VIVAT

Press release

Amstelveen, March 7, 2018

VIVAT Annual Results 2017

Results Reflect Transformation of VIVAT

Lower Costs and Strong Improved Combined Ratio P&C Drives Higher Net Underlying Result

> Net underlying result up 4% at EUR 168 million; all product lines are profitable
> Combined ratio at 99.0%, successfully managed below 100% (2016: 104.9%)
> Gross written premiums up 17% to EUR 2,923 million, mainly contributed by a single premium pension fund buy-out
> Total operating costs down 8% to EUR 386 million. Staff costs 24% lower than comparable cost base before start of transformation; part of cost savings used for growth initiatives
> IFRS net result of -/- EUR 98 million due to parameter updates

> Solvency II ratio (standard model) of VIVAT NV decreased to 162% (175% at year-end 2016) as a result of a sharp decrease of the Volatility Adjustment (VA) which was only partly offset by an increase in the market value of the credit spread sensitive part of the investment portfolio
> Solvency II ratio (standard model) of SRLEV NV increased to 157% (149% YE16) mainly following a EUR 250 million restricted Tier 1 loan provided by VIVAT, partly offset by a decrease of the VA
> Successful issuances of EUR 650 million senior notes and USD 575 million subordinated notes
> Liquidity position holding at EUR 653 million (EUR 267 million YE16)

> Further improvements in customer and intermediary satisfaction
> Investment policy of Zwitserleven voted as most responsible for the 5th consecutive year

Ron van Oijen, Chairman of VIVAT's Executive Board:

"2017 was an important year for VIVAT. It was the first full year after an extensive transformation in which staff costs were reduced by 24% and VIVAT's focus could shift to growth. This successful transformation is reflected in our financial performance and in the positive developments in our product lines. We closed 2017 with a net underlying result of EUR 168 million. VIVAT's Solvency II ratio of 162%, impacted by a decrease of the Volatility Adjustment, remained above its internal target.

In May 2017, VIVAT successfully issued EUR 650 million senior notes. This was the first time that the holding company had accessed the capital markets. In November, VIVAT issued USD 575 million subordinated notes. With the proceeds of the USD notes, VIVAT has repaid all the subordinated loans provided by Anbang to VIVAT and its subsidiaries. This will reduce interest expenses significantly going forward.

Over the past year a lot of progress was made to create a leading, customer-focused and innovation-driven insurance company. Processes were optimised, resulting in cost reductions and improvements to service levels. Following the transformation the customer satisfaction levels of our main brands remained stable and intermediaries consistently rank us high in surveys thanks to the contribution of our employees. In December VIVAT received two European awards for its collaborations with start-ups.

Our ambition to grow the business in 2017 was supported by a buy-out of a pension fund of EUR 375 million single premium which increased gross written premium of Life Corporate. Gross written premium within P&C increased slightly, although the composition has changed to improve profitability. Individual Life gross written premium remained stable in an overall shrinking market.

We saw positive developments in each of our product lines in 2017. Life Corporate increased its retention and reduced the number of administration systems from five to two. Individual Life reaped the benefits of the new organisational structure by reducing its costs further, made good progress on redesigning and automating its customer processes and won a prize for best immediate annuities (DIL) offered by an insurer. Our product line P&C managed its Combined Ratio below 100% for the first time in several years. Also, P&C strengthened its relationship with intermediaries and authorised agents and further rationalised its IT landscape. Our asset manager ACTIAM remained a frontrunner in responsible investment and we are very proud that, for the fifth consecutive year, the VBDO (Association of Investors for Sustainable Development) elected Zwitserleven as No. 1 out of thirty Dutch insurance companies with the most sustainable investment policy.

In the fourth quarter of 2017 we sharpened our strategy for the coming years. We defined the following key themes for the business: Customer Centricity, Digitalisation, Data and Innovation. This focus will allow us to serve the needs of our customers optimally and further reduce our cost base, partly through the rationalisation of our IT landscape. In addition, we will continue our efforts in optimising our investment portfolio, combined with sound balance sheet management. Given the trend in market consolidation and consideration of economic scale, VIVAT continues to be interested in value accretive add-on acquisition if opportunities arise.

