Annual Report
Proteq Levensverzekeringen NV 2016

Zwitserleven Reaal actiam

VIVAT

Contents

1. Key figures

In € thousands	2016	2015[1]	2014	2013	2012
Result					
Net premium income	7,470	8,280	9,068	10,302	11,012
Investment income	13,695	13,348	13,708	22,208	24,427
Total income	35,383	19,321	22,845	32,541	35,468
Total expenses	34,847	13,129	16,820	19,344	18,127
Result before taxation	**536**	**6,192**	**6,025**	**13,197**	**17,341**
Taxation	134	1,548	1,506	3,299	4,335
Net result	**402**	**4,644**	**4,519**	**9,898**	**13,006**
Statement of financial position					
Total assets	**637,731**	**560,386**	**576,947**	**460,438**	**481,397**
Investments	596,313	534,504	548,386	437,488	458,104
Total equity	**113,801**	**112,417**	**111,229**	**83,465**	**84,745**
Insurance liabilities	470,912	407,614	416,937	353,209	378,035
> Ratios					
Regulatory solvency II Proteq NV	181%	461%[2]	-	-	-

[1] Numbers of prior years have not been part of the 2016 audit.
[2] Regulatory solvency II ratio is based on Day 1 figures. This ratio is unaudited.

Proteq Levensverzekeringen NV

The Proteq Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: Key figures (chapter 1), Foreword (chapter 2), Strategy and developments (chapter 3) and the Executive Board (chapter 4.1).

2. Foreword

Message from the Executive Board of Proteq Levensverzekeringen NV

Dear stakeholders,

2016 was the first full year following the takeover of VIVAT NV and therefore Proteq Levensverzekeringen NV (hereinafter Proteq) by Anbang. An accelerated restructuring process took place in a relatively short period of time. The Executive Board was strengthened with a new Chief Executive Officer, a Chief Commercial Officer and a Chief Operating Officer.

The reorganisation was completed sooner than planned. By accomplishing this in 2016 instead of the anticipated three years, we have ended a period of uncertainty for our colleagues and will be able to reap the benefits of the changes at an earlier stage. In addition business processes and the IT landscape were simplified. These measures are ongoing and will result in additional annual cost savings into the future.

Due to the capital injection to VIVAT provided by Anbang, the solvency ratio of VIVAT has been stabilised (although the solvency ratio of Proteq decreased). This allows us to optimise our investment portfolio. Good progress was made in this direction in 2016, as a result of which we can expect additional investment income going forward.

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

Amstelveen, the Netherlands, June 16, 2017

On behalf of the Executive Board of Proteq Levensverzekeringen NV,

Ron van Oijen, Chief Executive Officer

3. Strategy and developments

Reorganisation and stabilisation was the company's priority in 2016, the first full year following the acquisition by Anbang. A new organisational structure has been implemented with a full new management team in place. Various aspects of the strategy changes initiated in 2015 were accelerated, aimed at structurally improving Proteq's foundations.

3.1. Strategic themes

For Proteq standardisation and simplification are key concepts in our transition. The present organisation is less complex and more compact, which enables us to provide better service to our customers in accordance with current standards.

3.1.1. Mission, vision and core behaviors

Proteq has redefined its vision and mission in 2016.

Our vision

Proteq is a trusted and customer-centric financial service provider helping its customers to insure their risks.

Our mission

'Trusting' starts with 'understanding'. The mission of Proteq is simplicity in finance. With accessible and transpartent standard products, we want to contribute to the financial independency.

Our core behaviors

Customer centricity and a high performance culture are central aspects of the new strategy. This will ask for a different way of working and changing behavior. For that reason, Proteq has defined five core behaviors for their employees:

- **Change attitude** Our employees have an open mind when it comes to change. We don't accept something just because "we've been doing this for years".
- **Immediate execution** Our employees do what they can do today to reach our goals. We break down our plans into specific actions.
- **Take responsibility** We know our company goals and our role in achieving these. Employees do what they have to do. They give feedback to others and help everyone in taking their responsibility.
- **Client focus** We think outside in and use common sense. We always ask ourselves if our decisions are in the best interest of our customers.
- **Result driven** We focus on things that clearly help us towards our targets. We finish what we start.

3.1.2. Stabilising the business

Stabilisation was the company's priority in 2016; the first full year following the acquisition of VIVAT by Anbang. Various measures aimed at structural improvement of Proteq's foundation were taken. In 2016, a new Chief Executive Officer, a Chief Commercial Officer, and a Chief Operating Officer were appointed. The Executive Board now consists of seven members who are closely involved in the business processes of our product line.

The capital injection by Anbang through VIVAT enabled and will enable Proteq to optimise its investment portfolio. Good progress was made in this direction in 2016, as a result of which investment income is expected to increase.

3.2. Our product line

3.2.1. Individual Life

Objectives for 2016

The objective for the Individual Life product line for 2016 was to initiate structural and sustainable improvements to the business processes that enable it to meet these customer needs.

Achievements in 2016

In line with the restructurings in other parts of the organisation, the number of management layers at the Individual Life product line was reduced and more responsibility was assigned to employees at the operational level. In combination with improvements in the areas of workflow management and knowledge management, this resulted in significantly higher efficiency.

3.3. Our people

Proteq downsized the number of employees all with the aim to create a lean organisation. This strategy will ask for a different way of working and changing behavior. For that reason Proteq has defined five core behaviors for their employees. These are Change attitude, Immediate execution, Take responsibility, Client focus and Result driven. Proteq is starting up training programmes to embrace these values.

Workforce

All staff is employed by VIVAT and the expenses charged to Proteq.

3.3.1. Employability

To remain competitive VIVAT needed to downsize its costs. In reducing the workforce various actions were needed to be taken to support employees who were affected. Employees who were made redundant were offered a package consisting of an above-average severance payment, a period of nine months paid job-to-job coaching to support these employees to find new employment within or outside VIVAT. For the remaining workforce, VIVAT continues to provide extensive support in areas such as vitality, career development and an inspirational work environment. Other changes, such as modernisation of employment condition and flexibilisation of way of working are part of the future VIVAT's organisational strategy.

Diversity and inclusivity

Proteq's aim is that its workforce reflects the composition of its target groups. This includes creating a good balance between male and female competencies on the basis of our diversity guidelines for recruitment and career planning. Our policies are also in line with the Work-incapacitated Persons Participation legislation and the workforce diversity monitor.

Since 2014, our parent company VIVAT is a member of Women in Financial Services (WIFS), a network of women in key positions in the financial services sector, with the aim to strengthen the position of women in our organisation and increase the percentage of women in management positions. On 31 December 2016, the Executive Board of Proteq consisted of two women and five men.

Employee participation

The restructuring and relocation of employees from several buildings to the head office in Amstelveen was an important item on the employee participation agenda in 2016. The changes in the senior management and the implementation of the new matrix structure also affected the organisation of employee participation.

3.4. Financial position

Main developments in 2016

The net IFRS result of Proteq decreased from € 4.6 million in 2015 to € 0.4 million in 2016 mainly due to higher staff expenses. The split of SNS REAAL and acquisition by Anbang has led to organisational changes and so a different allocation of costs. In addition, the portfolio converted from Proteq to REAAL systems and reorganisation has taken place. The lower premium volume is a result of the shrinking portfolio. The results on derivatives of € 14 million is due to market value movements of derivatives for hedging interest rate sensitivities. The result on derivatives is added to the technical provisions (shadow accounting). In 2016, Proteq has a LAT deficit of € 28,473 thousand which is the result of the cost model update and market value movements.

Balance sheet

Total assets of Proteq increased with around € 80 million to € 638 million. This increase is mainly due to an increased value of bonds and cash position.

3.5. Risk and capital management

Risk Management System

Proteq implemented a consistent and efficient Risk Management System in which specific Solvency II requirements such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. It operates an integrated approach, with Risk Management integral part of the decision making process.

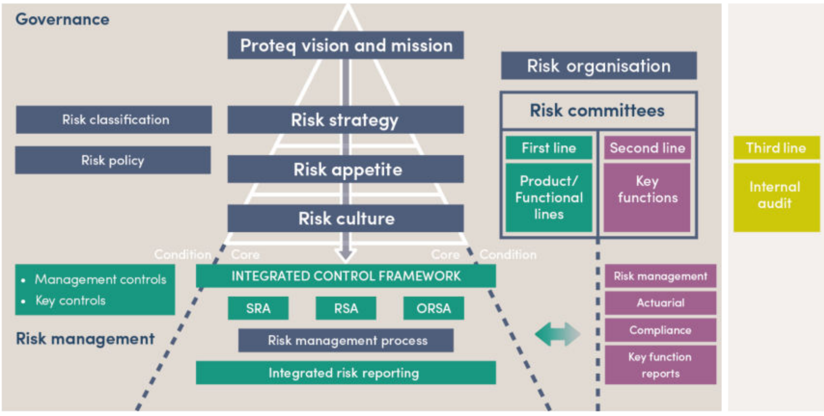

Figure 6: Risk management

The core of the Risk Management System consists of a strategic part Governance at which, starting from the Vision and Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach all second line SII Key Functions use the same risk classification, all operations are covered by the Risk Appetite and are aligned by a policy structure. Decision making is in line with the Risk Policy and Risk Appetite of Proteq. Further information about risk and capital management has been included in chapter 7 'Managing risks' in the financial statements incorporated by reference herein.

Risk Strategy

Proteq has derived a Risk Strategy, a supporting set of objectives following from the VIVAT vision and mission to achieve the strategic goals. The Risk Strategy is expressed in the Risk Appetite. As main principles Proteq has defined a robust capital position, stable profitability, prudent and consistent risk policy, regulatory compliancy, social responsibility and effective and efficient client solutions. As insurance company Proteq provides guarantees for future payments to its clients and therefore Proteq needs a strong capital position. The Executive Board would like to hold a buffer above regulatory capital requirement to absorb temporary volatility and provide more certainty to its customers.

Risk Appetite

The Risk Appetite, as an integrated part of overall business operations, is determined at least once a year and is subsequently translated into practical risk objectives. Risk Appetite is defined at VIVAT level, which includes the Risk Appetite of Proteq. Subsequently it is developed in more detail on the individual legal entity level in the form of individual quantitative risk limits (including the use of hedges) and qualitative constraints.

Risk Culture

Culture and conduct in general play a key role in controlling a company, and specific in adequate, risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. Proteq has awareness programmes in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. Furthermore, Proteq ensures that senior management and employees on key functions are fit and proper to fulfil their job. Finally, the Remuneration Policy of VIVAT discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

Risk Organisation

VIVAT implemented the “Three Lines of Defence” control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimization and integration of the risk management.

Integrated Control Framework

Management uses the Integrated Control Framework (ICF) to direct and manage the control and integrity of its business processes, following strategic objectives and Proteq's risk appetite. Management furthermore aims at the ICF helping to promote risk awareness among all employees. The ICF contains core components that together form the basis for sound and controlled business operations within Proteq, and supports being in control. It measures the maturity of risk management and ensures steering on correct and complete risk reports. The ICF monitors process Key Controls and Management Controls.

Risk management process

Proteq assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio.

The ALM-policy covers the management of market risk, credit default risk and liquidity risk. The ALM study seeks to find a balance between risk and return within the preconditions that apply with regard to solvency, and laws and regulations, and is performed at the end of the year. This ALM study is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM, taking into account the risk limits based on the Risk Appetite Statements (RAS), solvency, the tax position and the long-term risk exposure. Investments are made in accordance with the prudent person principle and in the interests of the policyholders. Investments are made exclusively in assets and instruments whose risks are properly identified, measured, monitored, managed, controlled and reported.

Developments

As a result of the acquisition by Anbang and the associated strategic review of VIVAT, Proteq faced a period of transition during 2016. Implementing the new operating model and governance structure, strong focus on cost reduction and earnings models, job uncertainty, changes in products, methodologies and processes, the speed of required changes and cultural changes increased the chance that operational- and compliance risk would materialise. Allthough these risks are adequately addressed, managed and monitored during 2016, managing the impact of these developments remains a challenge looking forward to 2017.

Proteq continued to invest in the development of the control environment by the strategic programmes Solvency II, Data management and Integrated

Control Framework, resulting in the improvement of process controls, management information, risk management policies and first line risk maturity. These improvements contribute to managing the increased pressure on the organisation.

Rationalization of the model landscape, in which the number of models is further reduced, is a strategic programme executing in 2017. It contributes to a more efficient and reliable valuation of underwriting and market risks and the solvency, and leads to further reduction of model risk. Given the validation of a number of models in several segments the model risk has been further reduced in 2016. Uncertainty resulting from conversion projects has been mitigated by successful finalising or continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

Capital management

Capitalisation refers to the extent to which Proteq has a capital, which is necessary to cover unforeseen losses or to achieve the strategic objectives of the company. The by Proteq required capital has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds).

The objective of the Capital Policy is to ensure that there is always sufficient capital to fulfil obligations towards policyholders and all legal requirements. In addition there is a Recovery Plan which describes the procedure that applies in a contingency situation. In its Risk Appetite Statements, Proteq has defined specific triggers that determine whether a contingency situation exists. The management of Proteq uses the ORSA to verify the amount of capital required and this may result in management actions to bring the capital in line with the risk profile and risk appetite. In 2016, Proteq performed an ORSA which was the basis for the Operational Plan and Capital Management.

Solvency II

Solvency II legislation is effective as of 1 January 2016. The supervisory authorities EIOPA and DNB have produced several public guidance notes on the interpretation and Proteq produces all regulatory reports that are mandatory under the Solvency II legislation.

The Solvency II ratio is based on the Solvency Capital Requirement (SCR). Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks plays a more central role. The financial requirements more accurately reflect the risks to which insurers are exposed. Moreover, Solvency II is more in line with market developments and the internal risk management systems used by insurers.

Proteq discloses its solvency position and financial condition on a Solvency II basis by means of public reports as required by law. Solvency II applies to Proteq as an independent authorisation holder.

Regulatory Solvency II

Proteq calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment and thus making use of the possibility of applying long-term guarantee measures. Proteq does not apply the Matching Adjustment.

In € millions/percentage	Proteq
Eligible own funds	110
SCR	61
Solvency II Ratio	181%

The internal risk limit for the Solvency II capital ratio is 140%. More detailed information on determination of the Solvency II capital ratio is included in chapter 7 Managing Risks in the financial statements.

Managing sensitivities of regulatory solvency

In addition to underwriting risks, important market risks are interest rate risk and spread risk (credit spreads). Sensitivity to interest rates is measured by means of a parallel movement in the yield curve.

The solvency of the Life insurance portfolio is sensitive to changes in the parameters used for calculating the market value of insurance liabilities. These relate to mortality risk, longevity risk, expense risk and surrender risk, since these insurance risks proved to have most impact on the calculation of SCR.

EIOPA has recently evaluated the UFR, and the regulator has proposed to decrease the UFR to 3,65%. Annual changes will not be higher than 15 basis points. In a first step of the phasing-in, the current UFR of 4.2% will be lowered in January 2018 to 4.05%. This will have a negative impact on net result, own funds and solvency. A decrease of the UFR to 3,7% will lower the SII ratio for Proteq with 3% to 178%.

Quantitative information about risks and related sensitivities for both Solvency II and IFRS has been described in chapter 7 Managing risks in the financial statements.

3.6. Our world

The figures in this chapter are based on VIVAT as a whole (not only Proteq).

3.6.1. Reducing CO_2 emissions

One of the key priorities in our efforts towards creating a sustainable world is reducing our carbon emissions.

Our targets for 2016 were:

> a reduction in energy consumption of at least 3% compared to 2015;
> a CO_2 emissions reduction of at least 5% compared to 2015;
> materials used by Proteq and its suppliers for building management purposes must be sustainable and energy-efficient;
> fully climate-neutral buildings and operations;
> a reduction in the use of paper in communication with customers by 5% compared to 2015.

By consuming less energy we also reduce our CO_2 emissions. We are committed to achieving our energy efficiency targets, which are monitored by the government.

Green energy is purchased directly from the source (Dutch wind and Dutch biogas) and the remaining CO_2 emissions from our business operations and mobility are offset by purchasing credits that meet at least the Fair Gold Standard (GS). In 2016, the ratio of remaining Gold Standard Ghana project credits to Fair GS credits in South Africa and India was 1:4. Proteq also provided support for a start-up project involving the roll-out of one of the most energy efficient cookstoves available today, which is produced by African Clean Energy in Lesotho.

Nonetheless, carbon offsetting does not absolve us of the need to cut our own CO_2 emissions, particularly those caused by travel (mobility) on the part of our own employees. Therefore Proteq makes efforts to change policies towards mobility, the use of (lease) cars and stimulate public transport.

As in previous years, Proteq's ISO 9001 and 14001 certification was audited and confirmed by an external party. This guarantees that our quality management and environmental management systems are up to standard.

To provide assurance with respect to the sustainability of our buildings, we have obtained BREEAM certification for all the buildings of which we are the principal user.

Energy consumption of offices

in gigajoules	2016	2015
Energy consumption kWh per FTE	1,821	1,833
Energy consumption kWh per m²	123	130

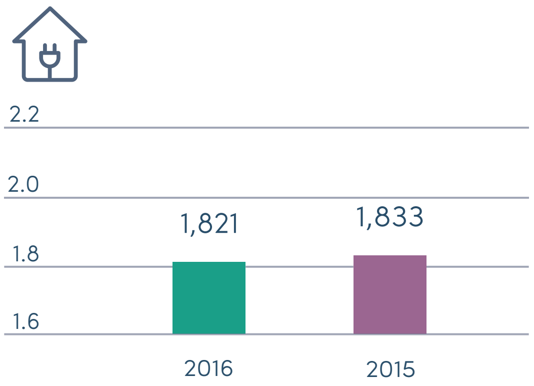

Figure 7: Energy consumption per kWh per FTE

Share of green energy offices

% of total	2016	2015
% Sustainable electricity	100%	100%
% Sustainable gas	100%	100%

We report our CO_2 emissions in accordance with the principles of the Greenhouse Gas Protocol (www.ghgprotocol.org).

This means that we report per scope:

> Scope 1: report on CO_2 emissions as a consequence of our direct energy consumption (e.g. gas);

> Scope 2: report on CO_2 emissions as a consequence of our indirect energy consumption (e.g. electricity);

> Scope 3: report on our indirect CO_2 emissions (e.g. due to commuting, air travel, leased cars, etc.).

Commuting by car is still the main cause of CO_2 emissions for our business. Measures taken in 2016 aimed at reducing these emissions included a stricter parking policy, increasing the proportion of (semi-) electrical cars in our fleet of leased vehicles and encouraging the use of public transport by providing our employees with NS Business Cards for travel by train. In 2017, our CO_2 standard for leased cars will be reduced from 125 grams to 120 grams per kilometre.

Carbon emissions (tonnes)

	2016	2015
Business travel and commuting	3,867	5,086
Operations	135	168
Net emissions	4,002	5,254
Gross emissions[1]	7,078	8,315

[1] Gross emissions would be VIVAT's emissions using 0% sustainable electricity.

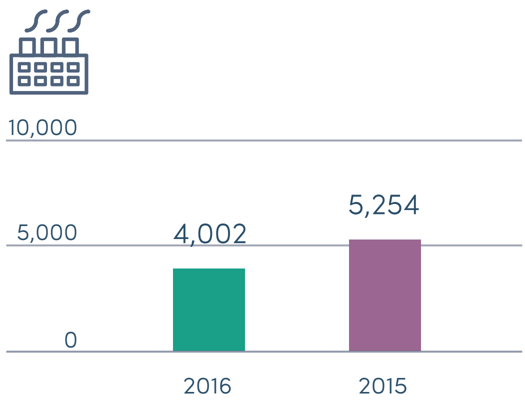

Figure 8: Net carbon emissions (tonnes)

3.6.2. Paper

Our continued effort to lower its paper consumption resulted in a 16% reduction from 226 tonnes in 2015 to just 191 tonnes in 2016. In 2015 we already reduced paper consumption by almost 40% compared to 2014. A number of processes was digitised and less paper was used for commercial purposes. It is expected that, as a result of further digitisation of processes, paper consumption will be reduced by another 5% by the end of 2017.

