Other investments	Cash and other receivables of participants	Total
Balance as at 1 January	35,302	25,371	3,672	483	2,251	67,079
Purchases and advances	50,827	42,428	5,018	-	-	98,273
Revaluations	5,551	511	440	-	-	6,502
Disposals	-1,560	-60	-12	-	-	-1,632
Reinvested direct investment income	669	295	11	-	-	975
Other	27	-124	186	-483	-1,668	-2,062
Balance as at 31	90,815	68,421	9,315	-	583	169,134

December

Hierarchy in Determining the Fair Value of Investment Funds

The investments for account of participants are mainly made in investment funds. Investments funds are recognised at fair value. The fair value of investments funds is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

Level 1 - Fair Value Based on Quoted Prices in an Active Market

Quoted prices from exchanges, brokers or pricing institutions are observable for properties and all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on account of policyholders whose underlying investments are listed.

Level 2 - Fair Value Based on Observable Inputs

This category includes property and financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also include investments whose prices have been supplied by brokers but for which there are inactive markets. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

Level 3 – Fair Value not Based on Observable Market Data

The property and financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

The table below shows the investment funds in level 1, level 2 and level 3.

Fair value hierarchy 2018

			Fair val	ue	
In € thousands	Carrying amount	Level 1	Level 2	Level 3	Total
Shares and similar investments	188,130	188,130	-	-	188,130
Fixed-income investments	96,481	96,481	-	-	96,481
Investment property	17,317	17,317	-	-	17,317
Other investments and cash and other receivables of participants	15,929	-	_	-	15,929

Fair value hierarchy 2017

			Fair val	ue	
In € thousands	Carrying amount	Level 1	Level 2	Level 3	Total
Shares and similar investments	90,815	90,815	-	-	90,815
Fixed-income investments	68,421	68,421	-	-	68,421
Investment property	9,315	9,315	-	-	9,315
Other investments and cash and other receivables of participants	583	_	-	_	583

2. Receivables and accrued assets

Specification other receivables

In € thousands	2018	2017
Receipts from participants	7,624	4,908
Receivables from participants	3,283	932
Corporate income tax	54	125
Receivables from group companies	3	52
Total	10,964	6,017

Receipts from participants

Receipts from participants include prepaid premium contribution for the year 2019, risk premium and costs to be settled and expiration capital to be paid.

Receivables from participants

Receivables from participants relates to premium contribution not yet received.

Corporate income tax

The tax receivable at year-end 2018 included the corporate income tax of 2018 (€ 11 thousands) and 2017 (€ 43 thousand). The tax amount of 2016 (€ 82 thousands) has been settled in 2018.

Receivables from group companies

The receivables from related parties (due in less than one year) is a current account with SRLEV NV.

Other receivables

Other receivables include dividend tax to be received and settlement account balances.

3. Cash and cash equivalents

In € thousands	2018	2017
Short-term bank balances	2,094	1,962
Total	2,094	1,962

The cash and cash equivalents concern balances on bank accounts for account of ZL PPI at SNS Bank and Kasbank which are at free disposal of the entity. In 2018 cash amounts for account and risk of participants not yet invested are reported as investments or other receivables and accrued assets.

4. Equity

Statement of changes in total equity 2018

In € thousands	lssued share capital	Share premium reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2018	225	2,725	-778	-130	2,042
Transfer of net result 2017	-	-	-130	130	-
Net result 2018	-	-	-	-32	-32
Balance as at 31 December 2018	225	2,725	-908	-32	2,010

Statement of changes in total equity 2017

In € thousands	lssued share capital	Share premium reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2017	225	2,725	-533	-245	2,172
Transfer of 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.

Calculation of the capital and solvency

The calculation of the capital for a PPI entity is based on article 91 Brp. The minimum capital for an NV (thus for ZL PPI) according to article 50 Brp consists of:

- > the issued and fully paid-up share capital;
- > reserves, excluding revaluation reserves;
- > (interim) results as long as they are positive and audited, minus dividends to be paid.

