



Annual Report
VIVAT NV 2017

Zwitserleven



nowGO

actiam

VIVAT

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2017 at a Glance

2017 was an important year for VIVAT. It was the first full year after an extensive transformation in which staff costs were reduced by 24% and VIVAT's focus could shift to growth. This successful transformation is reflected in our financial performance and in the positive developments in our product lines. We closed 2017 with a net underlying result of EUR 172 million. VIVAT's Solvency II ratio of 162% remained above its internal target. During the past year a lot of progress was made to create a leading, customer-focused and innovation-driven insurance company. Processes were optimised, resulting in cost reductions and improving service levels. I would like to take this opportunity to give sincere thanks to our customers, business partners, investors, employees and all other stakeholders.

Ron van Oijen, CEO VIVAT

About VIVAT

More than
2.5 mln
customers

5 locations

Alkmaar
Amstelveen
Assen
Rotterdam
Utrecht

2,466 fte

Our Performance

Gross Premium Income

▲ 2,923 mln EUR

2016: 2,508 mln EUR

Total Operating Costs

▼ 386 mln EUR

2016: 420 mln EUR

Solvency II

▼ 162%

2016: 175%

Net Result IFRS

▼ -116 mln EUR

2016: 168 mln EUR

Net Underlying Result

▲ 172 mln EUR

2016: 161 mln EUR

Total Assets

▼ 56,747 mln EUR

2016: 57,801 mln EUR

Our Main Brands

Zwitserleven

0.5 million participants



1.8 million clients

actiam

54.1 billion EUR
assets under management

Our Highlights

Innovation



VIVAT opened Innovation Centre: VINCE.



VIVAT implemented a unified customer relationship management system.



ADS & VIVAT opened an 'Insurance Lab'.

Awards



VIVAT won two international awards for cooperation with start-ups.



Zwitserleven and Reaal in VBDO Top 3 most responsible investment policy. Fair Insurance Guide gave maximum score to VIVAT in report on deforestation and land robbery.



Zwitserleven awarded as Best Pension Provider in the Netherlands by World Finance.



ACTIAM achieved top scores in the annual responsible investment research conducted by the PRI.

New



VIVAT launched nowGo, a new digital brand.



Zwitserleven introduced customer loyalty programme Zelect.



Zwitserleven launched the 'Roadtrip' campaign.



Reaal launched the 'Lekker Geregeld' campaign.



Reaal Dier & Zorg biggest panda insurer in The Netherlands.

Sustainability



36,1 % reduction use of paper.



14,9 % CO₂ emissions reduction.



28,6 % reduction of waste.



VIVAT has 100% green gas and electricity.



VIVAT changed lease policy to help CO₂ reduction.

Four key Strategic Themes

VIVAT has defined four key themes for the whole company. These themes are embedded in execution and change of VIVAT:



Customer Centricity



Data



Digitalisation



Innovation

Key Figures

In € millions	2017	2016 ¹	2015	2014	2013
Net result					
Life Corporate	-239	79	69	-613	-143
Individual Life	160	159	120	100	-439
Property & Casualty	2	-48 ²	-81	-110	-
Asset Management ³	1	-2	6	11	-
Holding and other	-40	-20	-5	-	-43
VIVAT	-116	168	109	-612	-625
Profit or loss					
Net premium income	2,872	2,447	2,418	2,898	2,967
Investment income	1,430	2,794	1,319	1,469	1,434
Investment income for account of policyholders	435	902	648	2,159	628
Total income	4,463	6,020	4,375	6,534	5,161
Total expenses	4,638	5,790	4,234	7,349	5,934
Result before taxation	-175	230	141	-815	-773
Taxation	-59	62	32	-203	-148
Net result IFRS VIVAT	-116	168	109	-612	-625
Net underlying result					
Life Corporate	60	35			
Individual Life	133	156			
Property & Casualty	-	-26			
Asset Management	1	-2			
Holding	-22	-2			
Net underlying result VIVAT	172	161⁴			
Statement of financial position					
Total assets	56,747	57,801	60,328	60,525	55,475
Investments	38,624	38,294	36,727	36,648	32,979
Investments for account of policyholders	13,202	14,251	14,377	14,559	13,491
Loans and advances to banks	1,814	960	999	321	362
Total equity	3,547	3,699	3,451	2,015	2,589
Insurance liabilities	46,794	47,617	46,457	46,646	41,263
Subordinated debt	1,016	1,047	872	887	859
Amounts due to banks	1,643	1,353	1,378	1,754	3,035
> Ratios					
Regulatory solvency II VIVAT	162% ⁵	175%	161% ⁶	-	-

¹ The comparative figures 2016 (net result, investment income, total income, result before taxation, taxation, total assets and total equity) have been adjusted due to changes in policies and presentation in 2017.

² As of 2017 designated parts of the disability insurance liabilities, which previously were measured using locked-in interest rates, are measured using current market interest rates. The comparative figures affected have been adjusted. The impact on profit or loss after taxation in 2016 is a gain of € 18 million.

³ As part of the restructuring of SNS REAAL Group, VIVAT NV acquired all shares in ACTIAM NV from SNS REAAL NV on 1 July 2014. This acquisition was a result of the disentanglement of the insurance business given that ACTIAM NV primarily manages investments for the insurance business. In 2016 the operating segment ACTIAM was adjusted to the segment Asset Management.

⁴ In 2016 the operating segments of VIVAT were adjusted, following the implementation of the new strategy. As a result, the net underlying result is only presented for 2017 and 2016.

⁵ Regulatory solvency II ratio is not final until filed with the regulator.

⁶ Regulatory solvency II ratio is based on Day 1 figures.

VIVAT and VIVAT NV

In this annual report, we use the name 'VIVAT NV' when referring to the company financial statements of VIVAT NV. For the consolidated financial statements of the insurance business as a whole, we use the name 'VIVAT'.