Paper consumption

	2016	2015
Paper consumption in tonnes	191	226
Paper consumption in kg/FTE	71	84

3.6.3. Waste

The objective for 2016 was to reduce the amount of waste resulting from our operations by 5%. The total volume of waste was down by 15.8% compared to 2015. This good result can be contributed mainly to our continued effort to create awareness among employees and the further reduction in paper consumption.

Proteq also stimulates suppliers to reduce packaging materials and to take responsibility for the disposal of these materials. Furthermore, waste is recycled where possible. The proportion of waste that was recycled and reused in the form of raw material or sources of green energy was 80%. This is a slight increase compared with 2015 (78%).

Waste

in kg/FTE	2016	2015
Residual waste	21	29
Organic waste	7	13
Industrial waste	1	1
Paper and cardboard waste	28	34
Plastics	6	7

3.6.4. Sustainable purchasing

All our suppliers are requested to comply with Proteq's General Procurement Terms and Conditions as revised in 2016. By agreeing with these terms and conditions, suppliers declare that they:

- have taken steps or are in the process of taking steps to minimise their ecological footprint (inluding CO_2 emissions, paper consumption, energy consumtion and waste) and
- have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

4. Corporate governance

Proteq NV is a public limited company. Anbang Group Holdings Co, Limited holds 100% of the shares in VIVAT NV, which holds 100% of the shares in Proteq NV. Proteq has a two-tier board structure consisting of an Executive Board (EB) and a Supervisory Board (SB).

In 2016, Proteq transformed itself into a matrix organisation including both product and functional lines. The governance model of Proteq reflects this matrix organisation. This allows control at the level of management teams which allows the product lines, risk and finance to work together at this level. The EB members are closely involved in the business of the company.

4.1. The Executive Board

The Executive Board is responsible for the strategy and management of the company. The Executive Board as of 31 December 2016 consists of the following:

Name	Nationality	Position	Date of appointment
J.J.T. (Ron) van Oijen	Dutch	Chief Executive Officer	14 March 2016
F. (Feng) Zhang	Chinese	Chief of Staff	26 July 2015
L. (Lan) Tang	British	Chief Risk Officer	26 July 2015
X.W. (Xiao Wei) Wu	Chinese	Chief Transformation Officer	26 July 2015
Y. (Yinhua) Cao	Chinese	Chief Financial Officer	23 October 2015
W.M.A. (Wendy) de Ruiter-Lörx	Dutch	Chief Commercial Officer	24 May 2016
J.C.A. (Jeroen) Potjes	Dutch	Chief Operating Officer	24 May 2016

Figure 9: The Executive Board of Proteq. From left to right: Feng Zhang, Yinhua Cao, Ron van Oijen, Lan Tang, Wendy de Ruiter-Lörx, Xiao Wei Wu and Jeroen Potjes.

J.J.T. (Ron) van Oijen (1961) is Chief Executive Officer. He obtained a master's degree in Actuarial Science at the University of Amsterdam, followed by an advanced management program at the Wharton Business School. Mr. van Oijen started his career at Aegon and ING in the Netherlands. He subsequently worked as CEO of ING Life and ING Bank in the Czech Republic and Slovakia for four years. In Seoul and Hong Kong he lead the large ING Life branches in India, Thailand and South Korea as Regional CEO. After which he was appointed as CEO of AIA Thailand, whose four million customers make it the largest insurance company in the country.

Other positions
Member of the Board Association of Insurers

F. (Feng) Zhang (1979) is Chief Of Staff. He has a master's degree in Business Administration, obtained from University of Northumbria at Newcastle, and a bachelor's degree in Literature, obtained from Wuhan University, China. Mr. Zhang joined Anbang in 2005, worked as director of claims, underwriting, sale and marketing, human resource. In 2011 he commenced as Deputy General Manager of Anbang Property and Casualty Insurance. His last positions were that of General Manager of Property and Casualty Insurance, Director of Anbang Life Insurance, Director of Anbang Annuity Insurance and Chairman of the Board at Anbang Property and Casualty Insurance.

Other positions
Non-executive Director Anbang Belgium Holding NV

L. (Lan) Tang (1974) is Chief Risk Officer. He has a bachelor degree in Engineering, obtained from Beijing University of Aeronautics and Astronautics, and a master degree in Actuarial Science from Central University of Finance and Economics in Beijing. Mr. Tang is a qualified actuary of the United Kingdom. He worked as a consulting actuary for an actuarial consulting firm in London, after which he worked for a global actuarial consulting firm in Hong Kong and a Big 4 accounting firm in China. In 2010, he started to work as the chief actuary of Anbang Life, where his last position was the Deputy General Manager and Chief Actuary of Anbang Life.

Other positions
Chairman of Fidea NV
Non-executive Director of Bank Nagelmackers NV
Member of the Supervisory Board of ACTIAM Beleggingsfondsen NV
Member of the Supervisory Board of SNS Beleggingsfondsen NV

X.W. (Xiao Wei) Wu (1980) is Chief Transformation Officer. She has a bachelor's degree in International Finance from the University in Fudan, China, and a master's degree in Business Administration obtained at the China Europe International Business School (CEIBS) in Shanghai. She worked as Associate Principal at McKinsey Shanghai, for the insurance sector in Asia. In 2012, Ms. Wu commenced at the Anbang Group and subsequently worked as Director of Strategy, Director of IT and Director of Risk. She also was Director at Hexie Health, and Anbang Annuity Insurance, both part of Anbang.

Other positions
Chairwoman Anbang Belgium Holding NV

Y. (Yinhua) Cao (1975) is Chief Financial Officer. He has a bachelor's degree in International Finance from the Shanghai University of Economics and Finance. Mr. Cao started his career in financial service sector at PwC in 1998. He was the lead audit partner for large insurance companies and asset management companies, and as the lead partner, he was also involved in various finance and solvency consulting programs for insurers. His last position with PwC was the Partner of the Financial Service Group. At Anbang, Mr. Cao commenced as managing director of Anbang Asset Management Hong Kong and Finance Director of the Anbang Insurance Group.

Other positions
Member Financial and Economic Committee Association of Insurers

W.M.A. (Wendy) de Ruiter-Lörx (1973) is Chief Commercial Officer. She holds a master's degree in Business Economics from Erasmus University Rotterdam. She also completed a master's in Management & Organisation at TIAS Business School in Tilburg. She started her career at ING and NN, where she worked for fifteen years, fulfilling various managerial roles in operations and product and process management at both Nationale-Nederlanden and ING Bank. Her most recent position at NN was that of director of retail clients. Mrs. De Ruiter-Lörx joined Reaal Life as a Unit Manager in 2012. Two years later, she was appointed director of Reaal's life business in charge of life policies and mortgages.

Other positions
Member Distribution Committee Association of Insurers

J.C.A (Jeroen) Potjes (1965) is Chief Operating Officer. He earned a master's degree in Econometrics from Erasmus University Rotterdam as well as a doctorate in Economics from the same university. Mr. Potjes joined ING Verzekeringen in 1992; he started out at the head office before being assigned to Japan between 1997 and 2001 and to Hong Kong until 2008; in Hong Kong, he served as CFO of the insurance business and asset manager of ING Asia Pacific. He returned to the Netherlands in 2008, when he became responsible for the risk management practices of the global insurance business of ING and subsequently NN Group. During this period, Mr. Potjes also sat on the Supervisory Board of ING Re, ING's reinsurance business. Mr. Potjes joined Anbang in 2015, one of his roles being that of non-executive on the Managing Board of Anbang Belgium Holdings NV.

Other positions
Non-executive Director Anbang Belgium Holding NV
Member committee Life insurance Association of Insurers

Member of the board SIVI

On 14 March 2016, Albert Bakker stepped down as COO and acting CEO of Proteq.

Proteq has implemented all procedural and operational matters regarding the code of conduct of insurers 2015 together with the Proteq Code of Conduct. Proteq adheres to these.

Proteq aims to have gender balance of having at least 30% men or 30% women on the board of directors. Proteq currently has close to 30% females on the board.

The formal rules of Proteq are set out in the articles of association and regulations of the Executive Board of Proteq. Under the articles of association and regulations, certain decisions of the Executive Board are subject to the approval of the shareholder and/or the Supervisory Board of the relevant company or companies. The members of the Executive Board of VIVAT NV are the same as the management board members of Proteq Levensverzekeringen NV. This means that the shared management principle has been implemented at all management levels.

As part of the continuing education program of Proteq, the Executive Board members participate in various education sessions. These sessions are sometimes attended together with the Supervisory board members or with senior management of Proteq and are provided by internal and external speakers. The continuing education program this year included sessions such as Asset Management, Privacy regulations, Treating Customers Fairly, Solvency II and In Control Framework. In addition the Executive Board attended an Executive program at Harvard University.

4.2. The Supervisory Board

J.J. (Jan) Nooitgedagt stepped down as chairman of the Supervisory Board as of 1 December 2016

M.W. (Maarten) Dijkshoorn has worked in the financial services industry for more than forty years. From 2002 to 2009, he was CEO and COO of Eureko BV (Achmea). Prior to this, Mr. Dijkshoorn held various management function within NN for twenty five years. M.W. (Maarten) Dijkshoorn was appointed as a member and as chairman of the Supervisory Board on 23 December 2016. He is member of the Remuneration and Nomination Committee and member of the Risk Committee.

Other positions
Chairman of the Supervisory Board of de Goudse Verzekeringen NV
Supervisory Board Member of Monuta and MediRisk (until 01-05-2017)
Mr. Dijkshoorn was member of the Supervisory Board of PGGM until 31 December 2016.

M.R. (Miriam) van Dongen has over twenty years experience in corporate finance, business strategy and in the financial services industry. In 2007 Miriam van Dongen joined Achmea BV/Eureko BV as CFO of the Health division. She now holds various supervisory boards positions and is the chair of the audit committees of these supervisory boards. Miriam van Dongen was appointed as delegated Supervisory Board member in October 2015 and this ended on 23 May 2016. The function of a Supervisory Board member delegate comprises intensified supervision of and advice to the Executive Board. Miriam van Dongen was appointed as member of the Supervisory Board on 26 July 2015. She is chairman of the

Composition, appointment and role

Name	Nationality	Position	Date of appointment
M.W. (Maarten) Dijkshoorn	Dutch	Chairman	23 December 2016
M.R. (Miriam) van Dongen	Dutch	Member	26 July 2015
M. (Ming) He	American	Member	26 July 2015
K.C.K. (Kevin) Shum	British	Member	26 July 2015
P.P.J.L.M.G. (Pierre) Lefèvre	Belgian	Member	26 July 2015

Audit Committee and member of Risk Committee and Remuneration and Nomination Committee.

Other positions
Supervisory Board member and chair of the audit committee of PGGM NV
Supervisory Board member and chair of the audit committee of CB Logistics
Supervisory Board member of Optiver
Member of the board of trustees of Dutch Kidney Foundation (until August 2016)

M. (Ming) He studied at Bowling Green State University in the United States and earned a master's degree in geology and environmental science in 1992. Mr. He earned a second master's degree in International Financial Management at the America International Management Business School in 1998. He started his career at the International Investment Department of Parker Hannifin, where he served as General Manager in 2009. He joined Anbang Insurance Group Co., Ltd. as Investment Director of Anbang Property & Casualty Insurance Co., Ltd. As of 2012, he was appointed as Director and General Manager of Anbang Asset Management. Mr. He also serves as non-executive director and general manager of Fidea NV. He was appointed as member of the Supervisory Board on 26 July 2015. He is member of the Audit Committee.

Other positions
Director and General Manager of Anbang Asset Management
Non-executive Director of Fidea NV
CEO Anbang Belgium Holding NV
Chairman Bank Nagelmackers NV

K.C.K. (Kevin) Shum joined Anbang Insurance Group in March 2014. He currently serves as the General Counsel for Anbang Group Holdings Co. Limited, overseeing its legal and compliance functions in respect of the group's direct investments, investment funds, private equity funds and general asset management activities. In addition, Mr. Shum serves as a Supervisory Board Director of Proteq (being the Chairman of the Remuneration and Nomination Committee), as a Non-Executive Director of Bank Nagelmackers NV (being Chairman of the Nomination Committee), as a Non-Executive Director of Fidea NV (being Chairman of the Nomination and Governance Committee).

With over twenty years' experience in the legal and financial sectors, Mr. Shum has extensive experience in advising multinational corporations, funds and investment banks on legal issues relating to securities, investments, derivatives, financing, acquisitions, mergers, restructurings, liquidation and corporate governance. Mr. Shum also regularly advises on regulatory matters pertaining to the HK Securities and Futures Commission, the HK Takeovers Code and the HK Listing Rules.

Prior to joining Anbang, Mr. Shum worked as a private practitioner at Coudert Brothers LLP and at Jun He Law Offices, as counsel for private equity firm Alliance Capital Asia Limited and a hedge fund under CCIB Asset Management Co. Limited. Mr. Shum received his Master of Science in Financial Analysis from the Hong Kong University of Science and Technology, attended Guildford College of Law, UK and received his Bachelor of Laws from the University of Southampton, UK. He is a qualified Solicitor of England & Wales, a Solicitor of Hong Kong, a Member of the Chartered Institute of Arbitrators and is a Chartered Financial Analyst.

Other positions
Chief Legal Officer of Anbang Group Holdings Co. Limited
Non-executive Director of Bank Nagelmackers NV
Non-executive Director of Fidea NV

P.P.J.L.M.G. (Pierre) Lefèvre studied Mechanical Engineering and Industrial Administration, as an Internal Auditor at Unilever before joining AXA Belgium NV in Belgium as a Financial Controller. He continued his career with AXA Belgium in the role of General Manager of Individual Life and, later on, as General Manager of the P&C Personal Lines. In 1994, he moved on to AXA UK plc. as CEO of the P&C insurance business and was subsequently appointed as Chairman of the Management Board. In 1998 he was appointed as CEO of AXA Netherlands. Between

2002 and 2013, Pierre Lefèvre fulfilled various CEO roles in subsidiaries of Groupama SA. Since 2013, Mr. Lefèvre has acted as independent non-executive director of Hasting Insurance Group Holdings PLC and, since 2014, as Senior Advisor of Eurohold Corporate Finance, SL. He also serves as an independent non-executive Director and chairman of the Risk Committee of Advantage Insurance Company Limited and as non-executive Director of Anbang Belgium Holding NV. Mr. Lefèvre was appointed as member of the Supervisory Board on 26 July 2015. He is chairman of the Risk Committee and member of the Audit Committee.

Other positions
Independent non-executive Director and Chair of the Risk Committee of Hastings Group Holdings PLC
Independent non-executive Director and Chair of the Risk Committee of Advantage Insurance Company Limited
Independent non-executive Director of Anbang Belgium Holding NV
Senior Advisor at Eurohold Corporate Finance

The Supervisory Board meets on a regular basis in accordance with an annual schedule. The Supervisory Board has drawn up regulations that elaborate and expand on a number of provisions from the articles of association. These regulations set out additional powers. All members of the Supervisory Board have declared their acceptance of the substance of these regulations and have undertaken to abide by the rules contained therein.

The Supervisory Board has three committees; Audit Committee, Risk Committee and Remuneration and Nomination Committee.

4.3. Report of the Supervisory Board

Composition and functioning of the Supervisory Board

The Supervisory Board aims to have a strong representation of diversity in terms of experience, gender, age, professional and cultural background, as mentioned. In accordance with the regulations of the Supervisory Board, the Supervisory Board considers complementarity, collegial collaboration, independence and diversity to be conditions for a proper performance of duties by the Supervisory Board.

All members have confirmed the moral and ethical conduct declaration, which includes the need to make a balanced assessment of the interests of customers, shareholder, bondholders, employees and the society in which the company operates. The regulations of the Supervisory Board explicitly provide that the Supervisory Board shall strike a careful balance between the interests of the company's stakeholders, such as the clients of the company, shareholder and employees.

Self-assessment

Facilitated by an external assessor the Supervisory Board assessed its functioning in order to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors, the relationship with the Executive Board and the effectiveness of continuing education. The evaluation found that the Supervisory Board has performed according to what can be expected, with sufficient expertise and involvement from the individual members. The Supervisory Board has played a constructive role in building the foundation for future progress.

Continuing education

Members of the Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. In this context, a program is compiled for the Supervisory Board every year. Each year the Supervisory Board members take at least three training courses within the framework of continuing education. The continuing education program relates to relevant developments within VIVAT NV and the financial sector, corporate governance in general and of the financial sector in particular, towards customers in relation to the duty of care, integrity, risk management, financial reporting and audit. The participation of the members of the Supervisory Board in the program was monitored.

These continuing education sessions included – amongst others – topics on Solvency II, Internal Control Framework, Tax Recoverability, Shadow accounting and Treating Customers Fairly.

Important topics and key discussions

Meetings of the Supervisory Board

The reorganisation of VIVAT has devoted attention of the Supervisory Board and therefore the formal meetings of the Supervisory Board were every six weeks and several additional meetings and conference calls were held. The Supervisory Board was generally complete during these meetings. None of the Supervisory Board members were frequently absent at these meetings and in all meetings there was sufficient presence to constitute a valid quorum. Based on a frequency of meetings once every six weeks (two days including meetings with the committees), it is fair to say that the attendance rate was high, demonstrating the strength of the Supervisory Board's commitment.

During the formal meetings the Supervisory Board was updated on topical issues and several presentations were given on business activities and key initiatives of the product lines. In the meetings, the Supervisory Board was briefed on the discussions and resulting recommendations from Supervisory Board committee meetings.

In 2016 the Supervisory Board discussed and approved several items, such as amendments of the regulations of the Executive Board and regulations of the Supervisory Board.

Additional topics discussed by the Supervisory Board were:

- New operating model
- Reorganisation
- Solvency II programme
- Internal Control Framework
- Adjustment RAS
- Optimisation of our investment portfolio
- Fair value measurement of investments
- Models and data quality

The Supervisory Board had regular contact about these subjects with other stakeholders of VIVAT NV, the Dutch Central Bank (DNB) and Dutch Authority for Financial Markets (AFM).

Cooperation with committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Each member of the Supervisory Board has sufficient knowledge and experience to assess the main aspects of VIVAT's policy and to form an independent opinion of the basic risks. Decisions regarding risk management and risk control are prepared and recommended by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees are carefully composed whereas at least two members of these committees have profound knowledge of respectively risk management / risk control and internal control / reporting.

Cooperation between the Supervisory Board and the committees was positive. The meetings of the committees drill down into the subject matter so that the decisions of the Supervisory Board can be carefully prepared. The substance of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure that the supervisory directors are kept fully informed and are well positioned to take prudent decisions.

The Supervisory Board wants to express its gratitude to Jan Nooitgedagt for his contribution to VIVAT and its predecessors. The Supervisory Board also wants to thank the Executive Board and all employees for their efforts in 2016 under challenging circumstances.

Amstelveen, the Netherlands, 16 June 2017
On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

4.4. Remuneration

4.4.1. Remuneration policy Proteq in general

Introduction

The remuneration policy has been applied in full throughout 2016 to all employees of Proteq and its subsidiaries, including their executive directors.

Principles

The 2016 remuneration policy:

- Is compliant with the prevailing laws, rules and regulations;
- Reflects the interests of all the company's stakeholders: customers, employees, shareholders and society at large;
- Is in line with, and contributes to, robust and effective risk management and, concurrently, does not encourage the taking of more risks than acceptable for the company's businesses;
- Supports the ability to attract and retain qualified people, taking into account the specific position occupied by the company in the Netherlands.

Governance

The Supervisory Board is responsible for the implementation of the remuneration policy for the members of the Executive Board that has been adopted by the General Meeting. The Supervisory Board is also responsible for approving the remuneration policy for the senior management and the remuneration policy for other employees.