I would like to take this opportunity to give sincere thanks to our customers, business partners, investors, employees, shareholder and all other stakeholders."

VIVAT Key Figures

In € millions / percentage	2017	2016
Net underlying result VIVAT [1, 2]	168	161
Net result IFRS	-98	168
Combined ratio Property & Casualty	99.0%	104.9%
Solvency II ratio VIVAT	162%	175%
Equity	3,540	3,699

[1] Net Underlying Result consists of Net Result IFRS excluding changes in fair value of assets and liabilities (incl. LAT-shortfall) and non-recurring expenses (e.g. restructuring costs and impairments).
[2] In 2017 new accounting policy was adopted rendering disability insurance liabilities being measured using current market interest rates. The comparative 2016 figures have been adjusted, resulting in a decrease of equity of EUR 8 million, a gain in net result IFRS of EUR 9 million.

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Financial Result

The net underlying result improved from EUR 161 million in 2016 to EUR 168 million in 2017. The increase was mainly driven by a significant decrease in operational expenses due to the reorganisation that was finalised in 2016. This was partly offset by higher investments in strategic projects and marketing, lower technical results at Individual Life and increased interest expenses.

VIVAT's net result IFRS in 2017 of -/- EUR 98 million was negatively impacted by accounting differences between the market and book value of assets and liabilities, resulting in an addition to the technical provisions from the LAT shortfall of EUR 304 million.

In € millions	2017	2016
Result		
Premium income	2,923	2,508
Direct investment income	1,212	1,219
Operating expenses (excl. Restructuring costs)	386	420
Restructuring costs	–	119
Net underlying result VIVAT	168	161
Net result IFRS	-98	168

Premium income increased 17% from EUR 2,508 million to EUR 2,923 million. This increase was mainly attributable to a single premium pension contract of EUR 375 million. Excluding this one-off, the premium increased by EUR 40 million, predominantly in Life Corporate. Premium income of P&C increased slightly and premium income of Individual Life was stable in challenging market conditions.

Direct investment return remained stable compared to 2016, given the challenging capital market and the optimisation of the investment portfolio that just has started.

Operating expenses have decreased following the restructuring in 2016, lowering staff costs by EUR 26 million. The total operating expenses have fallen by more than EUR 100 million from 2015 to 2017 on a comparable basis, despite the normal average wage increase during this period. Following the significant FTE reduction in 2016, the number of FTEs has decreased by 632 FTEs in 2017 to 2,466 FTEs at year end 2017 (YE15: 3,674 FTEs) contributing to lower staff costs.

The reconciliation of the net underlying result to net result IFRS is presented in the following table:

In € millions	2017	2016
Net underlying result VIVAT	168	161
1) Change LAT shortfall Life in P&L	-304	59
2) Other (un)realised changes in fair value of assets and liabilities	23	63
3) Non-operating expenses and profits	15	-115
Net result IFRS VIVAT	-98	168

The addition of EUR 304 million to the LAT shortfall in 2017 compared to a LAT release of EUR 59 million in 2016. In 2017 the LAT shortfall was a result of accounting differences between the market and book value of assets and liabilities.

Other realised and unrealised changes in the fair value of assets and liabilities that effect IFRS result were lower in 2017 compared to 2016, mainly due to lower realised gains on equity investments and real estate.

Non-operating expenses & profits consist of non-recurring items (> EUR 10 million) of a non-operational nature. In 2017, the net amount consisted mainly of a provision release for a legal claim of EUR 15 million. In 2016, the net amount consisted mainly of the restructuring provision and a goodwill impairment.

Financial result per segment

Life Corporate

In € millions	2017	2016
Result		
Gross written premium income	1,366	954
Operating expenses	112	118
Restructuring costs	–	47
Total costs	112	165
Net result IFRS	-233	79
Net underlying result	59	35

Gross written premium income increased by 43% compared to 2016, predominantly as a result of a pension fund buy-out of EUR 375 million single premium. Excluding the buy-out, premiums of direct pension products increased by EUR 37 million.
The net underlying result increased by EUR 24 million to EUR 59 million as a result of a higher investment income, a higher technical result and a release of a litigation provision. The increase in investment income was driven by higher dividend and interest income. The result on costs decreased slightly compared to 2016.