The VIVAT Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: 2017 at a glance (chapter 1), Key figures, Foreword (chapter 2), Strategy and Developments (chapter 3), the Executive Board (chapter 4.1) and Remuneration (chapter 4.4).

2. Message from the Executive Board of VIVAT NV

Dear stakeholders,

2017 was an important year for VIVAT. In the first full year after an extensive transformation in which we reduced staff costs by 24%, we were able to shift the focus to growth. The success of this transformation is reflected in our financial performance and in the positive developments in our product lines. We closed 2017 with a strong net underlying result of € 172 million. VIVAT's Solvency II ratio of 162%, impacted by a decrease of the Volatility Adjustment, remained above its internal target.

In May 2017, VIVAT successfully accessed the capital markets by issuing € 650 million senior notes. This was the first time that the holding company had accessed the capital markets. In October 2017 VIVAT issued a \$ 575 million subordinated loan. The proceeds of both loans were used to enable growth, to optimise the capital structure and to refinance loans to our shareholder.

Over the past year, we made a lot of progress in creating a leading, customer-focused, digital and innovation-driven insurance company. We have optimised our processes, resulting in cost reductions and improvements to service levels. We started the implementation of an unified customer relationship management system, we created one VIVAT marketing database and introduced customer journeys. Also, we have introduced a new retail brand, called nowGo, that focusses on online distribution. VIVAT's main brands, Reaal and Zwitserleven, have launched new propositions and new campaigns. The Zwitserleven brand is also leveraged as a retail brand in the first quarter of 2018. VIVAT remains focussed on maintaining its good relationship with intermediaries and authorised agents, in addition to offering online propositions.

Our employees have shown their commitment to VIVAT in the past year after the significant change of the organisation. After the transformation, the customer satisfaction levels of our main brands remained stable and intermediaries consistently rank us high in surveys, thanks to the contribution of our employees.

In order to make VIVAT the most innovative insurer in the Netherlands, VIVAT will continue to cooperate with start-ups and accelerators in search for new business opportunities. In 2017 we have organised innovation days for our employees and for intermediaries. To accelerate innovation within VIVAT, we opened our own innovation centre, VINCE, in a dedicated start-up environment in Amsterdam. In addition, we invested in data science by cooperating with five universities to start up data programmes for our employees and we started sponsoring several PhD-programmes. Just before year's end, VIVAT received two European awards for its collaborations with start-ups.

Our growth ambition in 2017 was supported by a buy-out of a pension fund of € 375 million single premium, that increased gross written premiums of Life Corporate. Within Individual Life gross written premiums remained stable. The Individual Life portfolio is shrinking in line with the long-term contraction of the individual life market. This was compensated by the successful sale of immediate annuities. Gross written premiums within P&C increased slightly, whereas the composition of the portfolio changed significantly. A great deal of effort was put into optimising the customer portfolio and customer based pricing to improve its performance, resulting in a strong improved combined ratio of 99%.

We saw positive developments in each of our product lines in 2017. Life Corporate increased its retention and reduced the number of administration systems from five to two systems. Individual Life reaped the benefits of the new organisational structure by further reducing its costs, made good progress on redesigning and automating its customer processes and won a price for best annuities (DIL) offered by an insurer. Our product line P&C kept its Combined Ratio below 100% for the first time in several years. Also, P&C strengthened its relationship with intermediaries and authorised agents and further rationalised its IT-landscape.

Our asset manager ACTIAM remained a frontrunner in responsible investment and achieved top scores in the annual responsible investment research, conducted by the Principles for Responsible Investment (PRI). Sustainability is key for VIVAT. Therefore we are proud that, for the fifth consecutive year, the VBDO (the Association of Investors for Sustainable Development) elected Zwitterleven as No. 1 out of thirty Dutch insurance companies for having the most sustainable investment policy. All these efforts have also resulted in sound returns.

In the fourth quarter of 2017, we have sharpened our strategy for the coming years. We defined the following key themes for the business: Customer Centricity, Digitalisation, Data and Innovation. By focussing on these themes we will be able to serve our customers optimally and further reduce our cost base. In addition, we will continue our efforts in optimising our investment portfolio while maintaining a sound balance sheet management. Furthermore, we will complete the rationalisation of our IT landscape. VIVAT is still interested in value accretive add-on acquisition if opportunities arise.

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

Amstelveen, the Netherlands, 13 April 2018

On behalf of the Executive Board of VIVAT NV,
Ron van Oijen, Chief Executive Officer



January



February



March



Innovation

VIVAT 4 kids

The year started with a bootcamp for children of VIVAT employees who were given the opportunity to act as real start-ups for one weekend. In small teams they experienced how to explore and develop new ideas and 'pitch' these for a real audience: their own parents! Startup Kids 4VIVAT resulted from the strategic partnership with Startupbootcamp to boost innovation within VIVAT.