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares proposals in respect of the remuneration policy for decision-making by the Supervisory Board. Where necessary, the ReNomCo is assisted by independent remuneration experts. The control departments and various other corporate support departments (Finance, Legal, Human Resources and Audit) are also involved, each in their own capacity. As a result of this combined vetting, a governance framework has been prepared.

Identified Staff

Proteq designates Identified Staff (employees who could have a material impact on the institution's risk profile) on the basis of applicable laws, rules and regulations.

The list of Identified Staff is kept up-to-date by Human Resources, is checked for its accuracy at least once a year by the control departments and, thereafter it is presented to the Supervisory Board. There are specific rules regarding variable remuneration for employees who qualify as Identified Staff (for further information, see section Performance targets and variable remuneration for Identified Staff).

Composition of primary remuneration

Primary remuneration is made up of fixed and variable pay. Fixed pay is generally made up of 12 times an employee's fixed monthly salary, plus 8% holiday allowance and a 13th-month payment.

Level of fixed remuneration

The fixed monthly salary depends on the level of the employee’s role and the employee's knowledge and experience. A decision as to whether to increase the fixed monthly salary is made once a year, on the basis of a competency assessment. The fixed monthly salary is capped and cannot further increase if the maximum salary in the applicable pay scale has been reached.

Level of variable remuneration

Performance targets for Collective Labour Agreement employee are set in the first quarter of a performance period (a calendar year). In 2016, KPI’s for senior management were set after the first quarter.

After completion of the performance period, the extent to which the performance targets have been achieved are used as the basis for determining whether an employee is eligible for variable remuneration. In 2015 the 'Act on the Remuneration Policy of Financial Undertakings’ (Wet beloningsbeleid financiële ondernemingen, Wbfo 2015 stb 2015, 45) came into effect. The maximum levels of variable compensation as defined by Wbfo were implemented for the majority of Proteq's organizations for the full performance year 2016.

Performance targets and variable remuneration for Identified Staff

For employees who qualify as Identified Staff, specific rules apply for setting performance targets, determining the extent to which performance targets have been achieved, and setting and paying variable remuneration.

Performance targets are divided into financial and non- financial targets and into collective and individual targets. The performance targets are subject to an ex- ante risk assessment.

Variable remuneration is awarded, when applicable, in two portions: an immediate/unconditional portion (60%) and a deferred/ conditional portion (40%). 50% of the variable remuneration of Identified Staff is paid in cash and 50% in share based instruments.

The deferred portion of variable remuneration is paid out over a period of three years following the year of award.

The deferred portion of variable remuneration may be adjusted downwards on the basis of the outcome of an ex-post risk assessment. A downward adjustment will be made if the employee has not met relevant standards in respect of competence and appropriate conduct, or was responsible for behaviours that led to a material deterioration in VIVAT NV's financial position (Dutch Financial Undertakings (Remuneration Policy) Act (Wft), Section 1:127, Subsection 2).

Proteq has the power to claw back all or part of any variable pay awarded on the basis of incorrect information about the achievement of targets or the occurrence of circumstances that were a precondition for the variable pay to be awarded (Section 135(8), Book 2 of the Dutch Civil Code). Whole or partial claw back will take place if the employee has not met relevant competence standards and standards for appropriate conduct, or was responsible for behaviours that led to a material deterioration in the financial position of Proteq (Wft, Section 1:127, Subsection 3). This claw back may relate to both the immediately payable portion and the deferred portion of the variable remuneration. Any tax consequences of the claw back of variable remuneration will be borne by the employee concerned.

Performance targets for employees in control functions

Employees in control functions are remunerated on the basis of the achievement of the targets set for their positions, regardless of the business units over which they exercise supervision and the results of the business operations. Employees in control functions are defined as all employees working within the Financial Risk, Non-Financial Risk and Audit departments.

Pension

Almost all employees of Proteq are members of the same pension scheme. The scheme qualified as a defined contribution scheme for IAS 19 purposes. The contributions are paid by Proteq. Employees contribute towards the contributions in the form of a member’s contribution that is deducted from the monthly salary. Proteq does not award any discretionary pensions.

The tax law was amended to disallow a tax-facilitated pension accrual on an employee’s salary in excess of € 101,519 (2016). In dialogue with the trade unions, the premium rate paid by the employer in 2016 on salaries in excess of € 101,519 was converted into an allowance of 16.35% on an employee’s pensionable salary in excess of € 101,519. This agreement will be in effect until 1 January 2018, after which it will be subject to review.

Special arrangements on employee benefits

At Proteq, special arrangements for employee benefits refer to retention and/or welcome bonuses and material redundancy packages. Proteq exercises great restraint when agreeing such arrangements.

Such arrangements may be agreed only if they are in accordance with legislation and regulations.

Number of employees with total remuneration in 2016 exceeding € 1 million

In 2016, no Proteq employee received a total remuneration exceeding € 1 million.

Variable remuneration for the year 2016

An annual performance-related bonus for 2016 was paid to employees governed by the Collective Labour Agreement. In total an amount of € 3.5 million was paid to 2,549 employees.

For Senior Management of Proteq no variable remuneration related to performance 2016 was awarded taking into account the redundancy program of over 400 employees. In 2016 Proteq made a retention bonus available to 7 employees for a total amount of € 0.5 million. The retention bonus is partly unconditionally awarded (60%) and partly conditionally (40%). The payment of this variable remuneration will be made in accordance with the rules governing the payment of variable remuneration and the applicable variable remuneration policy for Identified Staff.

Other remuneration information

For further information regarding remuneration of Identified Staff we refer to the website of VIVAT. Information will be published as of May 2017.

4.4.2. Actual remuneration (former) members of the Executive Board

Reference is made to Note 10 Related parties (Intragroup balances with key management personnel of Proteq) for the actual remuneration (former) members of the Executive Board.

4.4.3. Actual remuneration (former) members of the Supervisory Board

Reference is made to Note 10 Related parties (Intragroup balances with key management personnel of Proteq) for the actual remuneration (former) members of the Supervisory Board.

Financial statements

5. Financial statements

5.1. Statement of financial position

Before result appropriation and in € thousands	Notes[1]	31 December 2016	31 December 2015[2]	1 January 2015[3]
> Assets				
Investments	1	596,313	534,568	548,510
Deferred tax assets	2	34,596	17,744	20,715
Other assets	3	518	2,478	1,377
Cash and cash equivalents	4	6,304	3,075	3,297
Total assets		**637,731**	**557,865**	**573,899**
> Equity and liabilities				
Share capital[4]		3,178	3,178	3,178
Share premium reserve		45,121	45,121	45,121
Revaluation reserve		26,987	33,565	38,603
Other reserves		38,113	33,469	28,950
Retained earnings		402	4,644	4,519
Shareholders' equity	**5**	**113,801**	**119,977**	**120,371**
Insurance liabilities	6	470,912	407,614	416,937
Derivatives	7	4,562	–	–
Deferred tax liabilities	2	36,508	27,246	31,469
Corporate income tax		5,531	1,120	1,316
Other liabilities	8	6,417	1,908	3,806
Total equity and liabilities		**637,731**	**557,865**	**573,899**

1 The references next to the balance sheet items relate to the notes to the statement of financial position in Section 6.3
2 With reference to paragraph 6.1.3 the figures as per 31 December 2015 respectively 1 January 2015 have been adjusted.
3 Pursuant to the requirements of IFRS 1, the statement of financial position as at 1 January 2015 is presented, since these are the first IFRS financial statements presented by Proteq.
4 The share capital amount to € 15,890,000 and comprises 35,000 ordinary shares with a nominal value of € 454 each. Of all shares, 7,000 shares are issued and fully paid up.

5.2. Statement of profit or loss

In € thousands	Notes[1]	2016	2015
> Income			
Regular Life		6,428	7,128
Single Life		1,042	1,152
Net premium income	12	**7,470**	**8,280**
Net fee and commission income	13	-9	-
Investment income	14	13,695	13,348
Result on derivatives	15	14,227	-2,307
Total income		**35,383**	**19,321**
> Expenses			
Technical claims and benefits	16	28,555	11,154
Staff costs	17	5,035	694
Depreciation and amortisation of non-current assets		227	-
Other operating expenses	18	965	1,253
Impairment losses	19	-21	-44
Other expenses	20	86	72
Total expenses		**34,847**	**13,129**
Result before taxation		**536**	**6,192**
Taxation	21	134	1,548
Net result continuing operations for the period		**402**	**4,644**

> Attribution:		
Net result continued operations attributable to shareholders	402	4,644
Net result continued operations for the period	**402**	**4,644**

[1] The references next to the income statement items relate to the notes to the statement of profit or loss in Section 6.3.

5.3. Statement of total comprehensive income

Statement of other comprehensive income

In € thousands	2016	2015[1]
> Items that may be reclassified subsequently to profit or loss		
Change in fair value reserve	-6,578	-5,038
Total items that may be reclassified to profit or loss subsequently	**-6,578**	**-5,038**
Other comprehensive income (after taxation)	**-6,578**	**-5,038**

[1] With reference to paragraph 6.1.3 the figures 2015 have been adjusted.

Statement of total comprehensive income

In € thousands	2016	2015[1]
Net result for the period	402	4,644
Other comprehensive income (after taxation)	-6,578	-5,038
Total comprehensive income	**-6,176**	**-394**
> Attribution:		
Total comprehensive income attributable to the shareholder	-6,176	-394

[1] With reference to paragraph 6.1.3 the figures 2015 have been adjusted.

5.4. Statement of changes in equity

Statement of changes in shareholders' equity 2016

In € thousands	Issued share capital[1]	Share premium	Sum revaluation reserves	Sum other reserves	Shareholders' equity
Adjusted balance as at 1 January 2016	**3,178**	**45,121**	**33,565**	**38,113**	**119,977**
Unrealised revaluations	–	–	29,552	–	29,552
Realised gains and losses through profit or loss	–	–	-194	–	-194
Change in profit-sharing reserve	–	–	-14,582[2]	–	-14,582
Shadow accounting movement	–	–	-21,354	–	-21,354
Amounts charged directly to total equity	**–**	**–**	**-6,578**	**–**	**-6,578**
Net result 2016	**–**	**–**	**–**	**402**	**402**
Total result 2016	**–**	**–**	**-6,578**	**402**	**-6,176**
Capital issue	**–**	**–**	**–**	**–**	–
Total changes in equity 2016	**–**	**–**	**-6,578**	**402**	**-6,176**
Balance as at 31 December 2016	**3,178**	**45,121**	**26,987**	**38,515**	**113,801**

1 The share capital amount to € 15,890,000 and comprises 35,000 ordinary shares with a nominal value of € 454 each. Of all shares, 7,000 shares are issued and fully paid up.
2 This amount constitutes the transfer of realised and unrealised gains and losses on fixed-income financial assets backing the insurance contracts with discretionary participation features to the insurance liabilities arising from these contracts.

Proteq proposes that, similar to 2015, no dividend will be distributed for 2016.

Statement of revaluation reserves and other reserves 2016

In € thousands	Fair value reserve	Sum revaluation reserves	Other reserves	Result of the year	Sum other reserves
Adjusted balance as at 1 January 2016	**33,565**	**33,565**	**33,469**	**4,644**	**38,113**
Transfer of net result 2015	**–**	**–**	**4,644**	**-4,644**	**–**
Transfers 2015	**–**	**–**	**4,644**	**-4,644**	**–**
Unrealised revaluations	29,552	**29,552**	–	–	**–**
Realised gains and losses through profit or loss	-194	**-194**	–	–	**–**
Change in profit-sharing reserve	-14,582	**-14,582**	–	–	**–**
Shadow accounting movement	-21,354	**-21,354**	–	–	**–**
Amounts charged directly to total equity	**-6,578**	**-6,578**	**–**	**–**	**–**
Net result 2016	–	–	–	402	**402**
Total result 2016	**-6,578**	**-6,578**	**–**	**402**	**402**
Capital issue	–	–	–	–	**–**
Total changes in equity 2016	**-6,578**	**-6,578**	**4,644**	**-4,242**	**402**
Balance as at 31 December 2016	**26,987**	**26,987**	**38,113**	**402**	**38,515**

Statement of changes in shareholders' equity 2015

In € thousands	Issued share capital	Share premium	Sum revaluation reserves	Sum other reserves	Shareholders' equity
Balance as at 1 January 2015	**3,178**	**45,121**	**29,461**	**33,469**	**111,229**
Adjustment for prior years	–	–	9,142	–	9,142
Adjusted balance as at 1 January 2015	**3,178**	**45,121**	**38,603**	**33,469**	**120,371**
Unrealised revaluations	–	–	-11,092	–	-11,092
Realised gains and losses through profit or loss	–	–	-428	–	-428
Shadow accounting movement	–	–	6,482	–	6,482
Amounts charged directly to total equity	**-**	**-**	**-5,038**	**-**	**-5,038**
Net result 2015	–	–	–	4,644	4,644
Total result 2015	**-**	**-**	**-5,038**	**4,644**	**-394**
Capital issue	–	–	–	–	–
Total changes in equity 2015	**-**	**-**	**-5,038**	**4,644**	**-394**
Balance as at 31 December 2015	**3,178**	**45,121**	**33,565**	**38,113**	**119,977**

Statement of revaluation reserves and other reserves 2015

In € thousands	Fair value reserve	Sum revaluation reserves	Other reserves	Result of the year	Sum other reserves
Balance as at 1 January 2015	**29,461**	**29,461**	**28,950**	**4,519**	**33,469**
Adjustment for prior years	9,142	9,142	–	–	**-**
Adjusted balance as at 1 January 2015	**38,603**	**38,603**	**28,950**	**4,519**	**33,469**
Transfer of net result 2014	**-**	**-**	4,519	-4,519	**-**
Transfers 2014	**-**	**-**	**4,519**	**-4,519**	**-**
Unrealised revaluations	-11,092	**-11,092**	–	–	**-**
Realised gains and losses through profit or loss	-428	**-428**	–	–	**-**
Shadow accounting movement	6,482	**6,482**	–	–	**-**
Amounts charged directly to total equity	**-5,038**	**-5,038**	**-**	**-**	**-**
Net result 2015	–	–	–	4,644	**4,644**
Total result 2015	**-5,038**	**-5,038**	**-**	**4,644**	**4,644**
Capital issue	–	–	–	–	**-**
Total changes in equity 2015	**-5,038**	**-5,038**	**4,519**	**125**	**4,644**
Balance as at 31 December 2015	**33,565**	**33,565**	**33,469**	**4,644**	**38,113**

5.5. Cash flow statement

In € thousands	2016	2015
> Cash flow from operating activities		
Operating profit before taxation	402	4,644
> Adjustments for:		
Depreciation and amortisation of non-current assets	227	-
Changes in insurance liabilities (benefits paid and premium)	63,298	-9,323
Impairment charges / (reversals)	-21	-44
Taxes (paid) received	4,411	-196
> Change in operating assets and liabilities:		
Change in other operating activities	-62,795	2,963
Net cash flow from operating activities	**5,522**	**-1,956**
> Cash flow from investment activities		
Sale and redemption of investments and derivatives	126,847	65,821
Purchase of investments and derivatives	-129,140	-64,087
Net cash flow from investment activities	**-2,293**	**1,734**
> Cash flow from finance activities		
Net cash flow from financing activities	**-**	**-**
Cash and cash equivalents 1 January	3,075	3,297
Change in cash and cash equivalents	3,229	-222
Cash and cash equivalents as at 31 December	**6,304**	**3,075**
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	12,574	12,777
Dividends received	-10	-
Interest paid	34	9

6. Notes to the financial statements

6.1. Accounting policies for the financial statements

6.1.1. General information

Proteq Levensverzekering NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. Proteq Levensverzekering NV is a wholly owned subsidiary of VIVAT NV and VIVAT NV is a wholly owned subsidiary of Anbang Group Holdings Co. Limited with a registered office at Hong Kong, People's Republic of China, which ultimate parent is Anbang Insurance Group Co. Ltd with its headquarters in Beijing, People's Republic of China.

In the financial statements within this annual report the name 'Proteq' is used.

The main accounting policies used in the preparation of the financial statements are set out in this section.

Adoption of the financial statements

The financial statements of Proteq for the year ended on 31 December 2016 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 16 June 2017. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

6.1.2. Basis of preparation

Statement of IFRS compliance

Proteq prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. 2016 was the first year that the financial statements of Proteq were prepared based on IFRS.

Relevant new standards, amended standards and interpretations of existing standards effective as of 2016

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2016 no new or amended standards and interpretations of the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), applicable to Proteq, have become effective.

Relevant new standards, amended standards and interpretations of existing standards effective date on or after January 2017

Relevant new standards, amendments to existing standards and interpretations, published prior to 1 January 2017 and effective for reporting periods beginning on or after 1 January 2017, were not early adopted by Proteq.

Other developments

Conjunction IFRS 9 Financial Instruments with the new standard on insurance contracts 'IFRS 17'

The financial instruments standard, IFRS 9 Financial Instruments, was issued in July 2014 and has an effective date of 1 January 2018.

In December 2015 IASB issued an exposure draft on IFRS 4, the new standard on insurance contracts. In this exposure draft entities, whose business model is predominantly to issue insurance contracts, are allowed to defer the implementation of IFRS 9 until 1 January 2021 or sooner if IFRS 17 is implemented at an earlier date. In the first half of 2016, IASB introduced the quantitative threshold for the assessment of the predominance criterion. Predominance will be assessed based on a ratio calculated as the quotient of insurance related liabilities (i.e. insurance contracts, investment contracts issued in combination with insurance contracts, tax liabilities relating to insurance activities, funding and other related liabilities) and total liabilities. If the predominance ratio is 90% or more, the entity qualifies for the 'temporary exemption' which offers the qualifying entity for the possibility to postpone the implementation of IFRS 9. Proteq's predominance ratio is well above 90%.

Proteq has decided that the implementation of IFRS 9 is to be postponed until 1 January 2021 or earlier if IFRS 17 is implemented at an earlier date.

IFRS 15 Revenue from Contracts with Customers

This standard becomes effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue on contracts other than insurance contracts and financial instruments. The implementation of IFRS 15 is not expected to have a significant impact on the financial statements of Proteq.

IFRS 16 Leases

This standard was issued in January 2016 and has an effective date of 1 January 2019.

According to this new standard, lessees (the user of the asset) no longer make a distinction between finance and operational lease. Lessees have to recognise all assets in scope of IFRS 16 'Leases' in their statement of financial position. The main change involves the accounting of operational leases; a lessee has to recognise a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments. In statement of profit or loss a lessee recognises a depreciation charge regarding their assets in use and interest rate expense on their lease liabilities for all these leases.

As a result Proteq is required to reassess all operational lease contracts in order to determine whether they need to be recognised in the statement of financial position or qualify for the exemption (short lease term, low value). In addition to these activities, lease contracts also need to be examined in order to unbundle possible service components. The outcome of this analysis is not expected to have material consequences for Proteq.

IFRS 17 Insurance contracts

On 18 May 2017, the IASB published IFRS 17 Insurance Contracts. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after 1 January 2021. Once effective, IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the General (building block) Model, supplemented by:

- A specific adaptation for contracts with direct participation features (the Variable Fee Approach)
- A simplified approach (Premium Allocation Approach) mainly for short-duration contracts

IFRS 17 will fundamentally change the financial reporting of companies issuing insurance contracts. Proteq will assess the impact of IFRS 17 in conjunction with IFRS 9.

6.1.3. Adjustment of prior period error

The insurance portfolio of Proteq contains profit sharing contracts. Based on these contracts policyholders are entitled to discretionary profit sharing. As a result unrealised revaluations on fixed income financial assets are transferred from shareholders' equity (revaluation reserve) to the insurance liabilities to reflect this entitlement. In 2015 and 2014 the transferred amounts were calculated incorrect causing the insurance liabilities to be overstated. In this annual report the figures are adjusted. The cumulative impact on the relevant balance sheet items is shown below. The adjustment has no impact on profit or loss in any year.