The net result IFRS decreased to -/- EUR 233 million, mainly driven by negative changes in the position of LAT shortfall, partly mitigated by lower cost, the absence of restructuring costs and a provision release for a legal claim. As a result of accounting differences between the market and book value of assets and liabilities, EUR 304 million net was added to the provisions due to a LAT shortfall in 2017, while EUR 59 million net was released in 2016. The full LAT shortfall is allocated to Life Corporate.

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Individual Life

In € millions	2017	2016
Result		
Gross written premium income	886	888
Operating expenses	95	123
Restructuring costs	–	38
Total costs	95	161
Net result IFRS	154	159
Net underlying result	130	156

Gross written premium income remained stable, notwithstanding the shrinking individual life market. The decrease in regular premium income is compensated by income from single premium products.

The net underlying result decreased by EUR 26 million to EUR 130 million, mainly due to a lower result on interest and a lower technical result from mortality and surrenders, as well as lower cost coverage following the decline of the insurance portfolio.

The net result IFRS decreased by EUR 5 million to EUR 154 million compared to 2016. The decrease in operating expenses, mostly as a result of the restructuring program, was largely offset by a lower cost coverage. The lower cost coverage was related to the shrinking portfolio and competitive market circumstances.

Property & Casualty

In € millions / percentage	2017	2016
Result		
Gross written premium income	671	666
Operating expenses	116	120
Restructuring costs	–	29
Total costs	116	149
Net result IFRS	2	-48
Net underlying result	0	-26
Combined ratio (COR)	99.0%	104.9%

Gross premium income increased by 1% in 2017 to EUR 671 million compared to 2016. Operating expenses (excluding reorganisation expenses in 2016) were lower as a result of the 2016 restructuring program.

The net underlying result increased by EUR 26 million compared to 2016. This improvement was driven by an improved net technical result and lower operating expenses, partly offset by lower underlying investment income. The technical result for 2016 was heavily impacted by the hail storm (impact -/- EUR 15 million). In 2017 the technical result in, mainly, Motor and Liability improved significantly on the back of a lower claims ratio.

The net IFRS result increased by EUR 50 million to EUR 2 million compared to 2016, due to lower operating expenses and an improved technical result.

The COR of 99.0% improved by 5.9 %-points compared to 2016. This improvement was driven by the lower claims ratio and expense ratio. Excluding the hail storm in 2016, the COR improved by 2.9 %-points (COR excluding 2016 hail storm was 101.9%).

ACTIAM

In € millions	2017	2016
Result		
Total income	**44**	**38**
Operating expenses	42	40
Restructuring costs	–	1
Total costs	42	41
Net result IFRS	1	-2
Net Underlying Result	1	-2
Assets under management (in € billions)	54.1	54.6

Total income relates to asset management fees, which were higher in 2017 as a result of increased net fee income with stable fee expenses. Total income improved despite a small decline in assets under management, as a result of outflows due to maturing and changing product propositions by distributors of the unit linked investment funds. The decline in captive funds was partly offset by new third party inflows from responsible index funds for retail investors.

Operating expenses rose by EUR 2 million as a result of strategic investments to support future growth. In July 2017, ACTIAM outsourced its middle and back office activities to BNP Paribas which will help lower the cost base going forward.

Both the net underlying result and the net result IFRS increased compared to last year (2016: -/- EUR 2 million).

Holding

In € millions	2017	2016
Result		
Net fee and commission income	-1	8
Investment income	9	15
Total income	**8**	**23**
Operating expenses	21	19
Restructuring costs	–	4
Total costs	21	23
Impairment losses	–	17
Other interest expenses	18	4
Net result IFRS	-22	-20
Net underlying result	-22	-2

Net underlying result decreased by EUR 20 million compared to 2016, mainly driven by higher interest expenses and investments for strategic projects. Interest expenses increased in 2017 due to a USD 190 million Tier 2 loan issued to the shareholder in December 2016 and the EUR 650 million senior notes issued in May 2017. These changes in the funding profile reduced the net underlying result by EUR 11 million. Due to the refinancing of the subordinated notes, interest expenses will decrease by EUR 17 million going forward. One-off costs relating to strategic projects had a negative impact on the net underlying result of EUR 8 million.