Innovation

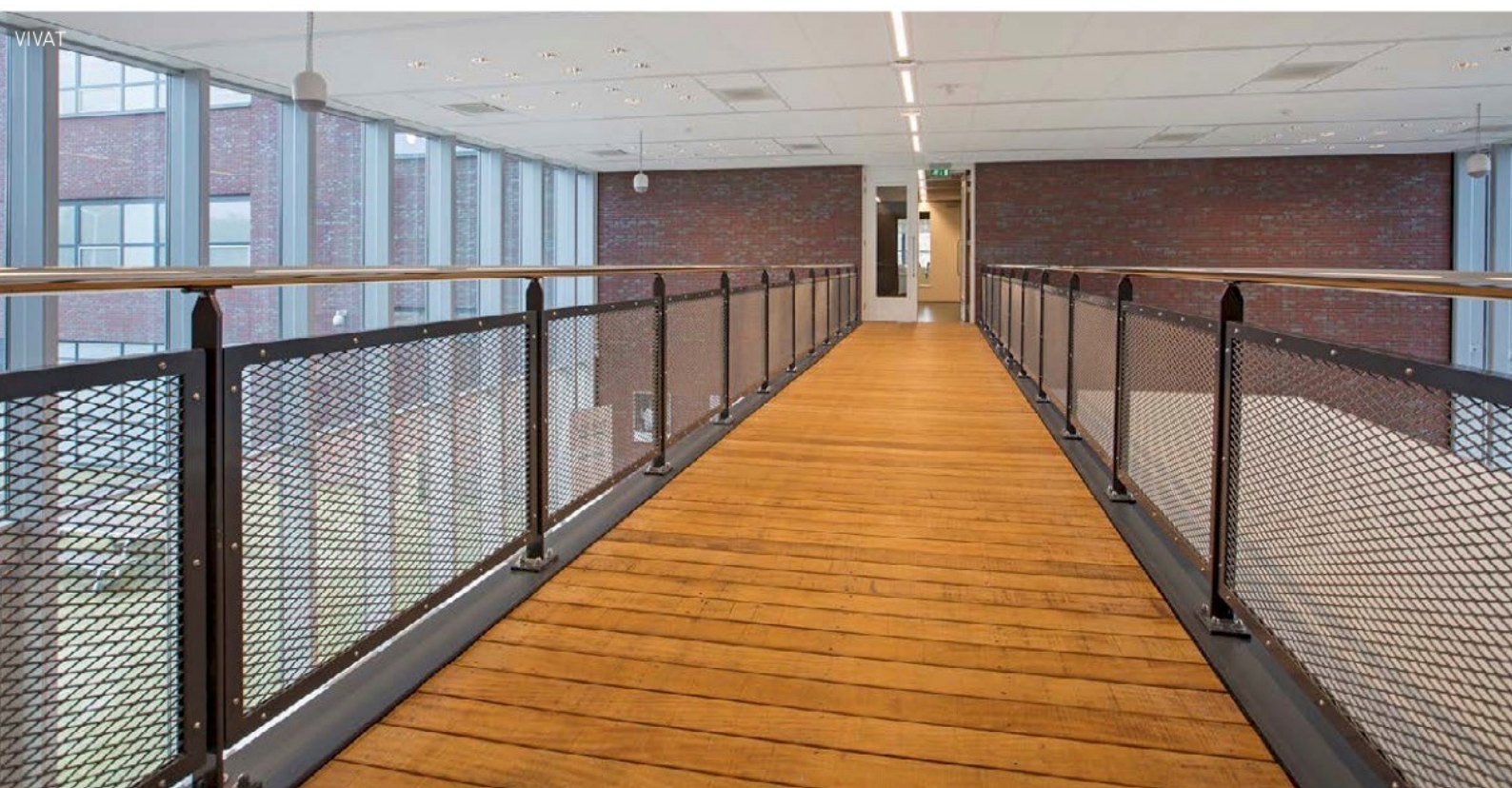
Innovation Accelerator Programs

After the children it was time for VIVAT employees to immerse themselves in Innovation Accelerator Programmes at an external location. In three months' time and guided by our partners Innoleaps (Startupbootcamp), OneUp en UtrechtInc., seven VIVAT start-up teams developed and validated their ideas, using the lean start-up method. In order to create an internal innovation ecosystem another group of forty employees from various staff departments completed a Masterclass Innovation.

New brand

Reaal Dier & Zorg biggest panda insurer in The Netherlands

The final preparations were made for the arrival of two giant pandas to The Netherlands. Xing Ya and Wu Wen were expected to arrive to Pandasia in April. Their coming coincided with the rebranding of Proteq Dier & Zorg into Reaal Dier & Zorg, that will take care of the animals' life insurance during their stay in Pandasia for the coming years. The 'new' brand gained much media attention for being the biggest panda insurer in the Netherlands.



3. Strategy and Developments

3.1. About VIVAT

VIVAT

VIVAT is a Dutch insurance company that offers a variety of insurances. Via its main brands Reaal and Zwitserleven and niche labels nowGo, Proteq, Route Mobiel and Zelf, VIVAT provides pensions, individual life, property & casualty and disability insurances. VIVAT is also offering asset management services via its asset manager ACTIAM. VIVAT primarily operates in the Netherlands, except for ACTIAM that also manages assets in Europe.

VIVAT generated € 2,923 million in gross written premiums (GWP) in 2017 which makes VIVAT one of the top 5 insurance companies in the Netherlands.

VIVAT's main offices are located in Amstelveen and Alkmaar. VIVAT also has smaller offices in Utrecht, Rotterdam and Assen.

Structure

VIVAT is organised into four product lines. The chart below translates the product lines structure into the legal structure of VIVAT.