In € thousands	Balance as at 1 January 2015	Adjustment	Adjusted Balance as at 1 January 2015
Insurance liabilities	429,127	-12,190	416,937
Deferred tax assets	23,763	-3,048	20,715
Shareholders' equity	111,229	9,142	120,371

In € thousands	Balance as at 31 December 2015	Adjustment	Adjusted Balance as at 31 December 2015
Insurance liabilities	417,695	-10,081	407,614
Deferred tax assets	20,265	-2,521	17,744
Shareholders' equity	112,417	7,560	119,977

6.1.4. General accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in the financial statements.

The financial statements have been prepared on an accrual basis.

Functional currency and reporting currency

The financial statements have been prepared in thousands of euros (€). The euro is the functional and reporting currency of Proteq. All financial data presented in euros is rounded to the nearest million, unless stated otherwise. Counts are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

Further details on the accounting policies applied to the conversion of transactions and translation of items in the statement of financial position denominated in foreign currencies are provided in the section 'Foreign currencies' below.

Foreign currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date. Monetary items in the statement of financial position denominated in foreign currencies are translated into euros at the exchange rate applicable at the reporting date. Exchange rate differences arising from these transactions and from converting monetary items in the statement of financial position denominated in foreign currencies are recognised in the statement of profit or loss within investment income or gains and losses on financial instruments, depending on the item in the statement of financial position to which they relate.

The exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value recognised in the statement of profit or loss, are accounted for as part of these changes in the value of the related item in the statement of financial position. Exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value being recognised in other comprehensive income, are incorporated into shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

Accounting based on transaction date and settlement date

All purchases and sales of financial instruments that have been settled in accordance with standard market practices are recognised at the transaction date, i.e. the date on which Proteq commits itself to buying or selling the asset or liability. All other purchases or sales are recognised as forward transactions until they are settled.

Offsetting financial instruments

Financial assets and liabilities are offset and their net amounts are reported in the statement of financial position if the following conditions are met:

> a legally enforceable right to set off the recognised amounts exists,
> Proteq intends to settle the items on a net basis, or to realise the asset and the liability simultaneously.

If either of these conditions are not met, amounts are not offset.

Estimates and assumptions

The preparation of the financial statements requires Proteq to make estimates and assumptions based on complex and subjective opinions and best estimates. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the reporting date, and on the reported income and expenses for the reporting period. In this process, management judges situations on the basis of available information and financial data that could potentially change in the future. Although estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other assumptions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. The resulting impact on accounting estimates is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting policies involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, the provisions for bad debts, the fair value of assets and liabilities, and impairments.

Fair value measurement

Application

The financial statements have been prepared using the measurement bases of fair value, amortised cost or historical cost.

Fair value is used to measure:

- investments at fair value through profit or loss;
- investments classified as available for sale.

All other financial assets (including loans and advances) and liabilities are measured at amortised cost.

Fair value hierarchy

The fair value of financial assets and liabilities is determined using quoted prices where available. These quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. Proteq applies a transfer price when determining fair value; as a result, financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information relating to the fair value of the instrument is taken into account.

When no market price is available for certain financial assets and liabilities, the fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input used in these models is based on observable market information to the extent possible. All valuation methods used are assessed and reviewed according to the Proteq governance procedures.

6.1.5. Accounting policies for the statement of financial position

Financial instruments

Proteq classifies its financial assets in one of the following categories: (1) at fair value through profit or loss, (2) available for sale, or (3) loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management decides to which category the asset is allocated at initial recognition.

Upon initial recognition, financial assets are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', in which transaction costs are recognised directly in the statement of profit or loss.

The categories of financial assets are explained in more detail in the following section.

Proteq measures its financial liabilities at amortised cost with the exception of derivatives and liabilities from investments for account of third parties. For more information see the corresponding sections.

Investments

Fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it was designated as such upon initial recognition. Financial assets are only designated at fair value through profit or loss if:

- this eliminates or considerably limits an inconsistency in valuation or recognition between assets and liabilities that would otherwise arise; or
- Proteq manages and assesses them on a fair value basis.

Financial assets classified as fair value through profit or loss are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the statement of profit or loss within investment income.

Interest income earned on securities is recognised within investment income. Dividends received are also recognised within investment income.

Available for sale (fair value through other comprehensive income)

Financial assets that do not meet the criteria defined by management for loans and receivables or are not designated as at fair value through profit or loss are classified as available for sale.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from fair value adjustments of these investments are recognised within other comprehensive income (shareholders' equity), net of deferred taxes.

When financial assets are sold, any accumulated fair value adjustments are recognised in the statement of profit or loss as investment income. Proteq uses the average cost method to determine the related gains and losses.

Loans and receivables (amortised cost)

Loans and receivables comprise unlisted debt investments with a fixed term (including mortgages) and the saving components of endowment mortgages issued by the insurance business. Loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment if deemed necessary.

Impairment of financial assets

At reporting date, Proteq assesses whether there is objective evidence of an impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the statement of profit or loss as 'impairment charges'. To the extent a positive revaluation reserve exists regarding investments available for sale, impairment losses are charged against the revaluation reserve within shareholders' equity.

Investments in debt securities

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there is objective evidence of financial distress at the counterparty, declining markets for the counterparty's product or other relevant indicators. This test comprises both quantitative and qualitative considerations. Debt securities are assessed for aspects including expected credit losses and credit losses already incurred (e.g. due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

Investments in equity instruments

An investment in equity instruments is considered to have been subject to impairment if its carrying amount exceeds the recoverable value for an extended period, which means that its fair value:

- has decreased 25% or more below cost; or
- has been at least 5% below cost for nine months or more.

Depending on the availability of data, the fair value of unlisted equities is determined based on:

- the price of the most recent transaction (as an indication);
- current fair values of other, similar investments (in entities); or
- valuation methods in accordance with accepted economic methods that use market data to the extent possible.

Reversal of impairments on debt securities and equity investments

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment allowance is (partially) reversed. That reversal is recognised in profit or loss. Impairments on equity securities are never reversed.

Investments in mortgages

Where mortgage loans are concerned, an allowance for impairment is recognised if objective evidence exists that Proteq is not able to collect all payments in accordance with the contractual agreements. For mortgages that are individually significant, this allowance corresponds to the difference between the carrying amount and the recoverable amount. The recoverable amount equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans.

The criteria relating to impairments are applied to the entire mortgage portfolio. Individual mortgage loans with less significant amounts (and corresponding credit risk) are tested collectively for impairment.

The allowance for impairment losses also covers losses where objective evidence of losses likely to be incurred in the loan portfolio exists (IBNR: incurred but not reported). Losses on mortgages are estimated on the basis of historic loss patterns and the creditworthiness of counterparties. Both estimates take into account the current economic climate in which the counterparties operate.

If the amount of the impairment loss subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the statement of profit or loss to that extent. When a loan is uncollectable, it is written off against the relevant allowance for impairment. The subsequently collected amounts are deducted from the addition to the allowance for impairment in the statement of profit or loss.

Loans and advances to banks

These assets concern receivables from banks with a remaining maturity of one month or more, not including interest- bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Taxes

Income tax expense

Income tax relates to payable or recoverable tax on the taxable profit for the reporting period and taxes due from previous periods, if any. Current tax receivables and payables are measured using the tax rate applicable at the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is based on the tax rates applicable at the reporting date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled.

Deferred tax assets and liabilities are measured at the undiscounted amount expected to be received or paid. Deferred tax assets are only recognised if sufficient taxable profits are expected to be available in the near future against which these temporary differences can be utilised. Deferred taxes are recognised for temporary differences between the carrying amount and the value for tax purposes.

Deferred tax assets are assessed at the reporting date; if it is no longer likely that the related taxable profit will be achieved, the asset is reduced to its recoverable value.

Other assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. Accrued assets also include the accrued interest on financial instruments measured at amortised cost, as well as other accruals.

Equity

Share capital and share premium reserve

The share capital comprises the issued and paid-in ordinary shares. The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary shares.

Other reserves

Fair value reserve

Gains and losses arising from changes in the fair value of assets that are classified as available for sale are recognised in the fair value reserve (net of taxes). If the particular assets are sold, settled or as a result of other events are no longer recognised; the corresponding cumulative gains and losses is then transferred from the fair value reserve to profit or loss (see the section entitled 'Financial assets'). Exchange rate differences on non-monetary financial assets that are classified as available for sale are also recognised in this reserve.

Shadow accounting is applied to the fair value reserve for fixed-income securities that are held to cover insurance liabilities.

Other reserves

Other reserves mainly comprise Proteq's retained earnings.

Insurance liabilities

Liabilities arising from insurance contracts (further referred to as insurance liabilities) are recognised in the statement of financial position. Insurance contracts are contracts that concern the transfer of significant insurance risk. These contracts can also involve investment risks. Proteq issues life insurance contracts. Proteq recognises insurance liabilities from the earliest of the beginning of the coverage period or the date on which the first payment of the policyholder becomes due.

Proteq has continued applying the accounting policies in use at the time of transition to IFRS to for the valuation of the insurance contract liabilities since the first adoption of IFRS (the historically applied accounting policies). The insurance liabilities reported at the reporting date are valued at the higher of:

- the historic value based on the assumptions used to calculate the (guaranteed) premium and
- the minimum value according to the liability adequacy test.

The first method uses premium calculation principles for interest and mortality (life insurance contracts) or historically observed claim development patterns (property & casualty insurance). A combination of both methods is used in relation to disability insurance contracts.

For insurance liabilities IFRS requires a liability adequacy test to be performed. The carrying amount of the insurance liability based on historical cost and reduced by related intangible assets like the Value of Business

Acquired (VOBA) and deferred acquisition costs (if applicable) is compared to the current estimates of future cash flows corresponding to the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit, thus increasing the value of the insurance liability based on the current estimates of future cash flows.

The details of the valuation principles for life insurance contracts and the corresponding liability adequacy test are described below.

Life insurance

Life insurance contracts comprise general account life insurance policies. The contracts issued by Proteq are funeral expense insurance policies, which lead to a payment upon death of the insured.

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2016, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR). Both measurement principles are explained below.

Measurement at tariff rates

Locked-in interest rate

Liabilities arising from life insurance contracts with a locked-in interest rate are determined on the basis of a prudent prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable.

Actual payments and the timing of payments also depend on social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, as well as assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, is also taken into account for some life insurance products. The assumptions used in the measurement of life insurance contracts at the reporting date are based on the calculation principles set at the contract's inception date.

Most policies have a fixed discount rate between 3% and 4%. The discount rate for recent insurance contracts is generally lower than 3%. For savings mortgages and other guaranteed products, the rate of return guaranteed in the insurance contract is used. The interest rate in these insurance contracts equals the investment return achieved on the corresponding investments.

Embedded options and guarantees in insurance contracts

Proteq does not separately recognise embedded derivatives in insurance contracts, such as options to surrender insurance contracts at a fixed amount, or at a fixed amount and a guaranteed interest rate (i.e. closely linked to the basic insurance contract), but recognises them under the host contract from which they stem. As soon as the insurance liability relating to the host contract drops below the guaranteed minimum, the embedded derivatives are recognised as an addition to the insurance liabilities. The time value of the embedded options is not included in the measurement of the embedded derivative.

Cost surcharges

Premiums include loadings to cover expenses. When premiums are received or fall due, the surcharges are released; they are then available to cover actual expenses, including renewal expenses and acquisition costs.

Provisions for disability risk

Under liabilities arising from insurance contracts, a provision is maintained for the entitlement to a premium waiver in the event of disability. This provision is based on a factor multiplied by the annual premium that applies to the disability risk.The factor is based on IBNR techniques derived from empirical data for claim behaviour. The IBNR techniques involve historic data, based on which estimates are made at the reporting date for claims expected to have occurred but have not been reported at the reporting date. The valuation principles of disability coverage that are used, including the waiver of premiums, are the same as the principles for the main insurance policy.

Profit-sharing and bonuses

The present value of any profit share that has been awarded but has not yet been distributed is included in the provision for profit-sharing and bonuses which is included in the life insurance liabilities.

Profit-sharing

The insurance portfolio contains insurance contracts with discretionary profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of Proteq's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, all realised and unrealised gains and losses on fixed-income financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions are made regardless of the management's decision about the profit amounts paid out to the policyholders. After the initial recognition the net realised gain is amortised to cover benefits paid to policyholders at management's discretion.

Final bonus account

The final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual insurance contracts and becomes payable upon maturity or upon the death of the insured party. Entitlement to a final bonus is cancelled when the insurance contract is surrendered. Entitlements to final bonuses to be paid are subordinated to all other debts. Entitlement to a final bonus lapses if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements cannot or may not be met any longer.

The final bonus account is determined based on actuarial principles. The estimated probability of early termination of insurance contracts is also taken into account. Part of the final bonus account is converted into an unconditional right of the policyholder on a consistent, annual basis.

Shadow accounting

Realised gains and losses on assets backing insurance liabilities can affect the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:

> are measured on a different basis; or
> have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

Proteq applies this option which means that unrealised gains or losses on assets backing certain insurance liabilities are treated similarly to realised gains and losses for the purpose of measuring insurance liabilities. For Proteq this leads to the changes in the way cumulative unrealised net gains are accounted for unrealised fair value changes of Available for Sale fixed income financial assets, which are initially recognised in other comprehensive income, are transferred to the insurance liabilities without affecting profit or loss.
Shadow Accounting limits accounting mismatches only as far as those are caused by market interest rate changes. If, after the application of Shadow Accounting, any deficit under the Liability Adequacy Test remains, Proteq strengthens the insurance liabilities further through profit or loss.

Measurement based on current IFRS LAT assumptions

IFRS LAT methodology

Under IFRS, the carrying amount of an insurance liability, net of VOBA and deferred acquisition costs, is required to be at least equal to the discounted current estimates of future cash flows under its insurance contract plus a risk margin. The total carrying amount of the liabilities tested, consists of the carrying amount based at historical tariff rates, supplemented with any liabilities arising from interest rate guarantees on life insurance contracts and the effects of shadow accounting.

It is tested, based on current assumptions, whether these carrying amounts will ultimately be adequate to cover the commitments to policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments in mortality, disability, the behaviour of policyholders, claims handling and management costs. The valuation of the future expected profit-sharing and the time value of embedded options and guarantees are included in these cash flows. The estimate is increased with a risk margin, which is calculated using the Cost of Capital method. Finally, the cash flows are discounted using the swap curve published by DNB including the Ultimate Forward Rate. The resulting minimum liability is compared to the carrying amount, after shadow accounting, of the insurance liabilities adjusted for any differences between fair value and book value of other balance sheet items. If the LAT minimum is higher, a test deficit exists.

To the extent that this has been agreed in the contract, deficits in relation to the guaranteed interest rate will (partially) be borne by the policyholders. Any such contributions are deducted from the liability adequacy test deficit.

Recognition of a deficit

If the outcome of the test, taking into account the shadow accounting adjustments, is a deficit, the carrying amount of insurance liabilities will be supplemented via technical claims and benefits in profit or loss. The increase of the carrying value of insurance liabilities and related assets is effected first by impairing any VOBA or any deferred acquisition costs. Any remaining deficit will be added to insurance liabilities though profit or loss. If the deficit decreases in the next reporting period, the prior addition will be reversed to the extent it was recognised in profit or loss (technical claims and benefits).

Test level and frequency

The IFRS liability adequacy test is performed at least quarterly for the entire portfolio of life insurance contracts. The test is performed at legal entity level.

Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2016:

- Discount rate: swap curve including an Ultimate Forward Rate which after the 20 years point (last liquid point) converges to 4,2% in 40 years.
- Profit allocation in accordance with the applicable profit-sharing arrangements.
- Cost allocation and distribution of efficiency gains based on internal assessment.
- Projected mortality probability data for the entire population based on *Prognose Model AG 2016* adjusted for experience on each portfolio based on both external and internal research.
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Cost inflation consists for around 80% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CAO) and for 20% the inflation of other costs.
- Cost of capital rate: 4% (2015: 4%).

Other provisions

General

Provisions are recognised if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the obligation can be made.

Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the statement of profit or loss.

Legal provisions

At the reporting date, Proteq recognises a provision for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal fees and payments due in the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the reporting date. A provision is recognised if the obligation can be reliably estimated.

Financial liabilities

Amounts due to banks

Amounts due to banks comprise unsubordinated debts to credit institutions. Upon initial recognition, amounts due to banks are measured at fair value, including transaction costs incurred. These liabilities are subsequently measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised in the statement of profit or loss.

Other liabilities

Other liabilities include creditors, other taxes and accrued liabilities as well as interest accrued on financial instruments that are measured at amortised cost.

6.1.6. Accounting policies for the statement of profit or loss

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

Income

Income represents the fair value of the services. Income is recognised as described in the following sections.

Premium income

Premium income from insurance contracts, exclusive of other charges, comprises regular life premiums (including pensions) and single life premiums.

Regular life premiums, single-premium contracts and limited-premium life insurance policies from life insurance contracts are recognised as income when payment by the policyholder falls due.

Fee and commission income

Fee and commission income includes income from commissions from insurance operations and other related services offered by Proteq. These are recognised in the reporting period in which the services are performed. Commission related to transactions in general account financial instruments is included in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

Fee and commission expense

Commission expenses and management fees are accounted for as fee and commission expense to the extent that they are related to the services received in the reporting period.

Investment income

Investment income consists of interest, dividend and revaluations.

Interest

The item interest comprises interest income from investments. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price. The effective interest method is based on estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and direct costs and income, such as transaction costs charged, brokerage fees and discounts or premiums.

Commitment fees, together with related direct costs, are deferred and recognised as adjustments of the effective interest on a loan if it is likely that Proteq will conclude a particular loan agreement. If the commitment expires without Proteq having provided the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment period.

Interest income on monetary financial assets that have been subject to impairment and have been written down to the estimated recoverable amount is calculated over the amortised cost of the financial asset net of any reduction for impairment or uncollectibility.

Dividend

Dividend income is recognised in the statement of profit or loss as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividend.

Revaluations

This item serves to recognise realised and unrealised increases and decreases in the fair value of financial assets qualifying as at fair value through profit or loss. Revaluations concern the difference between the fair value at the reporting date or net proceeds from the sale during the reporting period on the one hand, and the fair value at the beginning of the reporting period or the purchase price during the reporting period on the other.

Realised revaluations, i.e. the difference between the selling price and (amortised) cost, of financial assets coming under the other categories are recognised in this item as well.

Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between costs incurred and the corresponding economic benefits. If future economic benefits are expected to occur in different reporting periods, expenses are recognised in the statement of profit or loss based on a systematic allocation method. Expenses are directly recognised in the statement of profit or loss if they do not generate any future economic benefits.

Technical claims and benefits

This item comprises benefits and claims paid, surrender, claim handling costs and the changes in the general account insurance liabilities which include the difference between actual and expected results on the general account insurance portfolio. The changes in insurance liabilities resulting from shadow accounting on interest rate derivatives and LAT-deficit are also presented as this item.

Staff costs

This item concerns all staff costs, including salaries, social security contributions and pension costs. The salaries, social security contributions and costs of the SNS REAAL defined contribution pension scheme were charged by VIVAT to Proteq.

Other operating expenses

This includes office expenses, accommodation expenses and other operating expenses.

Impairment charges

This item includes downward revaluations of assets whose carrying amounts exceed their recoverable amounts. Financial assets, receivables and other assets may be subject to impairment. As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Other interest expenses

This item primarily comprises interest expenses related to private loans issued by Proteq. Interest expenses are recognised in the statement of profit or loss based on the effective interest method.

Other expenses

Other expenses comprise all expenses that cannot be accounted for within the items in the statement of profit or loss described above. These expenses have no direct relation with business operations, occur occasionally, and are incurred in a single reporting period or arise in a single reporting period; they are amortised over multiple reporting periods, where applicable.