In 2017, the assets and liabilities of the Authorised Agent entity were transferred to P&C (previously part of Holding), leading to both lower income (EUR 8 million) and lower expenses (EUR 11 million) in the P&L of the Holding.

In 2016 an impairment for goodwill of EUR 17 million negatively impacted the net result IFRS for Holding, without having an impact on the net underlying result.

Capital Management

In € millions / percentage	2017	2016
Eligible own funds VIVAT NV	3,772	4,319
Consolidated Group SCR	2,327	2,466
Solvency II ratio VIVAT NV	162%	175%
Eligible own funds SRLEV NV	3,238	3,424
Consolidated SRLEV SCR	2,060	2,295
Solvency II ratio SRLEV NV	157%	149%

The Solvency II ratio of VIVAT fell from 175% at year-end 2016 to 162% at year-end 2017. The SCR fell by EUR 139 million to EUR 2,327 million. This decrease was mainly driven by a decrease of our Counter Party Default Risk and a decrease of underwriting risk. Underwriting risk fell due to the implementation of a mass lapse re-insurance contract. Due to the decrease in the SCR, the amount of ineffective Tier 3 capital increased.

Eligible own funds fell by EUR 547 million to EUR 3,772 million. A decrease in the Volatility Adjustment (VA) from 13 bps at year end 2016 to 4 bps at year end 2017 had a negative impact on the Solvency II ratio. As the investment portfolio of VIVAT consists mainly of German and Dutch government bonds, this decrease in the VA is not offset by an increase in the value of the investment portfolio. The combined negative impact on the Solvency II ratio is about 10%-points.

The Solvency II ratio of SRLEV rose from 149% at year-end 2016 to 157% at year-end 2017. SRLEV was also negatively impacted by the decrease in the VA. This development was offset by a EUR 250 million restricted Tier 1 loan provided by VIVAT to SRLEV in June 2017. Additionally, SRLEV benefited from a more favourable diversification in the Solvency Capital Requirement (SCR), since the capital requirement for interest rate risk, according to the standard formula of Solvency II, changed from the risk of a decrease to the risk of an increase in the term structure of interest rates.

As of 1 January 2018 the Ultimate Forward Rate ("UFR") was reduced from 4.2% to 4.05%. This reduction in the UFR has a negative impact on the Solvency II ratio of VIVAT and SRLEV of 4%-points.

The available liquidity at the holding increased from EUR 267 million at YE 2016 to EUR 653 million at YE 2017. In May 2017, VIVAT NV issued EUR 650 million senior notes to institutional investors. The proceeds of this issuance were used to provide the EUR 250 million loan to SRLEV. The remainder increased the liquidity position of the holding to enhance financial flexibility and support future growth.

In November 2017, VIVAT NV issued USD 575 million subordinated Tier 2 notes to institutional investors. The proceeds of this issuance were fully used to repay the subordinated Tier 2 loans that were provided by VIVAT's shareholder to VIVAT NV and SRLEV NV. Following this repayment, there are no subordinated loans outstanding between VIVAT and its shareholder.

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Balance Sheet

In € millions	2017	2016
Statement of financial position		
Total assets	**56,744**	**57,801**
Investments	38,624	38,294
Investments for account of policyholders	13,202	14,251
Investments for account of third parties	630	1,387
Loans and advances to banks	1,814	960
Cash and cash equivalents	259	410
Shareholders' equity	**3,540**	**3,699**
Total liabilities	**53,204**	**54,102**
Insurance liabilities	46,794	47,617
Subordinated debt	1,016	1,047
Borrowings	642	–
Liabilities investments for account of third parties	630	1,387
Amount due to banks	1,643	1,353

Assets

The increase of investments in 2017 of EUR 0.3 billion was mainly driven by a pension fund buy-out (EUR 0.4 billion), transfer of investments for account policyholders to Own risk (EUR 1.0 billion) and the proceeds of the senior notes issuance in May 2017 (EUR 0.6 billion). This was largely offset by a lower market value of bonds as a result of higher market interest rates.