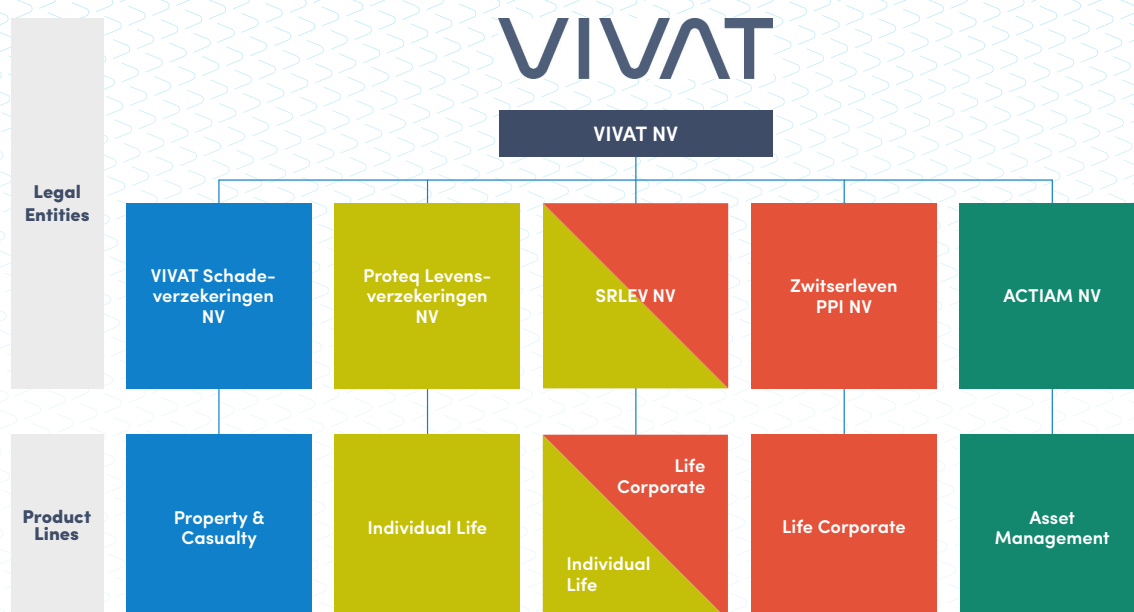


Figure 1: Structure VIVAT

Anbang Group Holdings Co. Limited, an indirect subsidiary of Anbang Insurance Group Co., Ltd., is the sole shareholder of VIVAT NV.

3.1.1. Vision, Mission and Core Behaviors

Our Vision

VIVAT is a leading, trusted and customer-centric financial service provider helping its corporate and individual customers to realise their dreams and insure their risks.

Our Mission

Our mission is twofold:

- > VIVAT will deliver a comprehensive product and service offering to our customers.
- > VIVAT will leverage the most advanced technologies, resulting in long-term sustainable profitable growth for customers, employees and society at large.

Our Core Behaviors

Customer centricity, data, digitalisation, innovation and a high performance culture are central aspects of the new strategy. VIVAT has also an ambitious task to achieve more for our clients with lower costs. This will ask for a different way of working and changing behavior. For that reason, VIVAT has defined five core behaviors for their employees:

> 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.

> 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.

> Result Driven

We focus on things that clearly help us towards our targets. We finish what we start.

3.1.2. VIVAT's Strategy

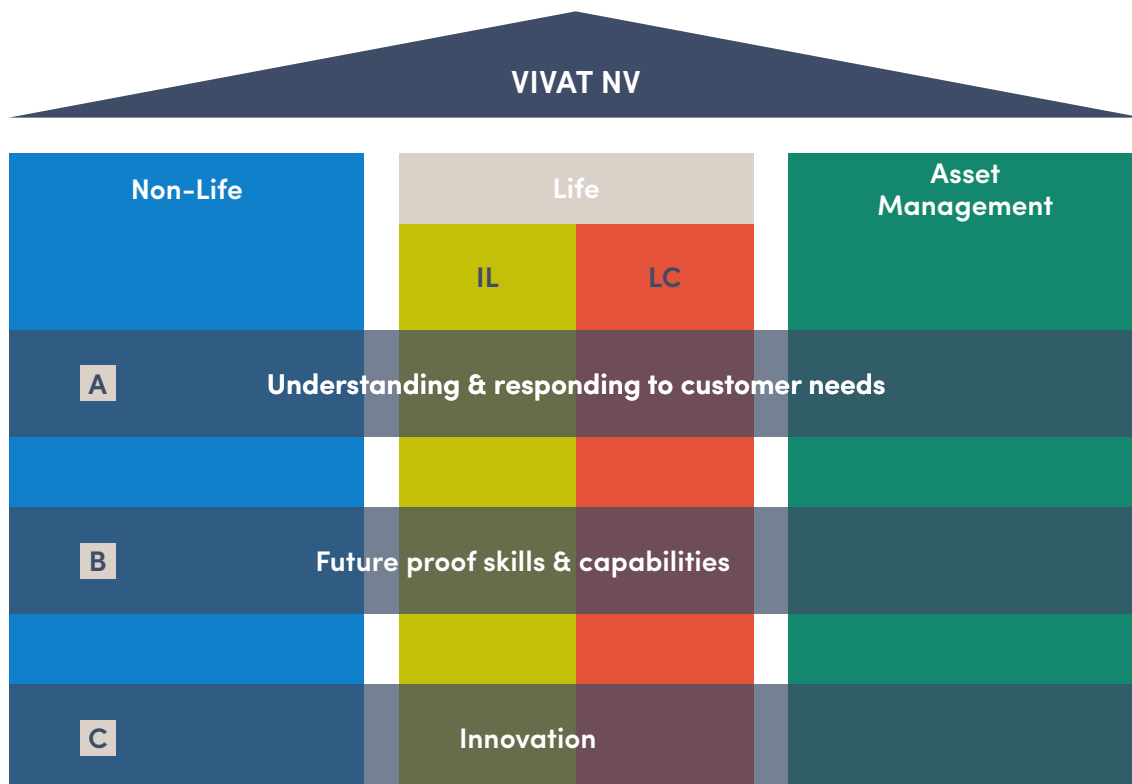


Figure 2: VIVAT Strategy

VIVAT's strategy is built around the following three focus areas: A. understanding & responding to customer needs, B. making VIVAT future proof, and C. smart application of innovation. These focus areas are tailored to all four product lines as outlined above.

Understanding & Responding to Customer Needs

VIVAT offers its customers transparent and easy to understand products that are developed to fulfil their needs. The employees of VIVAT put client interests first, and communicate with them in clear and easy-to-understand language. VIVAT focuses on retail customers, self-employed individuals, small and medium-sized enterprises (SMEs) and corporates (within the pension business). VIVAT puts a lot of effort to improve its services to customers and the intermediaries that advise them continuously. Within VIVAT, customer and intermediary satisfaction levels are closely monitored through a comprehensive dashboard including customer service, intermediary satisfaction and the Net Promoter Score (NPS). The NPS is an important measure in the performance management cycle of VIVAT.

Future Proof Skills & Capabilities

Acting in the best interest of the customers requires skilled and motivated staff. As VIVAT operates in a fast changing environment, we are continuously investing in our people when it comes to knowledge and capabilities. In addition, investing in big data is of great importance. Therefore VIVAT started cooperating with several universities to develop data programmes that will offer VIVAT opportunities to improve our business and processes.