6.1.7. Contingent liabilities and commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of Proteq. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

6.1.8. Cash flow statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

6.2. Acquisitions and disposals

There were no acquisitions or disposals in the financial year 2016.

6.3. Notes to the financial statements

1. Investments

Investments

Breakdown of investments

In € thousands	2016	2015
Available for sale	596,311	534,504
Loans and receivables	2	64
Total	**596,313**	**534,568**

Available for sale: listed and unlisted

In € thousands	Fixed-income investments 2016	2015
Listed	596,311	534,504
Total	**596,311**	**534,504**

Investments: statement of changes

	Available for sale		Loans and receivables		Total	
In € thousands	2016	2015	2016	2015	2016	2015
Balance as at 1 January	534,504	548,386	64	124	**534,568**	**548,510**
Purchases and advances	129,138	64,087	2	–	**129,140**	**64,087**
Disposals and redemptions	-107,003	-63,451	-65	-63	**-107,068**	**-63,514**
Revaluations	39,423	-14,791	–	–	**39,423**	**-14,791**
Amortisation	-106	331	1	1	**-105**	**332**
Other	355	-58	–	2	**355**	**-56**
Balance as at 31 December	**596,311**	**534,504**	**2**	**64**	**596,313**	**534,568**

The other movements involve the change in accrued interest.

Available for sale: measurement

In € thousands	Fixed-income investments 2016	2015
(Amortised) cost	431,110	408,801
Revaluation	154,719	115,576
Accrued interest	10,482	10,127
Total	**596,311**	**534,504**

Proteq has lent some of its investments. The carrying amount of lent investments at 31 December 2016 was € 176,271 thousand (2015: € 129,524 thousand). The lending periods are open-ended and can be terminated on request. Proteq charges a lending fee in 2016 of € 102 thousand (2015: € 62 thousand).

Some other investments have been pledged as collateral for amounts due to banks (repos). The carrying amount (market value) of investments pledged as collateral at 31 December 2016 was € 3,595 thousand (2015: nil). The collateral received for derivatives are reported in note 22 Financial instruments.

Loans and receivables: investments

In € thousands	2016	2015
Private loans	2	64
Total	**2**	**64**

Investment portfolio

The following table shows the breakdown of the interest-bearing investment portfolio by sector.

Breakdown of interest-bearing investment portfolio (sector)

In € thousands	2016		2015	
Sovereign	542,498	91%	482,408	90%
Corporate bonds – financial sector	23,317	4%	15,617	3%
Corporate bonds – non-financial sector	30,496	5%	34,609	6%
Mortgage backed securities	–	0%	1,870	0%
Private loans	2	0%	64	0%
Total	**596,313**	**100%**	**534,568**	**99%**

The following overview provides a breakdown of the interest-bearing investments by rating category.

Breakdown of interest-bearing investment profile (rating)

In € thousands	2016		2015	
AAA	528,290	89%	470,771	88%
AA	14,971	3%	13,227	2%
A	30,018	5%	20,078	4%
BBB	23,032	4%	30,492	6%
Not rated	2	0%	–	0%
Total	**596,313**	**100%**	**534,568**	**100%**

Of the interest-bearing investment portfolio, 97% of investments had an A rating or higher (year-end 2015: 94%).

The table below contains the breakdown of the interest bearing investment portfolio by geographic area. The interest-bearing investment portfolios of Proteq have predominantly European debtors. No single debtor represents an interest of more than 5% in the interest-bearing investment portfolio with the exception of the German Government and the Dutch Government.

Breakdown of interest-bearing investment profile (geographic)

In € thousands	2016		2015	
Netherlands	323,830	54%	295,121	55%
Germany	202,155	34%	173,729	32%
France	19,539	3%	22,992	4%
United States	16,270	3%	16,159	3%
Spain	13,525	2%	5,900	1%
Luxembourg	11,236	2%	10,653	2%
United Kingdom	7,000	1%	8,065	2%
Other	2,758	0%	1,949	0%
Total	**596,313**	**100%**	**534,568**	**100%**

2. Deferred tax assets and liabilities

Breakdown of deferred tax assets and liabilities

In € thousands	2016	2015
Deferred tax assets	34,596	17,744
Deferred tax liabilities	-36,508	-27,246
Total	**-1,912**	**-9,502**

Origin of deferred tax assets and tax liabilities 2016

In € thousands	1 January	Change through profit or loss	Change through equity	31 December
Investments	-27,246	524	-9,786	**-36,508**
Derivatives	-	1,388	-	**1,388**
Insurance contracts	17,744	3,485	11,979	**33,208**
Total	**-9,502**	**5,397**	**2,193**	**-1,912**

Origin of deferred tax assets and tax liabilities 2015

In € thousands	1 January	Change through profit or loss	Change through equity	31 December
Investments	-31,468	382	3,840	**-27,246**
Derivatives	-	-	-	**-**
Insurance contracts	20,715	-810	-2,161	**17,744**
Total	**-10,753**	**-428**	**1,679**	**-9,502**

Breakdown of tax-effect changes shareholders' equity

In € thousands	2016	2015
Change in fair value reserve	-2,193	-1,679
Total	**-2,193**	**-1,679**

The corporate income taxes are irrevocable for the years up to and including 2013.

3. Other assets

Breakdown of other assets

In € thousands	2016	2015
Receivables from policyholders	232	362
Receivables from group companies	80	1,867
Accrued interest	-	1
Other advances and accrued assets	206	248
Total	**518**	**2,478**

4. Cash and cash equivalents

Breakdown of cash and cash equivalents

In € thousands	2016	2015
Short-term bank balances	6,304	3,075
Total	**6,304**	**3,075**

5. Equity

Breakdown of equity

In € thousands	2016	2015
Equity attributable to the shareholder	113,801	119,977
Total	**113,801**	**119,977**

The share capital amount to € 15,890,000 and comprises 35,000 ordinary shares with a nominal value of € 454 each. Of all shares, 7,000 shares are issued and fully paid up.

The change in Equity attributable to shareholders in 2016 was caused by net result 2016 (€ 402 thousand) and the change in Other Comprehensive Income (€ 6,578 thousand negative). For further details on share-holders' equity, see Section 5.4, Statement of changes in equity.

The amount of € 113,801 thousands includes € 26,987 thousands of reseves which are restricted and may not be paid out.

6. Insurance liabilities

As per 31 December, 2016 the total amount of insurance liabilities is € 470,912 thousand (2015: € 407,614 thousand).

Statement of changes in provisions for Life insurance obligations

	Gross	
In € thousands	2016	2015
Balance as at 1 January	407,614	416,937
Benefits paid	-12,172	-10,833
Premiums received	7,470	8,280
Interest added	12,051	11,996
Technical result	-2,518	-3,458
Release of expense loading	-3,384	-3,425
Change in shadow accounting	61,851	-11,883
Balance as at 31 December	**470,912**	**407,614**

Individual insurance policies are both sold as policies with a benefit in money (the traditional insurance that may or may not include profit-sharing or interest profit- sharing).

Traditional insurance policies

Proteq bears the investment risk related to traditional insurance policies.

A form of profit-sharing (discretionary) exists, or an interest rate rebate has been granted, for a significant portion of the portfolio. This breakdown is shown in the accompanying table.

Breakdown of traditional insurance policies

In € thousands	2016	2015
Discretionary profit sharing	251,514	250,504
Without profit-sharing	86,567	86,131
Total	**338,081**	**336,635**

LAT test results
Reconciliation of the IFRS provision and the LAT test results

	Life insurance LAT	
In € thousands	2016	2015
Insurance liabilities before LAT	442,439	407,614
Provision calculated for LAT	470,912	398,124
Deficit	**-28,473**	

The deficit is covered by shadow accounting of the revaluation reserve of the fixed income investment portfolio (2015: no deficit).

7. Derivatives

Breakdown of derivatives

	Positive value		Negative value		Balance	
In € thousands	2016	2015	2016	2015	2016	2015
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	-	-	4,562	-	**4,562**	**-**
Total	**-**	**-**	**4,562**	**-**	**4,562**	**-**

Statement of changes in derivatives

In € thousands	2016	2015
Balance as at 1 January	-	-
Realised gains and losses	-19,779	-2,307
Revaluations	15,217	2,307
Balance as at 31 December	**-4,562**	**-**

The movements in 2015 are a result of transactions in Futures. For more information about derivatives see Note 15 Results on derivatives and Note 23 Hedging.

8. Other liabilities

Breakdown of other liabilities

In € thousands	2016	2015
Debts in relation to direct insurance	2,392	-
Debts to group companies	3,146	1,247
Other liabilities	879	661
Total	**6,417**	**1,908**

9. Guarantees and commitments

Netherlands Reinsurance company for Losses from Terrorism

In 2017, Proteq will take a 0.06% share in the Life cluster of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2017, the guarantee will be € 119 thousands and premiums will amount to € 3 thousands.

10. 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 Proteq's related parties are its parent VIVAT and affiliates and Proteq'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 with key management personnel of Proteq

The transfer of shares of VIVAT NV to Anbang and changes in the composition of management boards during 2015 led to changes in the composition of key management personnel in 2015. As a result, the key management personnel from the end of 2015 and the year 2016 consists exclusively of the members of the Executive Board.

On 23 October 2015, responsibility under the Articles of Association for SRLEV, Proteq and Reaal Schade was also transferred to the members of the Executive Board.

Ron van Oijen, the new CEO, took office on 14 March 2016, after which Albert Bakker relinquished his role as Acting CEO and also as a member of the Executive Board. On 24 May 2016, Wendy de Ruiter-Lörx and Jeroen Potjes were appointed as members of the Executive Board of Proteq.

The Executive Board comprised 7 employees as at 31 December 2016 (31 December 2015: 5).

Actual remuneration (former) members of the Executive Board

The following table provides an breakdown of the total remuneration of the Executive Board for the year 2016, including former and existing key management. The members of the Executive Board of VIVAT NV are the same as the management board members of SRLEV, Reaal Schade and Proteq.

Breakdown of remuneration (former) key management personnel

In € thousands	2016	2015
Short-term employee benefits	4,419	4,612
Post-employment benefits	125	209
Other long-term benefits	-	104
Termination benefits	695	3,389
Share-based payment	-	131
Total	**5,239**	**8,445**

Reference is made to Section 6.1.5 for the accounting principles of employee benefits.

Loans

There are no loans outstanding on 31 December 2016 (and 2015) and/or granted to members of the Executive Board during 2016.

Actual remuneration (former) members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members in 2016 (excluding 21% VAT). The members of the Supervisory Board of VIVAT NV are the same as the management board members of SRLEV, Reaal Schade and Proteq.

Breakdown of remuneration (former) members of the Supervisory Board

In € thousands[1]	2016	2015[2]
Total fixed remuneration of Supervisory Board members	543	240
Total remuneration for delegated Supervisory Board members	188	112
Total remuneration for the members of the Supervisory Board's Committees	25	11
Total	**756**	**363**

1 On 26 July 2015 (date of transfer of shares) Proteq Levensverzekeringen NV has established its own Supervisory Board. Before this date the Supervisory Board of SNS REAAL NV formed the Supervisory Board of SNS REAAL NV, SNS Bank NV, VIVAT NV and Proteq Levensverzekeringen NV. The remuneration for the year 2015 disclosed above concerns the remuneration of the Supervisory Board of Proteq Levensverzekeringen NV from 26 July 2015 until 31 December 2015.

2 Figures are on an accrued basis and the comparative figures have been adjusted

Loans

There are no loans outstanding on 31 December 2016 (and 2015) and/or granted to members of the Supervisory Board during 2016.

Transactions with former intra-group companies

Tax group

The tax group for income tax and VAT purposes between SRH NV, de Volksbank NV and VIVAT NV was terminated on 30 June 2015. Immediately afterwards, VIVAT NV and its subsidiaries, including Proteq, formed a new tax group and are jointly and individually liable for the fiscal unity's corporate income tax and VAT debts.

11. Events after the balance sheet date

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

12. Net premium income

Breakdown of net premium income

In € thousands	Own account 2016	2015
Regular premiums without profit sharing	2,716	466
Regular premiums with profit sharing	3,712	6,662
Total net regular premiums	**6,428**	**7,128**
Single premiums without profit sharing	–	75
Single premiums with profit sharing	1,042	1,077
Total net single premiums	**1,042**	**1,152**
Total net premium income	**7,470**	**8,280**

13. Net fee and commission income

In 2016 the fee and commission expense are € 9 thousand (2015 nil). In 2016 there was no fee and commission income (2015 € nil).

14. Investment income

Breakdown of investment income

In € thousands	2016	2015
Available for sale	13,619	13,293
Loans and receivables	76	55
Total	**13,695**	**13,348**

Breakdown of investment income 2016

In € thousands	Available for sale	Loans and receivables	Total
Total interest and dividend	13,361	76	**13,437**
Realised revaluations	258	–	**258**
Total	**13,619**	**76**	**13,695**

Breakdown of investment income 2015

In € thousands	Available for sale	Loans and receivables	Total
Total interest and dividend	12,717	55	**12,772**
Realised revaluations	576	–	**576**
Total	**13,293**	**55**	**13,348**

15. Result on derivatives

Breakdown of result on derivatives

In € thousands	2016	2015
Market value movements of derivatives maintained for ALM not classified for hedge accounting	14,227	-2,307
Total	**14,227**	**-2,307**

16. Technical claims and benefits

Technical claims and benefits include benefits paid, surrenders and changes in insurance liabilities. This item also includes profit-sharing and discounts.

Breakdown of technical claims and benefits

In € thousands	2016	2015
Benefits paid and surrenders for own account	12,172	10,833
Change in technical provisions for own account	15,383	-679
Profit-sharing and discounts	1,000	1,000
Total	**28,555**	**11,154**

17. Staff costs

Staff costs amount to € 5,035 thousand (2015: € 694 thousand) and mainly consist of staff costs recharged by VIVAT NV. The increase is primarily the effect of adjusted method of cost allocation method applied by VIVAT. In 2016 the method was revised pursuant to the strategic review. The increase relates to one off items for an amount of approximately € 2,000 thousand such as restructuring costs and system conversions. Furthermore costs increased as a result of higher costs for compliance, legislation and related IT support.

18. Other operating expenses

Other operating expenses include direct and indirect costs related to housing, IT, marketing, external advisors and other expenses.

19. Impairment losses (reversals)

In € thousands	Impairments 2016	Impairments 2015	Reversals 2016	Reversals 2015	Total 2016	Total 2015
> Through profit or loss						
Other debts	–	–	21	44	**-21**	**-44**
Total through profit or loss	**-**	**-**	**21**	**44**	**-21**	**-44**

20. Other expenses

In € thousands	2016	2015
Other management fees	52	63
Other interest expenses	34	9
Total	**86**	**72**

21. Taxation

Breakdown of taxation

In € thousands	2016	2015
In financial year	5,531	1,120
Prior year adjustments	–	–
Corporate income tax due	**5,531**	**1,120**
Due to temporary differences	-5,397	428
Deferred tax	**-5,397**	**428**
Total	**134**	**1,548**

Reconciliation between the statutory and effective tax rate

In € thousands	2016	2015
Statutory income tax rate	25.0%	25.0%
Result before tax	536	6,192
Statutory corporate income tax amount	**134**	**1,548**
Prior year adjustments*(including tax provision release)*	–	–
Total	**134**	**1,548**
Effective tax rate	25.0%	24.9%

22. Financial instruments

Fair value of financial assets and liabilities

The table below shows the fair value of Proteq's financial assets and liabilities. It also include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the value of the company as a whole.

Fair value of financial assets and liabilities

In € thousands	Fair value 2016	Carrying amount 2016	Fair value 2015	Carrying amount 2015
Financial assets				
Investments				
- Available for sale	596,311	596,311	534,504	534,504
- Loans and receivables	-	2	65	64
Other assets	518	518	2,478	2,478
Cash and cash equivalents	6,304	6,304	3,075	3,075
Total financial assets	**603,133**	**603,135**	**540,122**	**540,121**
Financial liabilities				
Derivatives	4,562	4,562	-	-
Other liabilities	6,417	6,417	1,908	1,908
Total financial liabilities	**10,979**	**10,979**	**1,908**	**1,908**

The fair values represent the amount that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the section on fair value hierarchy below.

The fair value of financial assets and liabilities at amortised cost is shown excluding accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

Notes to the measurement of financial assets and liabilities

The following methods and assumptions are used to determine the fair value of financial instruments.

Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

Other assets
Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

Cash and cash equivalents
The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Other liabilities
The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

Hierarchy in determining the fair value of financial instruments

A large part of the financial instruments is recognised at fair value. The fair value of financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed 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 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 behalf of policyholders whose underlying investments are listed.

Level 2 – Fair value based on observable inputs
This category includes 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 includes 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 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 instruments in level 1, level 2 and level 3. Financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

Hierarchy financial instruments 2016

In € thousands	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Investments available for sale	596,311	596,311	–	–	**596,311**
> Financial assets not measured at fair value					
Investments loans and advances	2	–	2	–	**2**
Other assets	518	518	–	–	**518**
Cash and cash equivalents	6,304	6,304	–	–	**6,304**
> Financial liabilities measured at fair value					
Derivatives	4,562	–	4,562	–	**4,562**
> Financial liabilities not measured at fair value					
Other liabilities	6,417	6,417	–	–	**6,417**

Hierarchy financial instruments 2015

In € thousands	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Investments available for sale	534,504	532,634	1,870	–	**534,504**
> Financial assets not measured at fair value					
Investments loans and advances	64	–	64	–	**64**
Other assets	2,478	2,478	–	–	**2,478**
Cash and cash equivalents	3,075	3,075	–	–	**3,075**
> Financial liabilities not measured at fair value					
Other liabilities	1,908	1,908	–	–	**1,908**

At year end (2016 and 2015) there are no financial instruments measured at fair value classified in level 3. There where no movements between categories in 2016 or 2015.

Offsetting financial assets and liabilities

The table below shows the financial liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk. There are no financial assets subject to offsetting.

Financial assets and liabilities 2016

In € thousands	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Related amounts not netted in the carrying amount: Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial liabilities							
Derivatives	4,562	–	4,562	4,525	–	–	**37**
Total financial liabilities	**4,562**	**-**	**4,562**	**4,525**	**-**	**-**	**37**

At year-end 2016, Proteq received collateral from third parties by virtue of derivative exposures. As collateral an amount of € 4,525 thousand Dutch Government bond is received.

Financial assets and liabilities 2015

In € thousands	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Related amounts not netted in the carrying amount: Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial liabilities							
Derivatives	–	–	–	–	–	–	**-**
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Management of past due and impaired assets

The table below sets out the financial instruments by arrears and/or impairment.

Financial instruments – impairments 2016

In € thousands	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	596,311	–	–	–	**596,311**
Loans and receivables	2	–	–	–	**2**
Total	**596,313**	**–**	**–**	**–**	**596,313**

Financial instruments – impairments 2015

In € thousands	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	534,504	–	–	–	**534,504**
Loans and receivables	64	–	–	–	**64**
Total	**534,568**	**–**	**–**	**–**	**534,568**

Proteq recognises impairments on equities if the market value has fallen to 25% below cost price, or has been at least 5% below cost price uninterruptedly for at least nine months.

Proteq recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by the Financial Committee. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

23. Hedging

Proteq uses various strategies for its insurance business to hedge its interest rate risk. The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which Proteq is active in the relevant markets.

Derivatives for hedging purposes 2016

	Nominal amounts				Fair value	
In € thousands	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	95,700	–	125,000	**220,700**	–	-4,563
Total	**95,700**	**–**	**125,000**	**220,700**	**–**	**-4,563**

Derivatives for hedging purposes 2015

	Nominal amounts				Fair value	
In € thousands	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						

	Nominal amounts				Fair value	
In € thousands	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
- Swaps and FRAs	108,900	-	-	**108,900**	-	-
Total	**108,900**	**-**	**-**	**108,900**	**-**	**-**

The notionals of the derivatives are not disclosed netted (positive and negative).