The surplus or short-position of the capital or solvency is based on the total capital minus the capital respectively solvency requirement.

Capital and solvency position of ZL PPI

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.

With a total capital of \notin 2,010 thousand the minimum capital requirement of \notin 500 thousand is met with a surplus of \notin 1,510 thousand.

The Assets under Management of ZL PPI at year-end 2018 are \notin 318 million. In 2018 the Asset under management exceeded the amount of \notin 250 million for the first time, leading to an additional solvency requirement of \notin 136 thousand (above the minimum solvency requirement of \notin 500 thousand). This results in a total amount of required solvency of \notin 636 thousand. With a total capital of \notin 2,010 thousand the solvency surplus is \notin 1,374 thousand at year-end 2018.

Legal capital and solvency requirements

In € thousands	2018	2017
> Legal capital requirement		
Issued share capital	225	225
Share premium reserve	2,725	2,725
Other reserves	-908	-778
Retained earnings	-32	-130
Total capital	2,010	2,042
Minimum capital requirement	500	500
Capital: surplus	1,510	1,542

> Solvency requirement		
Issued share capital	225	225
Share premium reserve	2,725	2,725
Other reserves	-908	-778
Retained earnings	-32	-130
Total capital	2,010	2,042
Minimum solvency requirement	500	500
Minimum solvency requirement for AuM exceeding ${f \in}$ 250 million	136	-
Solvency: surplus	1,374	1,542

Capital requirements based on risk analysis

In addition to above mentioned requirements, PPI entities are obliged to perform a risk analysis on a regular basis to determine the residual risk after implementation of the risk management measures. The residual risk has to be quantified in order to be able to calculate an additional capital requirement for the PPI entity if necessary.

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 thousand. The internal capital requirement has been set at 150%.

Capital requirement according to risk analysis

In € thousands	2018	2017
Operational risk	443	247
Credit/counterparty risk	17	15
Market risk	-	73
Compliance/integrity risk	57	60
Exit scenario risk	17	40
Net Solvency Capital Requirement	535	435

In 2018 the risk analysis has been updated resulting in changes of capital requirements per (non) financial risk. The most important change compared to 2017 concerns the increased capital requirement for the operational risks on the basis of the autonomous increase in the outsourcing risk.

Market risk in 2017 included the amount for reputational risk of the brand Zwitserleven. In 2018 this reputational risk is expected to be nihil.

5. Liabilities to participants

Breakdown of liabilities to participants

In € thousands	2018	2017
Provision of obligations for risk participants	302,544	168,868
Total provision of obligations for risk participants	302,544	168,868
Other debts for account of participants	15,314	266
Total	317,857	169,134

In € thousands	2018	2017
Balance as at 1 January	168,868	64,806
Premium contributions	98,382	64,770
Incoming transfer values	56,592	32,905
Investment result participants	-16,367	7,476
Outgoing transfer values	-2,260	-126
Expiration capital	-1,824	-492
Deducted costs (management fee)	-847	-471
Balance as at 31 December	302,544	168,868

Statement of change in provision of obligations for risk participants

The statement of change above contains the total change in provision of obligations for risk participants.

The recorded investment result for risk participants is the sum of the value developments of the investments and transaction and service costs that are withdrawn from the investment for account of the participants. Costs for risk participants are deducted from the obligations for risk participants.

The Net Pension product of ZL PPI, 'Zwitserleven Netto Pensioen' is a pension product for employers with employees with a wage higher than € 105,075 (2018). This pension product is only offered in combination with a collective pension plan of ZL PPI. It is a defined contribution (hereafter DC) plan based on investments (pure premium agreement) and optionally a survivor's pension and premium waiver in case of disability for work. An employee may voluntarily deposit money for a net pension. The Net Pension product is administered separated from other products with a specific product code. Data concerning participants with a Net Pension agreement is available in the systems. At year-end 2018, 172 participants (of which 125 active) are using in the Net pension plan (year-end 2017: 145 participants of which 120 active).