Innovation

Innovation is key for VIVAT. A lot of effort is put in collaborations with start-ups and accelerators in search for new business opportunities. Also VIVAT started organising innovation days for its employees and for intermediaries, to further innovate and create the right mindset. Through VIVAT's own innovation centre VINCE new ideas can be transformed in new products or services.

Four Key Strategic Themes

To steer the company in the right direction, VIVAT has defined four key themes for the whole company. These themes are embedded in the execution and change of VIVAT:

- > Customer centricity
- > Digitalisation
- > Data
- > Innovation

Each product line has specific activities that will help VIVAT move forward.

Property & Casualty

For Property & Casualty, the focus is on sustainable profitable growth; lowering the combined ratio, but with a healthy growth ambition. VIVAT believes that the following activities are key:

- > Reforming key operational processes to better serve our customers and to reduce costs.
- > Dynamic pricing will help us to optimise our P&C portfolio and reduce the combined ratio.
- > Offering innovative propositions to grow market share with the use of data and other innovative business partners.
- > Seeking opportunities in the market and play an active role to grow in-organically.

Life Corporate

Life Corporate wants to further grow the business in collaboration with its important business partners. Furthermore, VIVAT believes it should play an active role in the ongoing pension reform debate. This results in the following key activities:

- > Focussing on retention and business partner relationships
- > Pursuing opportunities following market consolidation
- > Increasing B2B2C-sales (through employers) by a further roll-out of Financieel Vitaal (See section 3.4.1 'New Products')

Individual Life

In the shrinking individual life market VIVAT focuses on the following three activities:

- > Changes in rules and regulation and compliancy
- > Cost efficiency and operational excellence

- Retention of the customer and portfolio

Asset Management

- Build or buy new investment capabilities (e.g. equities, data / quant specialist)
- Build or buy new distribution capabilities (incl. international)
- Develop investment funds to support VIVAT wealth accumulation proposition

In order to fulfil our strategy for VIVAT as a whole, continuous cost reductions are necessary. Applying Robotic Process Automation (RPA) and finalising the rationalisation of our IT landscape will help to achieve this. Further efforts will be made in optimising our investment portfolio to increase our income in the coming years. Inorganic growth will be considered at the right conditions (adding to the bottom line) and when it fits within the business profile, risk profile and strategy.

2017 has shown that VIVAT is delivering on its strategy, helped by the efforts of our employees who are committed to the renewed organisation. VIVAT is confident that it will continue to do so in the future.

3.2. Corporate Responsibility

Corporate Responsibility (CR) follows from VIVAT's mission and vision and forms an integral part of our strategy and business operations. Our core activity is to provide insurance to our customers, this is why

we take our role in society very seriously. We started implementing CR in the organisation in 2015. In 2017 we updated our CR strategy and aligned it even closer to our corporate strategy.

3.2.1. Updated CR Strategy

Last year we decided to take our CR strategy to a next level and ensure optimal alignment between VIVAT's corporate strategy and CR strategy. As we launched the updated CR framework end of 2017, some KPIs will need to be finalised in the first quarter of 2018. The reported year reflects this transition, that is why we still report on 'old' CR strategy and KPIs. We will briefly describe the foundation of our 'new' CR strategy that the Board approved late 2017. We provide a comprehensive CR framework that enforces customer-centricity, innovation, digitalisation, efficiency and sustainability within VIVAT. Our CR strategy will guide VIVAT employees in upholding and effectuating our values in the way they work. Our customers are at the heart of everything we do, but we realise that with our brands we also have an impact on- and are impacted by society and our environment.

Our updated CR strategy consists of the following four main pillars:

- Responsible investments
- Customer centricity
- Sustainable operations
- Sustainable results



Figure 3: Updated Corporate Responsibility framework

Responsible Investments

As VIVAT we combine our investment expertise with a clear view of the environmental, social and governance (ESG) aspects. We invest responsibly by making sure that our assets meet specific ESG criteria. With a focus on climate, land and water our brands encourage companies to use natural resources in a responsible way. For example, ACTIAM actively engages with companies on issues including deforestation and land grabbing.

We have different tools to influence investor behaviour including impact investing, engagement (dialogues), exerting shareholder voting rights, and exclusion as last resort. For example, ACTIAM has actively engaged with companies on issues such as deforestation and land grabbing. Tobacco, gambling and adult entertainment have been excluded in 2017. Animal welfare has been added to the Fundamental Investment Principles of ACTIAM. Through this approach VIVAT seeks to contribute to the United Nations Sustainable Development Goals (SDGs).

Customer Centricity

In our contact with customers we always want to be relevant and add value. Understanding and responding to customers' needs is of great importance to VIVAT. We ensure transparent pricing, fair conditions and understandable products through our customer centricity programme. Per brand, specific customer centricity themes have been defined. Our ambition is to develop innovative customised portals and apps for all brands to respond even better to our customer needs. We will do this through customer journey based processes, systems and tools.

Sustainable Operations

Besides making sure our investments and customer relations are sustainable, we also want to make sure our own operations are responsibly managed. Our efforts include reducing our carbon emissions, efficient use of paper and waste reduction. It also means VIVAT acts as a responsible employer by promoting vitality, personnel development and sustainable

employment relations. We also engage our employees with the latest strategic developments, e.g. by organising Innovation Days.

Sustainable Results

For VIVAT to be future proof it is key to achieve healthy and sustainable long-term results. Within this pillar we focus on activities that impact our customers, shareholders and business including a robust capital position, adequate risk management and achieving sustainable cost levels.

Human Rights Risks

Being a responsible investor, we want to ensure that we do everything we can to safeguard human rights in accordance to international norms and principles. ACTIAM uses its Responsible Investment policies and social criteria to critically assess and if necessary, adapt our investments. In our ESG criteria we have clear policies on responsible land use and related protection of human rights, labour management

and supply chain labour standards. ACTIAM supports the UN Guiding Principles on Business and Human Rights and Principles 1 and 2 of the UN Global Compact. ACTIAM is also guided by international norms on fundamental labour rights such as Principles 3 to 6 of the UN Global Compact. This way we want to ensure that we avoid any risks related to human rights in our investments.