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

24. Audit fees

Pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code, the company has availed itself of the exemption from disclosing the audit fees in the annual report. These disclosures have been included in the annual report 2016 of VIVAT NV.

25. Appropriation of profit or loss

Profit for 2016: € 402 thousands. The result for 2016 is proposed to be added to the other reserves of Proteq Levensverzekeringen NV.

7. Managing risks

7.1. Risk Management System

7.1.1. General

Proteq has established a Risk Management System that is aimed at a controlled and effective achievement of the strategic objectives. It relates risks to the strategic, financial and operational objectives as well as to the objectives in the areas of sustainability and reputation. The framework consists of organizational, control and culture components. The management of Proteq recognises that transparency is a vital element in effective risk management. The Executive Board and the VIVAT Risk Committee (VRC), which is responsible for setting the Risk Management System, monitor that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, details of the risk appetite or criteria for evaluation of employees.

The Executive Board of VIVAT has set guidelines in the areas of strategy, culture and risk governance in order to enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. Proteq seeks to have an open culture in which risks can be discussed, employees feel a responsibility to share information on risks and (pro)active risk management is appreciated.

The established Internal Control Framework (ICF) provides the basis for the internal control system on risk maturity of process key controls and management controls within Proteq. The management of Product or Functional Lines is responsible for day-to-day operations within the Risk Management System, schedules the testing of operating effectiveness of key controls and prepares operational plans on a yearly basis. These plans are subject to the approval of the Executive Board of VIVAT.

For all components within the ICF, standards are including the minimum requirements. All components are periodically scored and made visible in the ICF-scorecard. The outcomes are discussed in the Operational Risk Committees (ORC's) and the VRC and are the basis for improvement plans.

7.1.2. Overview

In the Risk Management System, specific Solvency II requirements such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Risk Management System of Proteq operates an integrated approach for risks that the organisation is exposed to.

The core of the Risk Management System consists of a strategic part Governance at which, starting from the Vision and Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach all second line Solvency II Key Functions use the same risk classification, all operations are covered by the Risk Appetite and are aligned by a policy structure.

Governance including an adequate Risk Culture, is conditional for performing risk management on tactical and operational level. With the core a control cycle of risk identification-measurement- mitigation and continuous monitoring and reporting, supported by the ICF. The ICF plays a key role in eventually creating a solid foundation for an increase in maturity level of control and the ongoing professionalization of demonstrable, effective risk management throughout the organization.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognized types of risks are input for the integrated risk reports, enabling Key Risk Indicator (KRI) monitoring and drawing management attention to deviations of the risk tolerance limits.

Proteq performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA). ORSA is incorporated in the Risk Management System of Proteq and is performed at least annually.

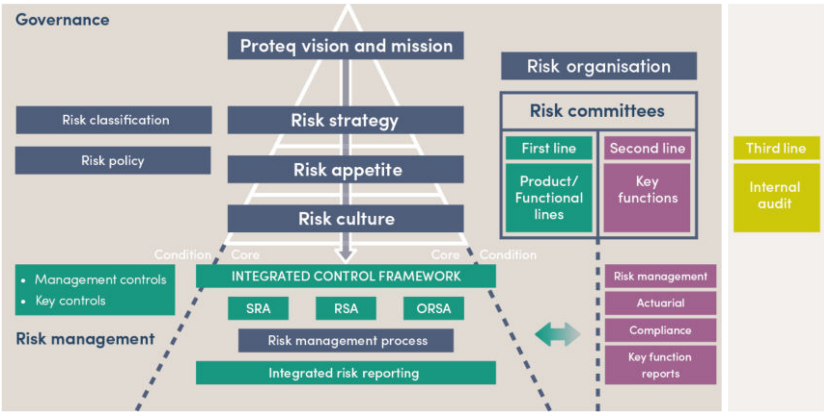

Figure 10: Risk Management

7.2. Risk Management Governance

7.2.1. Mission and vision

The vision of Proteq to be a trusted and customer-centric financial service provider results in a two pillar mission, focusing on comprehensive products and services leveraging the most advanced technologies. From this starting point, the Risk Strategy contributes to a sustainable growth of VIVAT, for the benefit of all its stakeholders.

Proteq aims for a robust and strong capital position, which contributes to both the confidence that customers have in the institution and the access to financial markets. Proteq offers competitively priced products by utilising economies of scale in its organisation. Proteq takes its role in society seriously. Corporate responsibilitiy (CR) follows from the mission and vision, and forms an integral part of the strategy and business operations. Proteq wishes to offer competitively priced products in efficient business processes, using a central back office in addition. Proteq pursues a customer-centric strategy.

7.2.2. Risk Strategy

Proteq has derived a Risk Strategy, a supporting set of objectives following from the vision and mission to achieve the strategic goals. The Risk Strategy is expressed in the Risk Appetite.

As main principles Proteq has defined a robust capital position, stable profitability a prudent and consistent risk policy, regulatory compliance, social responsibility and effective and efficient customer solutions.

Proteq provides guarantees for future payments to its customer and therefore Proteq needs a strong capital position. The well capitalised shareholder has the intention to invest in the growth of the business. The Executive Board would like to hold a buffer above regulatory capital requirement to absorb temporary volatility and to provide more certainty to its customers.

7.2.3. Risk Appetite

The Risk Appetite is set yearly by the Executive Board and confirmed by the Risk Committee of the Supervisory Board. This is limited by the risk capacity, which indicates the maximum amount of risk Proteq can accept, in view of its capital and liquidity position and any restrictions due to funding agreements or requirements imposed by regulators. The Risk Appetite is subsequently translated into practical risk objectives.

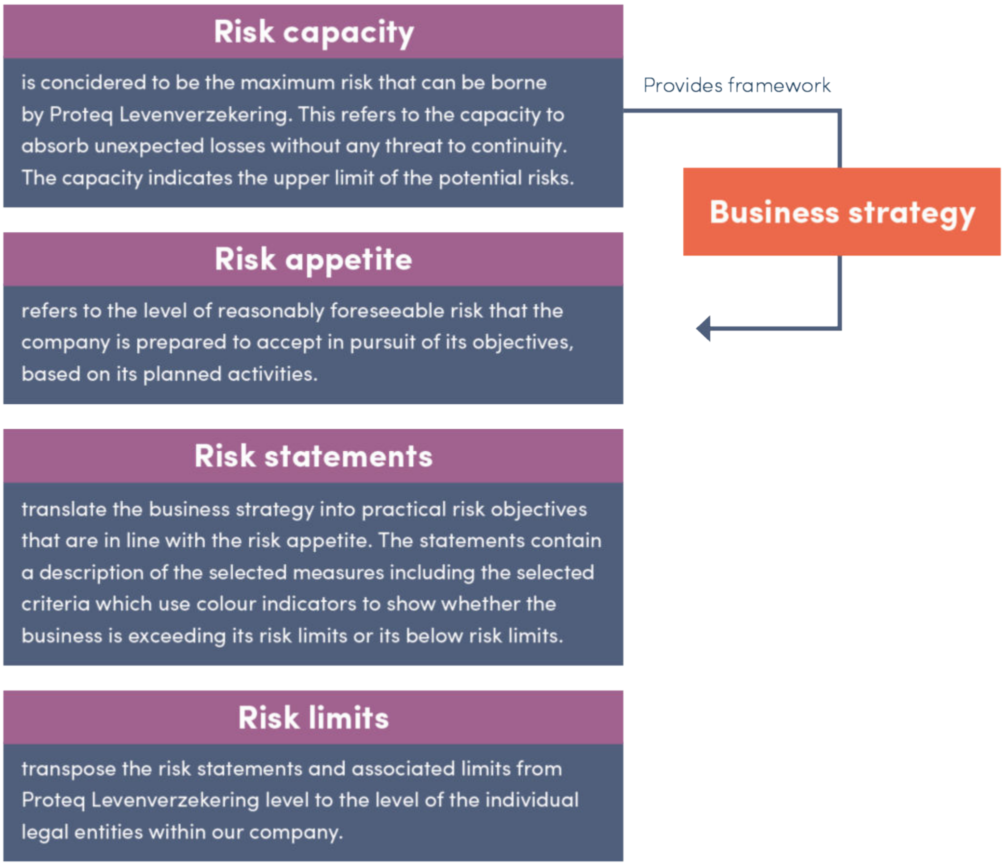

Figure 11: Risk appetite framework

Risk Appetite is defined at VIVAT level, including Proteq. Subsequently it is developed in more detail on the individual legal entity level in the form of individual quantitative risk limits and qualitative constraints. The limits are measurable; the qualitative constraints are observable. When implementing the strategy, the Product Lines or legal entities are able to select the best possible products and services, although their selection must be in line with the strategy of VIVAT.

The Risk Appetite control procedure, which is carried out at least once a year, consists of a number of steps, including risk identification, the determination of risk capacity, the selection of measures, risk mitigation, risk criteria, reporting and monitoring.

7.2.4. Risk Culture

Culture and conduct in general play a vital role in controlling a company, and specifically in adequate, risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. Proteq has awareness programs in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. Proteq has five core behaviors: Focus on Client, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

Proteq realizes that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. Proteq encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (pro) active risk management is appreciated. Exemplary behaviour, the openness for discussion of dilemmas, practicability of policy and transparency are inseparably linked to an open corporate culture.

Risk Culture is also embedded in the organisation by risk management being an integral part of the organizational processes and decision making of Proteq. The management teams of the Product Lines and Functional Lines promote awareness of risks and are supported by the second line. The management teams are responsible for ensuring that risk decisions are made in accordance with the delegated authorities, in consultation with all second line Solvency II key functions.

Furthermore, Proteq ensures that senior management and employees on key functions at all times are fit and proper to fulfil their job. Finally, the Remuneration Policy of VIVAT discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5. Risk Organisation

Proteq has established the “Three Lines of Defence” control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimization and integration of the risk management.

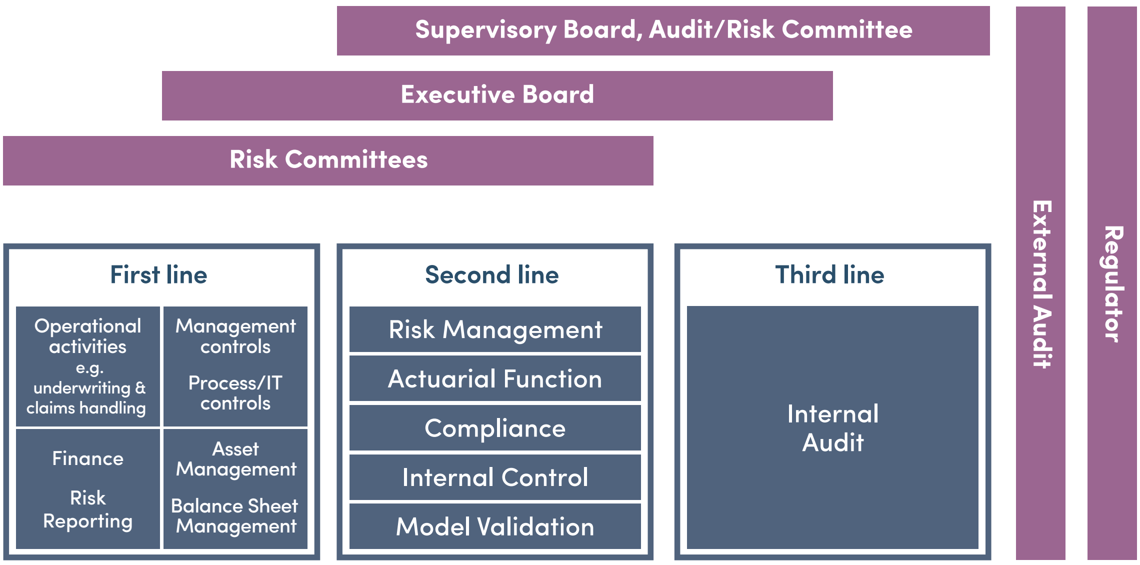

Figure 12: Three lines of defence

First line = risk taker

Business plans are prepared in the first line. With this preparation, the first line operationalizes the (risk) strategy, focusing on the primary process (i.e. underwriting, claims handling, preparing financial accounts) of the business and investment activities.

Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk taker to achieve an optimum between risk and return. Consequently risks are managed by identifying, measuring, mitigating and monitoring them and report whether the risks remain within the risk appetite of VIVAT and its underlying entities, including Proteq.

Risk Self Assessments are carried out and in combination with the ORSA, these assessments could lead to changes in the (risk) strategy. For all these activities the first line has an active role in various risk committees including the ability to demonstrate management and process controls according to the standards as set by the ICF.

Second line = risk management

The second line has a monitoring role in respect of the risk management actions and activities carried out by the first line. The second line assesses actions in the first line as well as the effectiveness of procedures by means of testing key controls, and is responsible for monitoring the overall risk profile to be in line with the risk appetite.

The second line is also responsible for formulating the Risk Management System and setting Risk Policies. The first line is responsible for the execution of these policies. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and process key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models, the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically. Furthermore the second line provides specialist advise to the first line.

The second line risk management organisation is organised of Proteq level and is largely part of the Risk department, resorting under the Chief Risk Officer (CRO). This department includes the second line Financial and Non-Financial Risk departments, including Key Functions. The CRO is member of the Executive Board.

Third line = internal audit

Audit VIVAT is the independently operating (third line) audit function and has a supervising role assessing the functioning of the risk management system (including the interaction between first and second line).

Audit VIVAT does not take part in determining, implementing or steering of the risk policy. Audit VIVAT reports to the chairman of the Executive Board of VIVAT and has a reporting line to the Chairman of the Audit Committee of the Supervisory Board of VIVAT.

Audit performs independent and objective audits and reviews to assess whether there is an adequate and efficient Risk Management System within the business processes which supports the realisation of the organisation's strategic objectives; whether there is sufficient, reliable management information, which is used for testing the realisation of the objectives and whether (business, financial, reporting or other) processes are efficient and effective. Furthermore, Audit VIVAT assesses whether Proteq complies with laws and regulations and if assets (e.g. physical, intellectual, policy & company data) are safeguarded adequately.

In the quarterly report, Audit VIVAT informs the Executive Board and the Audit Committee of VIVAT. This quarterly report contains at least an executive summary containing findings and issues relating to deficiencies regarding the governance, internal control and risk management system; findings and observations that are substantial for the risk profile; the executive summary of all audits reported in the quarter and a follow-up monitoring of recommendations of Audit, regulators and external auditor.

Risk management committees

In addition to the risk management organisation, VIVAT has established Risk Committees to manage risks effectively. VIVAT has established at Group level the following Risk Committees: VIVAT Risk Committee (VRC), Asset Liability Committee (ALCO), Policies Models and Assumptions Committee (PMAC), Investment Committee (IC) and Product Committee (PC). The latter is leading for the underlying PMP MT's (Product, Marketing, Pricing) in the Product Lines. In the ORC MT's, the issues regarding Operational Risk and Compliance are discussed.

Key Functions

In accordance with Solvency II VIVAT recognizes four Key Functions. A function as intended in Solvency II is not a person or a department but an internal capacity to perform certain tasks and responsibilities. The Functions are established on Group level and carry out activities on behalf of all insurance activities of VIVAT. The CRO is the Risk Management Function Holder, the Director Financial Risk is the Actuarial Function Holder and the Director Non-financial Risk is the Compliance Function Holder. The Director Audit VIVAT is the third line Audit Function Holder.

The Risk Function Report (RFR) is an integrated report on all financial and non-financial risks with potential (material) financial impact. The RFR includes a summary of the major risks. Looking back, the RFR describes developments in risk areas compared to the previous reporting period. Looking forward, the RFR shows the uncertainty or expectations that (may) impact the future financial position of VIVAT Group, including Proteq. Furthermore, the RFR contains an opinion drafted by the second line (FR and NFR) drafted and endorsed by the CRO on the development of the various risks, the dependency, and the impact on OP, solvency and strategy. The RFR opinion is discussed in the risk committees and in VRC and Supervisory Board.

The Actuarial Function opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore opines on the quality of Underwriting and Reinsurance programs. The Actuarial Function Report (AFR) is submitted to the VRC, Audit Committee and the Risk Committee of the Supervisory Board.

The Compliance Function provides at least twice a year a report on the most important Compliance Risk of VIVAT to the VRC and the Risk Committee of the Supervisory Board.

7.2.6. Risk Policy

Proteq has an integrated risk management policy structure incorporated in that of VIVAT. The entire policy structure is accessible to employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. The Risk Policy is structured in levels, the aim is to give insight in the cascading from (Solvency II-) legislation, (second line) risk policy, corresponding processes and (first line) implementation. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

7.2.7. Risk Classification

Proteq provides insight into the risks for the business itself and for its stakeholders in order to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. To provide clarity in the communication and management of risks, the risk classification incorporates a comprehensive list of mutually exclusive risk types to which Proteq is exposed or could be exposed to.

Proteq has defined and structured different risk types, partly on the basis of applicable laws and regulations (such as Solvency II Standard Formula), and partly on own assessment of risks given Proteq's risk profile. The risk classification is structured in main risk types and corresponding sub risk types.

Strategic developments (governance, positioning, external developments) relate to future business developments and may eventually emerge as one of the main or sub risk types. Several internal and external scenarios are taken in to account, which arise from a Strategic Risk Assessment (SRA).

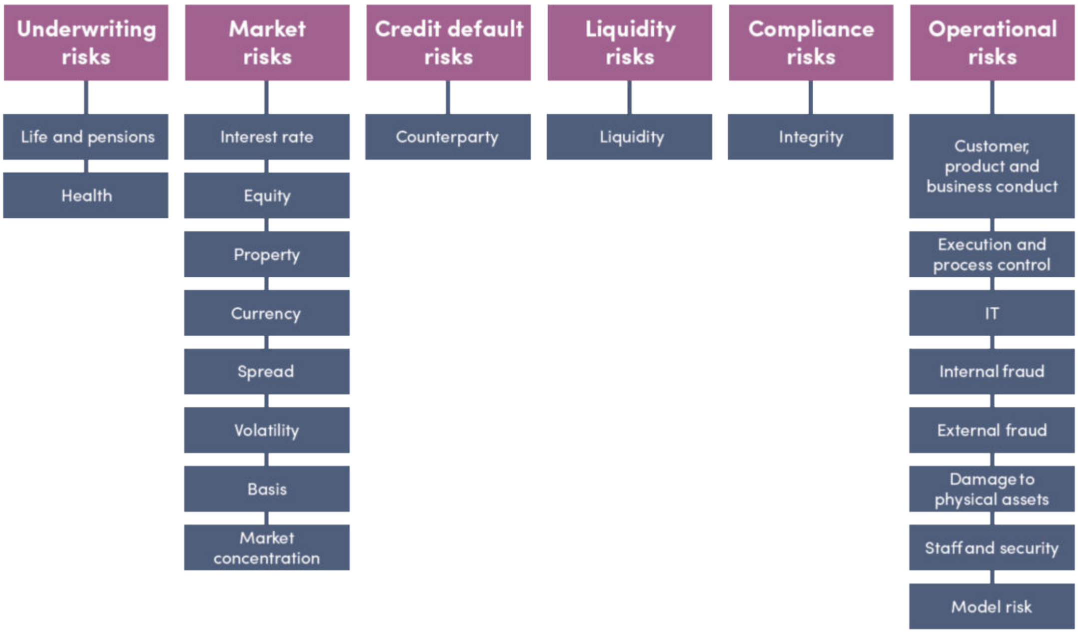

Figure 13: Risk classification

The way in which the risk categories are managed is discussed below.

7.3. Risk Management Process

7.3.1. Integrated Control Framework

The ICF is used for the improved management of all identified risk categories within Proteq. As part of this, Proteq has specifically opted for an integrated risk approach based on its risk classification.