6. Other payables and accruals

Breakdown of other payables and accruals

In € thousands	2018	2017
Prepaid premium contributions	5,835	4,509
Risk premium and cost to be paid	1,332	149
Expiration capital te be paid	457	228
Outgoing transfer values to be paid	-	22
Liabilities to participants	3,283	932
Liabilities to other parties	5	1
Debts to group companies	58	51
Accrued liabilities	78	45
Total	11,048	5,937

Prepaid premium contributions

Prepaid premium contribution are premium contributions regarding the year 2019.

Risk premium and cost to be paid

Risk premium and cost to be paid have been deducted from premium contribution and are to be settled with SRLEV NV during the year 2019.

Expiration capital to be paid

Expiration capital to be paid relates to benefits and outgoing amounts. Investments have been sold and the expiration capital should be paid out to participants or other parties.

Liabilities to participants

Liabilities to participants relates to premium contribution not yet received and recorded as receivables from participants.

Debts to group companies

The payables to related parties (due in less than one year) is a current account with VIVAT NV.

Accrued liabilities

Accrued liabilities include payables for employee benefits and other accrued costs.

Payables and accruals are due in less than one year.

7. Events after balance sheet date

There are no events after balance sheet date which should be disclosed in the financial statements.

8. Contingent liabilities

No contingent liabilities are recognised for ZL PPI.

9. Related parties

Identity of Related Parties

Parties are considered to be related if one party can exercise control or significantly affect the other party's financial or operating policies. ZL PPI's related parties are its ultimate parent Anbang, its parent VIVAT, affiliates and ZL PPI's key management personnel and their close family members. Unless stated otherwise, transactions with related parties are conducted at arm's length.

Intra-group Balances and Transactions between ZL PPI, VIVAT, Anbang and Affiliates

	VIVAT	VIVAT		Affiliates		I
In € thousands	2018	2017	2018	2017	2018	2017
> Positions						
Receivables and accrued assets (Receivables from						
group companies)			3	52	3	52
Other payables and accruals (Liabilities to						
group companies)	-58	-51			-58	-51
Total	-58	-51	3	52	-55	1
Obtain loans (Other payables and accruals) Redemption loans (Other payables and accruals)			2,000	4,000	2,000	4,000
>Administrative expenses			2,000	4,000	-2,000	-4,000
Administration costs (SRLEV)			1,707	1,172	1,707	1,172
Administration costs (SRLEV rebate)			-234	-95	-234	-95
Administration costs (ACTIAM)			421	172	421	172

ZL PPI has no intra-group positions and transactions with Anbang.

Intra-group Balances and Transactions with Key Management Personnel of ZL PPI

The key management personnel consists exclusively of the members of the Board of Directors and the Supervisory Committee of ZL PPI.

The Board of Directors of ZL PPI comprised two members as at 31 December 2018 (31 December 2017: 2). The Supervisory Committee of ZL PPI comprised four members as at 31 December 2018 (31 December 2017: 4).

Actual Remuneration Members of the Board of Directors

The following table provides a breakdown of the total remuneration of the Board of Directors and the Supervisory Committee of ZL PPI for the year 2018 and 2017.

In € thousands	2018	2017
Short-term employee benefits	333	340
Post-employment benefits	41	41
Total	374	380

Breakdown of Remuneration Members of the Board of Directors

The short-term employee benefits include salaries, travel expenses and expenses of education. The postemployment benefits concern pension costs.

No variable remuneration is paid in 2018 to the members of the Board of Directors of ZL PPI.

In 2018, no employee of ZL PPI received a total remuneration exceeding € 1 million.

Actual Remuneration Members of the Supervisory Committee

The following table provides an overview of the total remuneration of the Supervisory Committee members in 2017 and 2018 (excluding 21% VAT).