3.2.2. Sustainable Development Goals (SDGs)

Performing an update in our CR strategy in 2017, we also analysed to which Sustainable Development Goals (SDG) VIVAT contributes. The SDGs are a collection of seventeen goals aimed at social, economic and environmental development set by the United Nations. The SDGs are interrelated but each goal has its own targets to achieve. The three SDGs to which VIVAT can make the most impact (Goal #8, Goal #12 and Goal #15) are pictured in figure 4, below.

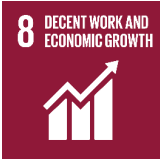


	Relevancy of SDG to VIVAT	Contribution of VIVAT
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> • VIVAT provides meaningful and decent work to around 2,500 employees. • VIVAT supports customers with sound insurance products that give (financial) security. • VIVAT offers financial services to micro-enterprises and SMEs. 	<ul style="list-style-type: none"> • VIVAT offers rewarding jobs to its employees and supports them in areas like vitality, work-life balance and career development. • Through innovation and digitisation VIVAT aims to achieve higher economic productivity and greater market share.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> • VIVAT can encourage its customers to adopt responsible consumption and production practices. 	<ul style="list-style-type: none"> • VIVAT combines investment expertise with a clear view of the environmental, social and governance (ESG) aspects. • With its focus on climate, land and water ACTIAM encourages companies to use natural resources in a responsible way.
 <p>15 LIFE ON LAND</p>	<ul style="list-style-type: none"> • Through responsible investments VIVAT can contribute to the protection, restoration and sustainable use of ecosystems, forests and biodiversity. 	<ul style="list-style-type: none"> • ACTIAM uses its vote in shareholder meetings for sustainable resolutions on e.g. deforestation. • We intensify our engagement with companies on deforestation and land grabbing issues.

Figure 4: VIVAT and Sustainable Development Goals

3.2.3. Value Creation

Creating value for our stakeholders and society is at the heart of our operations and brands. The supply chain forms the basis of the value creation model. In figure 5 we have depicted our supply chain in detail.



Figure 5: Supply chain

Our visualised model of our value creation process (see figure 6) shows the areas in which we create the most value; in the form of both direct and indirect positive impact and by reducing negative impacts. VIVAT's value creation model also provides an insight into the inputs that are required to make our business model work. In the model external developments and trends are incorporated as they show the larger context in which VIVAT operates and impact on VIVAT's customers.

VIVAT is a Dutch financial service-provider, mainly comprising of insurances, pensions and asset management, under various brand names to both businesses and individuals. Different forms of capital (i.e. human, intellectual and financial capital) go into our business model. Our workforce is situated in the Netherlands. Our customers provide the majority of our financial capital by means of insurance policy premiums. This is a precondition for VIVAT to be able to carry out our two core activities:

Insurance (including Pensions Insurance) and Asset Management.

A responsible and sustainable business conduct is of utmost importance to VIVAT. This is reflected in our CR policy framework and our initiatives related to customer centricity, being a sustainable employer, investing in society, adequate risk management and solid financial results. The middle column of the value creation model (see figure 6) show the key figures/KPI's that we used in 2017 to assess the degree to which we achieve these KPI's and other business objectives. It gives a good overview to what extent our strategy is implemented effectively and if it yields the desired output including benefits for our customers and profits for our shareholders.

Looking at impacts, it becomes clear that our asset management activities have an even greater impact compared to our own business operations. We generate more returns by investing the assets that are

entrusted to us. This gives financial stability and the means to pay for insurance claims, benefits and pensions in the long run. We want to deliver sustainable performance, therefore our investments must meet specific ESG criteria. For more information on our responsible investments please refer to 3.4.4 Asset Management.

Lastly, VIVAT's products also have an impact because they contribute to the current and future financial security of our customers and, on a higher level, to financial solidarity and economic growth.



Figure 6: Our Value Creation Model

As VIVAT we want to contribute to the transition to a low-carbon economy through our own operations and investments and mitigate the environmental risks such as climate change. We critically look at the carbon intensity of our investments by using the different instruments we have in place as an investor.

At the same time we work towards mitigating the carbon emissions of our own operations through amongst others upkeeping our high standards on sustainable buildings, efficient use of resources and environmental management systems.

3.2.4. Transparent Service

Customer centricity is essential for VIVAT's success. We strive to earn and maintain the trust of our customers by being fair and transparent in our approach towards them. This way of thinking and working is embedded in our business.

In doing so, we apply the criteria of cost efficiency, usefulness, reliability and comprehensibility as prescribed by the regulator, the Dutch Authority for the

Financial Markets (AFM). This is reflected in so called TCF scores.

The AFM tests whether insurance companies are succeeding in treating customers fairly. In connection with this, the regulator publishes TCF scores on a yearly basis. The AFM's TCF monitor surveys can be used to provide consumers with guidance on making qualitative comparisons. Apart from these scores at industry level we monitor customer loyalty and satisfaction within our company at brand level.

Treating Customers Fairly (TCF)

TCF covers themes that are relevant for customers, such as understandable products, the availability and accessibility of our call centres, and fair pricing. On a scale of 1 (low) to 5 (high), VIVAT has an overall score of 2.6, which is lower than the market average of 3.2. (In 2016 we achieved a score of 3.7 against a market average of 3.8.)

TCF scores obtained in subcategories

(Sub)categories	VIVAT score	Average market score
Claims handling	3.2	3.3
Aftercare unit-linked policies	2.0	3.3
Payment delayed mortgages	2.2	2.8
Customer contact insurers	3.5	3.6
Dashboard mortgages	2.0	2.9

Customer Loyalty and Customer Satisfaction at Brand Level

We monitor customer loyalty and customer satisfaction by measuring various aspects of our service at brand level.