Management uses the ICF to direct and manage the control and integrity of its business processes, following strategic objectives and Proteq's risk appetite. Management furthermore aims at the ICF helping to promote risk awareness among all employees.

The ICF contains core components that together form the basis for controlled business operations within Proteq, and supports being in control. It measures the maturity of risk management and ensures steering on correct and complete risk reports. The ICF monitors Process Controls and Management Controls. Important components, and conditions for performing adequate risk management, are Process management, Data, Infrastructure, Models and (behaviour of) People.

The ICF provides a framework which incorporates Management Controls and Process Controls in such a way that it is possible to state with a reasonable level of assurance, that the internal control system is operating effectively. Proteq has set itself a maturity ambition and will continue to work on fine tuning of control objectives and a further involvement of the second line risk departments in the self-assessments of the first line departments in 2017.

7.3.2. Process Controls and Management Controls

During 2016, the implementation of ICF was finalized. Management Controls (or Entity level Controls) give insight in the maturity of risk management and mitigation in the individual product- and functional lines. The standards and control objectives used relate to relevant legislation (e.g. Wft, Solvency II) and internal policies.

Process controls have to be executed and documented within the processes in the first line (product and functional lines). These key controls are also independently tested on effectiveness within the first line and reviewed or reperformed by the second or third line of defense.

In 2017, new tooling will further support and optimize monitoring and reporting on process and management controls. Necessary improvements will be implemented in 2017. The completeness and design of both process and management controls is re-evaluated continuously in order to optimize the quality within ICF.

7.4. Capital management

7.4.1. Definition

Capitalisation refers to the extent to which Proteq and its underlying legal entities have a capital, which is necessary to cover unforeseen losses or to achieve the strategic objectives of the company. The required capital of Proteq has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and also includes commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds).

7.4.2. Capital policy

Proteq has a Capital Policy. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet legal requirements. The second objective of the Capital Policy is to ensure capital is used as efficiently and flexibly as possible to facilitate the implementation of Proteq's strategy.

In addition to the Capital Policy, a Recovery Plan exists which describes the procedure that applies in a contingency situation. In this context, a contingency situation is defined as a situation in which a capital deficit arises, or threatens to arise, which poses a direct threat to the going concern of Proteq in its current form. In its Risk Appetite Statements, Proteq has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on capital metrics and these are linked to governance and management measures. Proteq's Capital Policy forms the basis for translating policy into lower level policy, process descriptions, procedures and the like.

Management uses the Capital and Funding Plan, ALM study, Risk Dashboards, ORSA, Recovery Plan and Financial Risk Reporting for the purpose of managing the capital position. The Capital and Funding Plan describes the medium-term plans in the area of capital and funding. This includes a forecast of solvency for the next five years. The Capital and Funding Plan is based on the Operational Plan as supplied by the underlying Product Lines and supplementary information if appropriate.

7.4.3. Regulatory framework

Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks play a central role. The financial requirements reflect the risks to which insurers are exposed. Moreover, Solvency II aims to be in line with market developments and the internal risk management systems used by insurers.

Capitalisation is covered in all three pillars under the Solvency II framework:

The first pillar contains the prudential rules regarding minimum solvency. This pillar introduces two risk-weighted measures: the Minimum Capital Ratio (MCR), and the Solvency Capital Ratio (SCR).

The second pillar includes a process under which the insurer has to evaluate its capitalisation periodically: the ORSA. A fixed part of the ORSA involves determining whether the standard model is appropriate for the needs of the insurer in question. If the standard model is not appropriate, the insurer has to develop its own models and methodologies in order to determine for itself whether its level of capitalisation is adequate. Based on the ORSA, a dialogue will take place between the insurer and DNB (in its capacity as regulator) in the context of the Supervisory Review Process (SRP). In the SRP, DNB assesses the ORSA outcomes of an insurer.

The way in which insurers have to report their exposure and capital adequacy to the market (disclosure) is laid down in the third pillar. Proteq discloses its solvency position and financial condition on a Solvency II basis by means of public reports as required by law. Solvency II applies to Proteq as an independent authorisation holder. Other parts of Proteq are not within the scope of Solvency II. The group regime does not apply to Proteq.

7.4.4. ORSA

With the implementation of Solvency II on 1 January 2016, it has become mandatory for insurance companies to draft and submit to DNB an own-risk and solvency assessment (ORSA) at least on an annual basis. In 2016, Proteq performed an ORSA. which was the basis for the Operational Plan and Capital Management.

The management of VIVAT uses the ORSA to verify the amount of capital required and this may result in management actions to bring the capital in line with the risk profile and risk appetite. The extent to which Proteq's capitalization, given the identified risks, is sufficiently robust to be able to absorb remaining risks in existing and future circumstances is determined on the basis of scenario analyses and stress tests. The ORSA covers VIVAT NV and all underlying regulated insurance entities, including Proteq. The internal evaluation of the ORSA is performed at least once a year. The ORSA contains "appropriateness testings" to assess whether the SCR standard formula is appropriate for VIVAT given its risk profile. This integral risk assessment is not limited to the risk categories that are explicitly included in the SCR standard formula, and includes a broader range of risks (e.g. Model risk).

The combination of the business strategy, risk appetite, solvency position and constant evaluation produces input for management's discussion on the amount of capital required. The outcome of this discussion is the ORSA capital, i.e. the minimum amount of capital required, given the current business, in order that any risks over a particular horizon can be absorbed. In the 2016 ORSA exercise, it was concluded that deviations exist on single risk level where some risks in the SCR standard model are understated or overstated, or even not at all taken into account. However in aggregate, Proteq concluded that the standard formula SCR calculation is prudent, but appropriate for the risk profile of Proteq.

7.4.5. Capital position

The supervisory authorities EIOPA and DNB have produced several public guidance notes on the interpretation of Solvency II and Proteq produces all regulatory reports that are mandatory under the Solvency II legislation.

For internal purposes, Proteq calculates the Solvency II position on a monthly basis. Proteq calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. Proteq does not apply the Matching Adjustment. The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end 2016. The yield curve used as at 31 December 2016, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Required Capital (SCR). Proteq has examined whether, following a loss of the same scale as the (pre-tax) SCR shock, future fiscal profits will be sufficient to be able to recover, partially or fully, the change in deferred tax asset created by that loss. This has led to the decision that Tax offsetting (Loss Absorbing Capacity of Deferred Taxes) in the SCR is applied at 0% for VIVAT and its legal entities, except for legal entities with a net Deferred Tax Liability (DTL). In these cases tax offsetting equals the net DTL-position. Proteq had a net Deferred Tax Liability.

Under Solvency II, capital is called 'eligible own funds' and is divided into three tiers. These tiers reflect the ability, with Tier 1 being the highest quality and Tier 3 the lowest. Proteq does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

The following table shows the breakdown of the eligible own funds, starting from shareholders' equity:

Breakdown own funds

In € thousands	Total
Issued share capital	3,178
Share premium reserve	45,121
Retained earnings 2016	402
Other reserves	65,100
Shareholders' equity	**113,801**
Reconciliation IFRS-Solvency II	-3,357
Total eligible own funds SCR	**110,444**

The following items result in differences between IFRS shareholders' equity and Solvency II own funds.

Reconciliation IFRS-Solvency II

The reconciliation encompasses the following significant differences in measurement under Solvency II and under IFRS:

> Investments - Under IFRS the deposits and loans are valued at amortized cost. Under Solvency II these items are measured at fair value.

> Technical provisions - Under Solvency II the technical provisions are measured at fair value, taking into account the current market conditions. Currently under IFRS, the technical provisions need to be presented at fair value only if the liability adequacy test results in a deficit or if the insurer choses to measure (part of) its insurance liabilities on a fair value basis.

Tiering restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits causes a difference between the Available Own Funds and the Eligible Own Funds.

Solvency Capital Requirement

In € thousands	Net SCR
Market risk	50,944
Credit default risk	3,392
Life underwriting risk	18,991
Diversification	-13,579
Basic Solvency Capital Requirement	**59,748**
Operational risk	1,983
Loss-absorbing capacity of deferred taxes	-793
Net Solvency Capital Requirement	**60,938**

Breakdown Solvency Capital Requirement

In € thousands	2016
Total eligible own funds to meet the SCR	110,444
SCR	60,938
Ratio of Eligible own funds to SCR	181%

The Solvency II ratio of Proteq Levensverzekeringen decreased to 181% at year-end 2016 from 461% at day 1 2016. The main driver was a more than doubled Solvency Capital Requirement mainly due to an increase of the SCR interest rate risk and to lesser extent to a cost model update.

Contingent liabilities - Under Solvency II, Proteq has no contingent liability. This is consistent with measurement under IFRS.

7.5. Underwriting risk

7.5.1. Risks

The underwriting risk is the risk that the own funds, earnings or solvency will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, disability, customer behavior, catastrophes, interest and expenses) used in the development of the product and the determination of its premium. A distinction is made between Life (including Pensions) and Disability. The interest rate risk related to insurance products forms part of the market risk.

7.5.2. Risk management process

Proteq assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio. To this end, Proteq follows the processes of the risk management cycle for each phase of a defined insurance life cycle.

Capital requirement

The expected capital needs are based on the Capital and Funding plan. The Capital and Funding plan describes the funding needs for maintaining and growing the insurance business and investments for Proteq. The Capital and Funding plan is taken into account in the Operational Plan (OP). The OP describes the planned development of the portfolio for the next three years, based on the strategy of VIVAT. The OP sets out in broad terms whether Proteq wants to enter new markets, which forms of distribution will be used, whether new (forms of) products will be developed, and which products will be adjusted or terminated. It also lays down possible measures relating to acceptance and the mitigation of claims.

Product development, pricing and acceptance

In accordance with the OP, new or adjusted products are developed which follow the Product Approval and Review Process (PARP). Starting from the customer's interests the target group, coverage and terms and conditions are determined. This is the basis for the Best Estimate risk premium, taking into account options and guarantees, capital requirements and, if applicable, the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) have to be met.

The Product Committee (PC), in which the Solvency II second line Key Functions are represented, is responsible for approval new products, including the pricing. Proteq performs product reviews following a risk based product review calendar.

7.5.3. Life

7.5.3.1. Risks

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, catastrophe risk, early surrender risk and expense risk. It can also include disability and recovery risk to a limited degree. Not all of those risks are applicable for Proteq. Proteq is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II. The sensitivities of the IFRS Equity movement are of similar magnitude and direction as the own funds movement under Solvency II.

Mortality risk

The risk most typically associated with Life insurance policies is mortality risk. This risk mainly affects the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the company of the policyholder dying earlier than expected. In the case of a life benefit. The financial impact of the difference between the date the policyholder is expected to die and the actual date of death can be substantial.

To forecast the survival probabilities of the entire population, Proteq uses the model published by the Netherlands Actuarial Association (AG2016) which combines mortality rates of several European countries with those of The Netherlands. The probabilities are updated at least once a year to include the most recent observations. In 2016 the positive impact of this update was € 2 million on the Best Estimate of the Liabilities. Once a year Proteq also updates the empirical figures for portfolio mortality and early surrender on the basis of research into observed mortality and changes within the portfolio.

Policyholders' behaviour

Other underwriting risks that affect the Life insurance portfolio are risks associated with policyholders' behaviour, such as the risk of early surrender risk (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date), and the risk of disability (the policyholder becomes unfit for work).

Expense risk

Proteq runs expense risk if actual costs turn out to be higher than the amounts received from the cost loadings included in the pricing calculation. This relates to changes in the level, trend or volatility of the costs related to the fulfilment of insurance contracts.

Since 2013, Proteq has used a 'moderate going concern' assumption in its models. This means that it expects the portfolio to decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies.

Market risk and interest rate guarantees

In the case of traditional insurance policies, Proteq bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, Proteq pays the policy holder a predetermined nominal amount.

The following table indicates which risks are associated with specific products for the Life insurance portfolio of Proteq.

Products in the Life insurance portfolio (Solvency II)

Product	Product features		Risks per product					
	Guarantee	Profit-Sharing	Mortality	Longevity	Catastrophe	Lapse	Expense	Interest
Funeral insurance	Insured capital	√	√		√	√	√	√

7.5.3.2. Life insurance portfolio

The individual Life insurance portfolio mainly consists of funeral policies.

Proteq sells individual Life insurance policies in the retail and SME markets in the Netherlands. With respect to new business, the focus is primarily on funeral policies. These are sold through direct channels.

The next table provides an overview of the product portfolio.

Scope of various insurance categories 2016

In € millions	Annual premium	Sum insured	Technical provision for insurance contracts[1]	Amount at risk
Funeral insurance	6	568	338	350
Traditional insurance policies (individual)	**6**	**568**	**338**	**350**
Reinsurance of term insurance	–	–	–	–
Proportional reinsurance	–	–	–	–
Total	**6**	**568**	**338**	**350**

[1] The technical provision for insurance contracts is before LAT.

Scope of various insurance categories 2015

In € millions	Annual premium	Sum insured	Technical provision for insurance contracts[1]	Amount at risk
Funeral insurance	7	683	337	346
Individual insurance policies in cash	**7**	**683**	**337**	**346**
Reinsurance of term insurance	–	–	–	–
Proportional reinsurance	–	–	–	–
Total	**7**	**683**	**337**	**346**

[1] The technical provision for insurance contracts is before LAT.

7.5.3.3. Life reinsurance

Proteq has no reinsurance programme.

7.5.3.4. Sensitivities

The value of the Life insurance portfolio is sensitive to changes in the underwriting parameters used for calculating the market value of liabilities. In order to obtain information on these sensitivities, the effects of changes in mortality rates, surrender rates (including conversions to non-contributory policies) and expense assumptions, including inflation, are calculated separately. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

The key sensitivities of IFRS equity to changes in the underwriting parameters are the sensitivities to longevity risk and expenses. Due to the long term nature of the Life insurance portfolio these sensitivities are very sensitive for interest rate movements. Compared to last year the sensitivity to changes in surrender rates decreased significantly due to market and portfolio developments.

Sensitivity solvency as a result of changes in technical parameters

	Net result		Shareholders' equity	
In € millions	2016	2015	2016	2015
Impact of sensitivities:				
- 50% increase in surrender rates (including non-contributory continuation)	-1	-1	-1	-1
- 15% higher mortality rates (mortality risk)	-7	-9	-7	-9
- 20% lower mortality rates (longevity risk)	-	-	-	-
- 10% increase in expenses assumptions + 1% increase in inflation	-13	-13	-13	-13

Changes in these underwriting parameters have an immediate effect on the IFRS-result of Proteq due to the outcome of the Liability Adequacy Test (LAT).

7.6. Market risk

7.6.1. Risks

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavorable changes in the market have an impact on Proteq's earnings and/or own funds. To manage the mismatch between the assets and liabilities an ALM (Asset and Liability Management)-framework is in place. This framework is designed to bring about an investment strategy that optimizes the relationship between risks and returns. The framework also ensures that Proteq's operations remain within the boundaries of its risk appetite.

The market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact of the value of the assets and liabilities of Proteq. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, in particular with respect to the duration thereof.

The following eight sub-market risks have been defined: interest rate risk, equity risk, property risk, currency risk, spread risk, volatility risk, basis risk and market risk concentrations. Proteq can achieve its financial objectives by managing these risks adequately. It does this by reducing losses due to movements in the level and/or volatility of market prices of financial assets. The sensitivities of the IFRS Equity movement are of similar magnitude and direction as the own funds movement under Solvency II.

The Balance Sheet Management department (BSM) aims to stabilize solvency and manage capital of VIVAT and its subsidiaries, including Proteq. BSM monitors and mitigates market risk in close cooperation with ACTIAM, the asset manager of VIVAT, including Proteq. For mitigation instruments such as interest rate swaps, interest rate swaptions and fixed income investments are used.

7.6.2. Risk management process ALM

The ALM-policy covers the management of market risk, credit default risk and liquidity risk.

The starting point for the ALM policy is the ALM study, which is drawn up annually. The ALM study seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, and laws and regulations, and is performed at the end of the year. This ALM study is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM, taking into account the risk limits based on the Risk Appetite Statements (RAS), solvency, the tax position and the long-term risk exposure. In order to spread the risk, the risk budget is spread across a range of risk drivers, asset classes and sectors. When finalizing the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. Through ACTIAM, investments are monitored by means of reports on performance and capital.

Investments are made in accordance with the prudent person principle and in the interests of the policyholders. The prudent person principle forms part of the ALM policy. Investments are made exclusively in assets and instruments which risks are properly identified, measured, monitored, managed, controlled and reported.

Sensitivity analyses and stress tests

Stress tests provide information on how sensitive investments and liabilities are to interest rate risk and market risk. These risks are quantified (and monitored) separately.

For interest rate risk several parallel and non-parallel shocks are defined. For market risk a number of combined scenarios is determined with (different) simultaneous shocks to the various sub-market risks.

Stress scenarios are monitored and reported once a month and also on an ad hoc basis if movements in the market (and in particular the yield curve) give grounds to do so.

Furthermore, monthly single-shock sensitivity analyses are performed, which combine a top-down and bottom- up approach. For each product group, the products and models are analyzed, following which the best form of hedge for the product group is considered. The bottom- up-process involves analyzing the effectiveness of the hedge with respect to the embedded options at product level.

The top-down approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows, options, risk margin and required capital) drawn up on a Solvency II basis.

7.6.3. Interest rate risk

Interest rate risk is defined as the sensitivity of the value of assets and liabilities to changes in the interest rate term structure or the volatility of interest rates.

Interest rate risk is a key component of Proteq's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not completely equal and it is expressed as movements in the result and/or capital position if market rates change. Moreover the expected fixed cash flows from insurance liabilities are matched with fixed-income investments as much as possible. The profit-sharing and return guarantees given to policyholders are an additional source of interest rate risk. This risk is partly mitigated by the use of interest rate derivatives to hedge the guarantees and profit-sharing in the Life insurance portfolio. See Section 6.3, note 23 Hedging.

Proteq's interest rate hedging policy aims to ensure that obligations towards policyholders are fulfilled in both the short term and the long term. In addition, it aims to enable its providers of capital to enjoy a reasonable return (in terms of market value) that is in line with VIVAT's risk exposure and to stabilize the solvency capital.

Basis S2 curve	181%
Basis +1% S2 curve	115%
Basis -1% S2 curve	296%

The sensitivities are determined using a parallel shock on the interest rate curve of 1%, keeping the Ultimate Forward Rate (UFR) at the same level. The sensitivity for the UFR is shown in paragraph 7.6.4 Spread risk and Basis risk.

Proteq is quite sensitive for interest rate movements, this has been mitigated in the first quarter of 2017 by reducing the sensitivities and thus improving the ratio.

Interest rate risk broken down by buckets

The table below presents nominal cash flows arising from insurance liabilities by maturity segment.

Cash flows from insurance business 2016

In € thousands	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	11,796	48,019	64,734	68,348	68,965	482,834	**744,695**
Total	**11,795**	**48,019**	**64,734**	**68,348**	**68,965**	**482,834**	**744,695**

Cash flows from insurance business 2015

In € thousands	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	6,746	32,022	49,856	57,762	61,740	526,826	**734,952**
Total	**6,746**	**32,022**	**49,856**	**57,762**	**61,740**	**526,826**	**734,952**

The cash flows from the underwriting provisions concern cash flows with a nominal guarantee. This does not include cash flows driven by options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best-estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing. It is important to bear in mind that the Ultimate Forward Rate of 4.2% (UFR) prescribed by EIOPA also introduces a risk. It limits the interest rate sensitivity of the cash flows of the liabilities included in the above table. Over the course of time, the downward pressure of the UFR on the interest rate sensitivity of the liabilities will disappear.

7.6.4. Spread risk and Basis risk

Spread risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the credit spread above the risk- free interest rate term structure. The spread risk for the insurance business arises in the fixed-income investment portfolio,which includes corporate and government bonds that are sensitive to changes in credit risk surcharges. Growing credit risk surcharges have a negative effect on the market value of underlying bonds.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The basis risk relates to the risk of a mismatch between the interest rate used in the valuation of the liabilities and the interest rate used for the asset portfolio. This basis risk mainly emanates from the risk that movements in the interest rate on the EU government bonds held in portfolio will not be synchronous with movements in the swap rate.