Breakdown of Remuneration Members of Supervisory Committee

In € thousands	2018	2017
Total fixed remuneration of Supervisory Committee members	40	41
Total	40	41

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2018 (and 2017) and/or granted to members of the Board of Directors or the members of the Supervisory Committee during 2018.

10. Income

Breakdown of income

In € thousands	2018	2017
Asset management fee income		
Management fee	847	471
Other fee income		
Administration fee	1,469	1,076
Other income		
Other operating income	27	3
Total	2,343	1,550

Management fee and administration fee

Management fees of \notin 847 thousands (2017: \notin 471 thousands) relate to fees received in respect to the (outsourced) asset management activities performed by ZL PPI. These fees are received from the participants.

Additionally administration fees of €1,469 thousands (2017: €1,076 thousands) are received from customers as a compensation of the actual expenses made by ZL PPI.

Other income

Other income concerns interest received on bank accounts with an amount of \notin 1 thousand (2017: \notin 3 thousand). In 2018 an amount of \notin 26 thousands was recognized as income for the ZL PPI. This income occured due to the death of some participants. After deduction of the partner and/or orphan pension the residual amount is for account of ZL PPI.

11. Expenses

Breakdown of expenses

In € thousands	2018	2017
Administrative expenses		
Administration costs	1,928	1,257
Staff costs		
- Salaries	299	310
- Pension costs	41	41
- Social security contributions	21	21
- Other staff costs	35	22
Other expenses		
Other operating expenses	62	72
Total	2,386	1,723

Administration expenses are cost invoiced by SRLEV to ZL PPI for handling the administration of ZL PPI. Those costs are based on the SLA between SRLEV and ZL PPI. Administration expenses also includes investment management expenses which are costs invoiced to ZL PPI by ACTIAM and SRLEV for investment and asset management activities.

12. Investment results for account of participants and settled costs for risk participants

Specification investment result participants

In € thousands	2018	2017
Direct investment income	3.147	975
Revaluation results with regard to investments in:		
- Shares and similar investments	-18,224	5,551
- Fixed-income investments	-413	511
- Investment property	-877	440
- Other investments	-	-
Total	-16,367	7,477

Settled costs for risk participants

In € thousands	2018	2017
This concerns costs that are withdrawn from the participants' investment account	-847	-471
	-847	-471

Costs for asset management, performance fees and transactions costs are not reported separately in the table above. Those costs are administered in the investment fonds and deducted directly from the returns for participants. Therefore no split between investment results and charged costs can be made. Information about asset management, performance and transaction costs is given in chapter 1.4 Financial developments and investments.

Fees charged for asset management are reported as income (note 10).

13. Result appropriation

The Board of Directors proposes to the General Meeting of Shareholders to distribute, similar to 2017, no dividend for 2018 to VIVAT NV and to add the negative result for 2018 of € 32 thousand to other reserves of ZL PPI.

In accordance with the resolution of the General Meeting of Shareholders held on 10 July 2018, the negative result for 2017 of €130 thousand has been added to the other reserves of ZL PPI.

Amstelveen, the Netherlands, 29 May 2019

The Board of Directors

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

42



7.1. 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.

44

Independent auditor's report

To: the shareholder, supervisory committee and board of directors of Zwitserleven PPI N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Zwitserleven PPI N.V., based in Amstelveen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Zwitserleven PPI N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2018
- The profit and loss account for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of Zwitserleven PPI N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Unaudited corresponding figures

We have not audited the financial statements 2017. Consequently, we have not audited the corresponding figures included in the profit and loss account, in the cash flow statement and in the related notes.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The board report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of the board of directors and the supervisory committee for the financial statements The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory committee is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or
error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is
sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement
resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,
intentional omissions, misrepresentations, or the override of internal control

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the supervisory committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

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

The Hague, 29 May 2019

Ernst & Young Accountants LLP

Signed by J. Slager