For Customer loyalty we use the Net Promotor Score (NPS), by asking customers one simple question: “Would you recommend us to a friend or colleague?” The score can result in both positive (yes, I recommend this firm) as well as negative percentage scores (no, I do not recommend this firm). Our goal is to improve our service levels in such a way customer loyalty will show positive outcomes in the years ahead. Both Zwitserleven and Reaal managed to improve their NPS in 2017.

The customer satisfaction score reflects our customers’ satisfaction again on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied). In 2017 the overall customer satisfaction scores of

Zwitserleven show a slight increase, although sub-scores (simplicity and comprehensibility) show a slightly mixed result. The customer satisfaction level of Reaal in 2017 also shows a slight increase while subscores give mixed results.

Simplicity

‘Simplicity for the future’ is the focus, the *raison d’être* of the Zwitserleven brand. Over the years, pensions in the Netherlands have become very complicated. Therefore VIVAT puts a lot of effort in making sure that customers are well informed. We measure the extent to which our customers feel our communications are transparent and clear.

For Zwitserleven we saw a fair increase in our customer feedback. According to 73% of the Zwitserleven customers we are succeeding in transparent and clear communication.

Customer Scores of Zwitserleven

Zwitserleven	2017	2016
Net Promotor Score	-39%	-44%
Customer satisfaction score	7.2	7.0
Percentage of customers who think communication is transparent and clear	73%	68%
Percentage of customers that perceive products as comprehensible	76%	69%

VIVAT also aims to improve the financial resilience of customers, by helping them to make conscious choices about their financial situation. Simplicity in finance is therefore an important principle for our brand Reaal. This means that Reaal aims to offer products that are clear, understandable and accessible to all, that have no small print and come with friendly service. We communicate this clearly in our

product conditions, in letters and on our website. We measure the extent to which our customers feel our communications are transparent and clear. In 2017 we saw a fair increase in the customer satisfaction in this area. According to 74% of the Reaal customers we are succeeding in communicating clear and transparent.

Customer Scores of Reaal

Reaal	2017	2016
Net Promotor Score	-37%	-42%
Customer satisfaction score	7.1	7
Percentage of customers who think communication is transparent and clear	74%	67%
Percentage of customers that perceive products as comprehensible	82%	77%

Customer Privacy and Data Protection

Data protection and the privacy of customer data is of key importance for VIVAT. Customers can trust that their personal data is in safe hands with VIVAT. That is why we have implemented certain policies to protect customer data and customer privacy. The privacy statements as published on the websites of VIVAT and our brands describe the categories of data VIVAT collects, the purposes of the collection of these data and how customers may access such data. Customers can contact VIVAT with requests related to that data in writing. VIVAT also has a policy to handle data leakages to minimise possible damage to customers. The appointed Data Protection Officer is responsible for compliance with the law.

3.3. Our Main Brands

3.3.1. Zwitserleven

Zwitserleven is a leading pension insurer in the Netherlands. Zwitserleven offers wealth accumulation products 'for later'.

For the fifth consecutive year, Zwitserleven has been awarded for having the most sustainable investment policy in the Netherlands.

3.3.2. Reaal

Reaal offers Life and Non-life insurance products. Reaal improves the financial resilience of customers by helping them make well-considered choices about their financial situation.

In 2016 Proteq Dier & Zorg was rebranded to Reaal Dier & Zorg, so the brand leader in insurance for pet dogs and cats is now part of the Reaal family.

3.3.3. nowGo

VIVAT's new digital channel nowGo enables customers to buy smart and simple products directly online. Fast, completely tailored and at a competitive price.

NowGo was launched in November and started with its focus on three segments: car, travel and living. As part of the introduction a new unique product was introduced: AirCare, offering the first European short term flight insurance.

3.3.4. ACTIAM

ACTIAM is an alternative investment funds manager in accordance with the Dutch Financial Supervision Act. ACTIAM manages the assets of VIVAT's insurance entities, Listed and Non-listed Investment Funds for institutional and retail investors, various Pension Funds, Insurance Companies and Corporate Clients in Europe.

ACTIAM provides fund management services to both retail and institutional investors and asset management services to institutional investors.

3.4. Our Product Lines

3.4.1. Life Corporate

VIVAT's Life Corporate product line offers pension solutions for business customers. A range of products provides the employees of our customers freedom in making the right decisions to secure their

financial future. The brand of the pension product range is Zwitserleven.

Objectives for 2017

The primary goal for 2017 was to build on and reap the first benefits from the newly established organisation in order to respond adequately to the needs of customers. The priorities therefore remained to further improve business processes and further strengthen the long-term relationships with intermediaries and customers.

The focus points continued to be optimisation of existing products and the development of new propositions, including defined contribution solutions. In addition, Life Corporate aimed to increase the cash-inflow through buy-out.

Achievements in 2017 **A More Flexible and Effective Organisation**

The number of administration systems was successfully downsized from five systems in 2016 to two systems in 2017, allowing more flexibility and efficiency in servicing customers. A sound example is the implementation time of new pension contracts that has been reduced from several months to just six weeks. Moreover, the deployment of fully authorised and responsible account teams provides customers with a single point of entry. This had a positive effect on customer satisfaction that improved for both employers and their employees, and intermediaries. With only two systems in place quick access to clear and uniform management information, enables the self-directed teams to focus on further service improvement.

Buy-out

In March 2017, we acquired a pension portfolio (pension fund) that gave a boost to our cash-inflow and growth ambition. But even without the acquisition, Life Corporate managed to realise growth in 2017. Customer retention rate was 67% as opposed to 57% last year and the market share new business increased to 18% (10% last year).

Relationship Management Events

In the first half year, regional 'Now for Later' sessions were organised. Intermediaries were informed about the VIVAT and Life Corporate strategy, innovation and new product propositions. They learned about our defined contribution solutions and which choices pension members can or must make in the future. This being an important step towards 'defined ambition', where the required pension is the starting point of pension accrual. The sessions were highly appreciated and valued with an average score of 8.0.