The swap curve (including UFR) is currently used when discounting insurance liabilities under IFRS. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the available capital, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a volatility adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk exists because the VA is based on a reference portfolio instead of Proteq's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario based approach among others credit spreads, volatility (interest rate volatility and equity volatility) and best estimates for the VA are taken into account.

Moreover, from this perspective, it is important to bear in mind that the UFR of 4.2% prescribed by EIOPA also introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future (see also Section 7.6.3). EIOPA has recently evaluated the UFR, and the regulator has proposed to decrease the UFR to 3,65%. Annual changes will not be higher than 15 basis points. In a first step of the phasing-in the current UFR of 4.2% will be lowered in January 2018 to 4.05%. This will have a negative impact on net result, own funds and solvency. A decrease of the UFR to 3,7% will lower the SII ratio for Proteq with 3% to 178%.

In € millions	Net result 2016	Net result 2015	Shareholders' equity 2016	Shareholders' equity 2015
Interest rates -0,5%	36	19	36	19
Interest rates +0,5%	-32	-18	-32	-18
Credit spreads Corporate Bonds +0.5%	-1	-1	-1	-1
Credit spreads Sovereign Bonds +0.5%	-39	-35	-39	-35

7.6.5. Equity risk

Equity risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the market prices of equities, respectively.

Proteq is not exposed to equity risk.

7.6.6. Property risk

Property risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the market prices of real estate.

Proteq is not exposed to property risk.

7.6.7. Currency risk

Currency risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of exchange rates.

Proteq is not exposed to currency risk.

7.6.8. Volatility risk

The volatility risk is the risk of losses due to changes in volatility (parameters) and is measured and presented separately. It is addressed in the market sub risks as described before. Proteq is sensitive to volatility on both sides of the balance sheet. Embedded options on the liability side and swaptions as hedges on the asset side. Because of the hedges, the residual volatility risk is not material.

7.6.9. Concentration risk

Concentration risk is defined as all risk exposures associated with a potential loss that is significant to endanger the solvency or financial position of insurance and reinsurance undertakings. The main concentration within the market risk emanates from credit default risk.

This risk is measured as Loss At Default (LAD) and Stress Loss (SL), and under the ALM policy the relevant limits must be complied with. Proteq uses this limit structure to monitor exposures to counterparties. The reports are discussed by the Investment Committee, and appropriate measures are taken when limits are exceeded. Credit default risk is discussed in the next paragraph.

Concentration risk is negligible for Proteq.

7.7. Credit default risk

7.7.1. Risks

Proteq defines credit default risk as the risk of potential losses due to an unexpected payment default of the counterparties and debtors of insurance and reinsurance undertakings within the next twelve months.

The credit default risk policy covers risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, as well as any other credit exposures not covered by the definition of spread risk. It takes into account collateral or other security held by or for the account of the insurance or reinsurance undertaking and the risks associated therewith. For each counterparty, it takes into account the overall credit default risk exposure of the insurance or reinsurance undertaking concerned to that counterparty, irrespective of the legal form of its contractual obligations to that undertaking. The credit default risk is measured by measuring exposures on individual parties ("ultimate parent exposure") as well as on segments and countries.

7.7.2. Risk management process

The Balance Sheet Management department (BSM) manages and verifies credit default risk within the set frameworks. Investments may be sold when deemed necessary, risk mitigating contracts or clauses are drawn up in cooperation with ACTIAM and Legal Affairs. The credit default risk at Proteq is measured by means of measuring the exposure to individual parties and, as the case may be, aggregating exposures with similar characteristics.

For each type of credit default risk, the roles, powers and responsibilities of officers and committees, including tiered decision-making powers, are recorded in the policy documents for the relevant type of credit risk.

Fixed-income investment portfolio

The credit default risk within the interest-bearing investment portfolios of Proteq is the risk that an issuer of a bond or a debtor of a private loan does no longer meet its obligations. The strategic allocation along the various investment grade categories within the interest-bearing portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives exposure

The credit default risk related to the market value of the derivatives held by Proteq with a counterparty is managed by means of a Credit Support Annex (CSA) agreement in accordance with standard industry practice. These agreements provide that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the credit risk. See also Section 6.3, note 23 Hedging, which describes how derivatives are used for hedging purposes.

7.8. Liquidity risk

7.8.1. Risks

Liquidity risk is defined as the risk that Proteq would have insufficient liquid assets to meet its financial liabilities in the short term, in a going concern situation or in times of a stress situation, or if obtaining the necessary liquidity would mean incurring unacceptable costs or losses.

The liquidity risk is monitored and managed at legal entity level.

7.8.2. Risk management process

The policy of Proteq is to have more liquidity available than it is required to hold based on internal risk management minimum levels. The objective of the internal risk management minimum levels is to ensure that Proteq is able to fulfil her obligations towards policyholders and all legal obligations.

The liquidity risk policy uses three sources of liquidity:

1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

Cash position

The first source of liquidity concerns the cash position. This position is built up from the cash management process from investments (managed by ACTIAM) and cash management process from underwriting and operating activities. In the investments cash management process all cash flows from investments are managed by our Asset Manager (ACTIAM).

Proteq has taken into account that all obligations to policyholders must be respected and that these obligations will be paid throughout the underwriting and other operating cash management process. If at any time these obligations exceed the premium income additional cash will be transferred from the investment cash management process. Otherwise, when premiums exceed the payments in the operational cash management process, cash will be transferred to the investments cash management process, for the purpose of the investing excess cash (temporarily).

Liquidity buffer

The second source is the liquidity buffer. Together with the cash position, the liquidity buffer forms the overall liquidity position of the entity.The liquidity buffer is the indicator for the overall liquidity position of Proteq and takes into account all available assets and the impact of an interest shock and a mass lapse. Monitoring of this buffer accounts for an important part of the daily activities of the Proteq.

Contingency policy

The last source of liquidity relates to a situation in which the normal liquidity and buffers turn out to be insufficient. In case of such a contingency, Proteq has implemented a Crisis Management Team (CMT) structure and a predefined set of potential management actions. The CMT must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

7.8.3. Exposure

The required liquidity is determined based on absorbing shocks in a stress situation. The shocks are applied on prescribed risk categories. These risk categories are mass lapse and interest rate movements. The increase of the required liquidity is mainly due to the increase of derivatives to counterbalance the shortened duration of the (mainly Dutch and German government) bond portfolio. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

The available assets consist of government bonds, corporate bonds and other investments (i.e. loans, deposits, equities and mortgages).The amount of available assets is adjusted (haircuts) based on eligible collateral, the level of illiquidity of the assets and expert judgement. Utilized liquidity refers to transactions such as repurchase agreements, or collateral posted.

Liquidity buffer

In € thousands	2016	2015
Available assets	591,800	534,600
Total haircuts	-68,300	-64,300
Available liquidity	**523,500**	**470,300**
Required liquidity	-210,500	-168,000
Liquidity buffer	**313,000**	**302,300**

7.8.4 Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from all derivative contracts by maturity date. There are no other financial liabilities on the balance sheet of Proteq.

Liquidity calendar derivatives 2016

In € thousands	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	0	0	0	0	-4,562	**-4,562**
Currency contracts	0	0	0	0	0	**-**
Total	**-**	**-**	**-**		**-4,562**	**-4,562**

Liquidity calendar derivatives 2015

In € thousands	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	-	-	-	**-**
Currency contracts	-		-	-	-	
Total	**-**		**-**	**-**	**-**	

7.9. Non-financial risks

7.9.1. Risks

The Non-Financial Risk department (NFR), which is part of the Risk department resorting under the CRO, monitors and provides advice to management on compliancy risk and operational risk.

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 Proteq, for example conviction of payment in fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope consist a.o. of those laws and regulations under which the supervisory authorities (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*), the Dutch Sanctions Act, as well as relevant European laws such as Solvency II, AIFMD and guidance from the Dutch Association of Insurers and other relevant bodies.

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. It consist of Customer, Products and Business Conduct, Execution & Process Control, IT Risk, Fraud risk, Damage to physical assets, Staff & security and Model risk, monitored according to the Solvency II classification.

7.9.2. Risk management process

In managing non-financial risks Proteq follows the risk management process as set out in Section 7.3.

Risk identification

Proteq systematically analyses integrity and operational risks based on risk assessment and risk analysis, and gives insights to and reports on them.

Risk measurement

In addition Proteq initiates integrity-investigations, risk self-assessments and incident analysis. In consultation with the business NFR assesses the level of risk maturity (management controls), the structure and effectiveness of process controls and mitigating measures within the first line to manage the non-financial risks.

Risk mitigation

NFR supports and challenges the first line in the recognition and mitigation of non-financial risks. For this, it carries out research, monitors control measures and informs management with risk reports such as an integrated incident report, the Non-Financial Risk Appetite report and the report on effectiveness of management and process controls to draw attention to relevant issues in the field of internal control. NFR facilitates the business in training & awareness on integrity risks.

Risk monitoring and reporting

NFR is represented in the Risk Committee Supervisory Board, the VRC, the PC and in the ORC and PMP MTs (see Section 7.2.5) of VIVAT. NFR monitors the implementation of laws and regulations on progress and also on design, existence and operation of the first line responsibility to implement laws and regulations. Within the PMP MTs NFR advices on the development, evaluation and approval of products in accordance with laws, regulations, the AFM criteria and criteria related to treating customers fairly.

Each quarter NFR draws up a non-financial risk report, which provides a comprehensive overview of the major non- financial risks and incidents within VIVAT. A summary of the NFR report is included in the Risk management Function Report (RFR as mentioned in Section 7.2.5).

7.9.3. Developments

The VIVAT organization, including Proteq, faced a period of transition during 2016. Although this will bring new opportunities and sustainability this transition period challenged and stretched the organization and our people and increased the risk of the materialization of non-financial risks.

Implementing the new operating model and governance structure, strong focus on cost reduction and earnings models, job uncertainty, changes in products, methodologies and processes, the speed of required changes and cultural changes had a strong impact and influenced operational and compliance risks. These risks are addressed, managed and monitored within VIVAT to maintain a sound and controlled organization.

7.9.4. Exposure to non-financial risks

During 2016 Proteq faced challenges regarding managing and mitigating Compliance and Operational Risks. In this paragraph the main developments and risks are described. Proteq's management is of the opinion that action plans and programs are in place to sufficiently address and mitigate these risks.

Compliance Risk

Owing to the great complexity of the legislation concerning Solvency II, IFRS, FATCA, ILM, Privacy and Supply Chain Responsibility, changes to the pension legislation (Witteveen, net graduated scale), legislation may not be implemented in good time as a result of which Proteq would not be compliant and would inter alia suffer reputational damage as a result.

Privacy risks are lurking due to new legislation both in the Netherlands and in the EU (General Data Protection Regulation) and special precautions need to be taken to avoid data breaches when personal data is transferred to third parties and especially to countries outside the EU that do not provide an adequate level of protection. ITC has set up a broad privacy programme in order to pay full attention to Proteq's compliancy with the privacy regulation.

Operational Risk

Execution and process control

Based on strategic developments and choices VIVAT, including Proteq, had chosen for an accelerated reorganisation resulting in a relatively large number of employees leaving the workforce of the company in 2016. Also in multiple parts of the organization new (senior) management was introduced. Furthermore during 2016 Proteq was running a number of complex projects such as Solvency II, system conversions and data management.

During 2016 Proteq continued to invest in the development of the control environment by the strategic programmes Solvency II, Data management and ICF, resulting in improved process controls, management information, risk management policies and first line risk maturity. These improvements significantly contribute to managing the organization.

Rationalization of the model landscape, in which the number of models is further reduced and the reporting process is further automated, is a strategic programme executing in 2017. It contributes to a more efficient and reliable valuation of underwriting and market risks and the solvency, and leads to further reduction of model risk. Given the validation of a number of models in several segments the model risk has been further reduced in 2016. Uncertainty resulting from conversion projects has been mitigated by successful finalising or continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

Information Technology

To realise more efficiency Proteq is busy rationalising the IT landscape. The target IT landscape has been defined, and non-target systems are being made obsolete. Beside this, the IT focus is on innovations like new and modern apps. The IT organisation is implementing the new Agile way of working, to improve on efficiency and to decrease time-to-market. Proteq started the IT cooperation with the other European Anbang companies like Fidea and Nagelmackers to achieve synergy in IT. Proteq is aware that these developments require high standards of change management within the IT department to maintain an IT landscape that is in control and is managing IT risks.

Outsourcing / Cloud computing

Proteq is shifting away from handling IT matters itself in favour of outsourcing in areas of the consumer value chain where Proteq is less distinctive. Proteq assesses how the required functionalities in that value chain can be purchased or outsourced as components. Proteq performs risk assessments for new outsourcing initiatives, the results of which are reflected in the contracts with outsourcing partners. A good supplier management is set up to in order to maintain the desired level of control over outsourcing.

Cybercrime risk

Fighting cybercrime is a key priority for a financial organisation like VIVAT. Cyber criminals are always trying to compromise financial companies, for example with ransomware. In 2016 no major incidents related to cybercrime occurred within Proteq. Cybercrime will remain high on the agenda of the Proteq management. Appropriate organisational and technological measures will be taken in order to be able to tackle the cybercrime risks, like the cooperation with the National Cyber Security Center and other major Dutch insurance companies.

Staff and security

Due to strategic developments and a new strategy a large number of employees left the workforce of the company in 2016 resulting in a relatively highstaff turnover in 2016. Proteq has been well aware of the risk involved in such a substantial change and closely monitored risks on sick leave, due to heavy workload, work-related stress and possible resistance to a changing corporate culture.

Amstelveen, the Netherlands, 16 June 2017

The Supervisory Board

M.W. Dijkshoorn (Chairman)

M.R. van Dongen

M. He

K.C.K. Shum

P.P.J.L.M. Lefèvre

The Executive Board

J.J.T. van Oijen (Chairman)

F. Zhang

L. Tang

X.W. Wu

Y. Cao

W.M.A. de Ruiter-Lörx

J.C.A. Potjes

8. Other information

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

Article 35

35.1. The profit shall be to the appropriation of the general meeting.

35.2. The company can only make payments to shareholders and other entitled parties to the account of the profit up for distribution in so far as the own capital is larger than the subscribed capital increased by the reserves that have to be kept by law.

35.3. Profit distribution shall only take place after adoption of the annual accounts which show that the distribution is allowed.

Article 36

36.1. Dividend shall become payable within fourteen days after declaration, unless the general meeting determines another date on a motion by the board of directors.

36.2. Dividend that has not been claimed within five years after it has become payable, shall revert to the company.

36.3. The general meeting may decide that dividends shall be paid entirely or partially in another form than in cash.

36.4. If so decided by the general meeting on a motion by the board of directors, interim dividend shall be distributed, including an interim distribution of reserves, with due observance of the provisions in section 2:105 paragraph 4 Civil Code.

36.5. A deficit may only be amortized to the account of the statutory reserves insofar as is allowed by law or these articles of association.

Independent auditor's report

To: the shareholder and supervisory board of Proteq Levensverzekeringen N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Proteq Levensverzekeringen N.V., based in Alkmaar ('Proteq' or 'the Company') as set out on pages 23 to 88.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Proteq as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2016
- The following statements for 2016: the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the cash flows statement
- The notes comprising a summary of the significant 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 Proteq in accordance with 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.

Materiality

Materiality	€ 2 million
Benchmark applied	2% of Proteq's Shareholder's equity
Explanation	Proteq' s equity and solvency, and the ability to meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on Proteq's Shareholder's equity.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Supervisory Board that misstatements in excess of € 100.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

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

Key Audit Matter	Our audit approach
Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)	
Proteq has insurance contract liabilities of € 471 million representing 90% of the Company's total liabilities. The measurement of insurance contract liabilities involves judgment over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities. The Company's IFRS liability adequacy test (LAT) is performed in order to confirm that insurance contract liabilities are adequate in the context of expected future cash outflows. As at 31 December 2016, Proteq's LAT shows a deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT. Various economic and non-economic assumptions are being used in the LAT to estimate these long-term liabilities. The setting of mortality, expense and lapse assumptions in the LAT require application of significant judgment.	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Consideration of the appropriateness of the mortality, expense and lapse assumptions used in the valuation of insurance contract liabilities by reference to Company and industry data and expectations of future mortality, expense and lapse developments. Further, we considered the validity of the Company's IFRS LAT results which is a key test performed in order to ensure that insurance contract liabilities are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the LAT includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, expenses and lapses, based on Company's and industry experience data, expected market developments and trends. Other key audit procedures included assessing the Company's methodology for calculating the insurance contract liabilities and an assessment of internal controls in this respect, including the analysis of the movements in insurance contract liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience. We considered whether Proteq's disclosures in note 6 of the financial statements in relation to insurance contract liabilities and liability adequacy test results are compliant with the relevant accounting requirements.
Solvency	

Key Audit Matter	Our audit approach
In the section Managing Risks (section 7.4.5 Capital Position) of the financial statements, Proteq discloses its capital position as at year-end 2016 in accordance with Solvency II regulations which became effective on 1 January 2016. These disclosures provide information on the capital position of Proteq on a regulatory basis (Solvency II) of accounting compared to an IFRS basis. The determination of the Solvency II ratio involves judgment in respect of methodologies used and setting best estimate assumptions. Specifically, judgment is involved in: • determining the best estimate insurance liabilities, particularly the assumptions setting for mortality, expense and lapse assumptions; • treatment of non-modelled business for the best estimate insurance liabilities.	We involved our actuarial specialists to assist us in performing our audit procedures with regard to the Solvency II calculations, which included among others: • Consideration of the appropriateness of the mortality, expense and lapse assumptions used in the valuation of the best estimate insurance liabilities by reference to Company and industry data and expectations of future mortality and expense developments. • Consideration of the appropriateness of methodology of estimation of non-modelled business by reference to Company and industry data and recognised actuarial practice. We assessed the design and operating effectiveness of the internal controls over Proteq's Solvency II calculations. This included, where relevant, interpretation of guidelines, comparison of judgements made to current and emerging market practice and re-performance of calculations on a sample basis. We considered whether the Company's disclosures in note 7.4.5 of the financial statements in relation to capital management are compliant with the relevant accounting requirements.
Adjustment of unrealized gains allocated to contracts with discretionary participation features	
Proteq has adjusted the unrealized gains allocated to contracts with discretionary participation features in the comparative numbers included in the 2016 financial statements. In 2014 and 2015, Proteq applied an incorrect appropriation key of the unrealized gains on fixed income securities as part of its insurance liabilities for participating insurance contracts. As a result, Proteq's shareholder's equity was understated by EUR 9.1 million and EUR 7.5 million, respectively, as at 31 December 2014 and 31 December 2015.	Our audit procedures included: • An assessment of Proteq's analysis over the period 2014 and 2015, including supporting documentation, of the allocation of unrealized gains allocated to contracts with discretionary participation features and the resulting appropriation of these unrealised gains between equity and insurance liabilities in those years. • Verification of the adjustments made to comparative information. We also considered whether Proteq's disclosure in respect of the adjustment, including the impact on prior years, primarily note 6.1.2 to the annual accounts, is compliant with IFRS requirements.

Unaudited corresponding figures

We have not audited the financial statements 2015. Consequently, we have not audited the corresponding figures included in the statements of profit or loss, comprehensive income, changes in equity and cash flows 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 management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Corporate governance report

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 less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed by the Supervisory Board as auditor of Proteq on 29 October 2015 as of the audit for the year 2016 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

Misstatements can arise from 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 e.g.:
- 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 management
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 Board 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 Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Amsterdam, 16 June 2017

Ernst & Young Accountants LLP

Signed by J.G. Kolsters