Both investments and Liabilities investments for the account of third parties decreased by EUR 0.8 billion, mainly caused by movements of third parties to investment funds which are not consolidated in the balance sheet of VIVAT.

Loans and advances to banks increased as a result of additional repo transactions and paid cash collateral.

Liabilities

The total amount of insurance liabilities fell by around EUR 1 billion due to a lower fair value of technical provisions for Life Insurance, as a result of increased market interest rate movements. The decline in the Individual Life portfolio in 2017 as a result of surrenders was largely offset by an increase of the Life Corporate portfolio.

Borrowings increased in 2017 as result of the issue of the EUR 650 million senior notes in May.

Amounts due to banks increased as a result of additional repo transactions.

Consolidated Balance Sheet VIVAT NV

In € millions	2017	2016
Assets		
Intangible assets	1	4
Property and equipment	65	74
Investments in associates	–	7
Investment property	380	274
Investments	38,624	38,294
Investments for account of policyholders	13,202	14,251
Investments for account of third parties	630	1,387
Derivatives	760	1,091
Deferred tax assets (net)	492	426
Reinsurance share	181	225
Loans and advances to banks	1,814	960
Corporate income tax	27	43
Other assets	302	355
Cash and cash equivalents	259	410
Assets held for sale	7	–
Total assets	**56,744**	**57,801**
Equity and liabilities		
Share capital [1]	–	–
Other reserves	3,638	3,531
Retained earnings	-98	168
Shareholders' equity	**3,540**	**3,699**
Subordinated debt	1,016	1,047
Borrowings	642	–
Insurance liabilities	46,794	47,617
Liabilities investments for account of third parties	630	1,387
Provision for employee benefits	585	578
Other provisions	44	150
Derivatives	636	486
Amount due to banks	1,643	1,353
Other liabilities	1,214	1,484
Total equity and liabilities	**56,744**	**57,801**

[1] The issued and paid up share capital of VIVAT NV is € 238.500.

Consolidated Income Statement VIVAT NV

In € millions	2017	2016
Income		
Premium income	2,923	2,508
Less: Reinsurance premiums	51	61
Net premium income	**2,872**	**2,447**
Fee and commission income	87	98
Fee and commission expense	25	32
Net Fee and commission income	**62**	**66**
Share in result of associates	1	1
Investment income	1,430	2,794
Investment income for account of policyholders	435	902
Result on investment for account of third parties	57	43
Result on derivatives	-367	-233
Other operating income	15	–
Total income	**4,505**	**6,020**
Expenses		
Technical claims and benefits	3,825	3,591
Charges for account of policyholders	87	1,349
Acquisition costs for insurance activities	159	135
Result on liabilities from investments for account of third parties	57	43
Staff costs	281	426
Depreciation and amortisation of non-current assets	10	15
Other operating expenses	95	98
Impairment losses	8	28
Other interest expenses	127	104
Other expenses	–	1
Total expenses	**4,649**	**5,790**
Result before taxation	**-144**	**230**
Taxation	-46	62
Net result continued operations for the period	**-98**	**168**
Net underlying result	**168**	**161**

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About VIVAT

VIVAT NV is the holding company of, among others, SRLEV NV, VIVAT Schadeverzekeringen NV, Proteq Levensverzekeringen NV, ACTIAM NV and Zwitserleven PPI NV. The subsidiaries of VIVAT are also active on the Dutch market with the Zwitserleven, Reaal and ACTIAM brands among others. A balance sheet total of EUR 57 billion (end December 2017) makes VIVAT one of the larger insurers in the Netherlands. Anbang Group Holdings Co. Limited, a subsidiary of Anbang Insurance Group Co. Ltd. is the sole shareholder of VIVAT NV. For more information please visit www.vivat.nl

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