Last year's successful webinar was followed up by three webinars this year, aiming at different target groups and elaborating on subjects such as product changes and sustainable investments.

In October 2017, approximately 250 guests attended the Zwitserleven Pension Event which focused on the theme 'Customer Insight'. Customers and intermediaries were updated with the developments in the field of pensions, innovation and legislative amendments such as the Privacy laws and big data. The audience valued the event with an average score of 8.5.

New Products

To offer customers relevant products and services and to speed up the process, product development was done in cooperation with start-ups, in a lean start-up way of working. As a result, two new products were launched in October. 'Financieel Vitaal' provides pension members insight in their expected income and estimated expenses at retirement, and gives solutions to resolve the difference if required. This online tool enables pension members to be in charge of their financial situation at retirement. Retired customers are offered the benefits of 'Zwitserleven Zelect'. This new and unique platform provides exclusive arrangements and activities, such as wine/cheese tastings, an introduction day to play golf or hiring a student to accompany or help out in daily activities. It demonstrates the 'Zwitserleven Gevoel' and ensures a high level of customer satisfaction.

5x Most Sustainable Investment Policy

For the fifth consecutive year, Zwitserleven was elected number 1 out of 30 Dutch insurance companies with the most sustainable investment policy. The detailed benchmark made by VBDO, the Association of Investors for Sustainable Development, compares the way Dutch insurance companies organise, implement and report about sustainable investments. Life Corporate takes great pride in this award, as it is inextricably linked to its mission: taking care of customers to realise their dreams in a sustainable and responsible way, now and later.

3.4.2. Individual Life

The portfolio of the Individual Life product line mainly consists of life annuity insurance policies, mortgage-related endowment policies, term-life policies and unit-linked insurance policies. Individual Life operates in the retail and SME markets.

Objectives for 2017

As a result of economic, regulatory, demographic and social developments, individuals are increasingly responsible for their own long-term financial security. The products offered by the Individual Life product line aim to provide this security. In view of the significant impact of these products on the well-being of individuals, customers need to be able to make well informed choices. This requires clear products, assistance in finding the optimal solution and widespread availability. The objective for the Individual Life product line for 2017 was to initiate structural and sustainable improvements to the business processes, create more efficiency into our client service and product range to enable it to meet these customer needs. Other aims for 2017 were to increase revenue by strengthening the position of current products, capturing growth opportunities, developing innovative products and transform the Customer Service organisation into client teams to meet the customer needs.

Achievements in 2017 Organisational Aspects

In line with the restructurings in other parts of the organisation at the end of 2016, the number of

management layers at the Individual Life product line was reduced and more responsibility was assigned to employees at the operational level. To increase this employee responsibility the Customer Service organisation was transformed into client teams by October 1st 2017. At the same time new customer journeys were embedded, resulting in a significantly higher efficiency and a better first-time-right performance. Furthermore we focused on Operational Excellence by starting the Pega Project, this will redesign and fully automate our customer processes and replace our current workflow. All the preparations for implementing the first process ('New Customers') into Pega have been made in 2017. Implementation is expected in Q1 2018.

Term-life Insurance

The market share of life insurance products was 17.8% in August 2017 (YTD). A nationwide campaign 'Do the Check' was launched in 2017 in the form of a 'surviving dependants check'. Potential and current customers could do an online check to see if - in the event of their death - their dependants are still well-cared for. This online check enables individuals to calculate the total insured amount and monthly premium required to ensure that their partner and children will be able to continue their lives without having to worry about their income. The check offered the possibility to take out the calculated insurance directly online, or to request further assistance from VIVAT or an intermediary. Unique selling points for this product are the low non-recurring closing costs and rapid acceptance procedure. The customer rating for this product on the independent insurance comparison website Independer was 8.2 in 2017.

Products

In 2017, Individual Life has been working on the development of innovative new products. In 2017 Individual Life launched a new mortgage product. It is a simple and flexible mortgage for consumers offered via the brand Reaal and sold through intermediaries. Mid 2017, the Reaal Vermogens Verzekering (RVV) was introduced. It concerns insurance, based on investments. This product meets the needs of customers who want to combine

insurance and capital growth through investing. Also in 2017, the contra insurance (product that can be linked to the annuity insurance, payment on death) has been improved.

Unit-linked Policies

In 2017 and before, a lot of effort was put into fulfilling the company's obligations in connection with unit-linked policies. In addition to the compensation scheme, complementary measures were agreed in consultation with the Dutch Minister of Finance that would enable all customers with a unit-linked policy to make changes to their policy or switch to another provider.

Furthermore, in 2014, the AFM provided guidelines to activate customers with a non accruing policy. In 2015, these policies have been encapsulated in law, NRGFO ('Nadere Regeling gedragstoezicht financiële ondernemingen'). In accordance with these measures, VIVAT has encouraged customers with unit-linked policies to assess their policy. The nature of the encouragement depended on the characteristics of the policies. A targeted approach was used to contact customers by email, by phone, or by other methods where necessary, directly or through their intermediaries, to inform them about their policies and offer them an alternative.

First focus was on the so called 'non-accumulating policies' (Dutch: niet opbouwende polissen, 'NOPs'). Policies qualify as NOP if, based on the status on 1 January 2013 and a projected return of 4%, the increase in value at expiration date is lower than the total of the paid premiums over the same period. In 2016 the customers with a pension or mortgage related policy have been approached. In 2017, our aim was to encourage the remaining group of customers (Activation Category 'Other') to take action.

In December 2017, AFM published the results of its investigation of the activation by insurers of pension or mortgage related policies. AFM's assessment of VIVAT's activations of these policies revealed shortcomings. VIVAT has executed a recovery plan and expects to resolve the shortcomings within the near future. The final outcome of the assessment by the AFM is uncertain at this moment.

3.4.3. Property & Casualty

The Property and Casualty (P&C) product line offers property, casualty and disability insurance. Products that enable our customers to say: 'Nicely done' (Dutch: 'lekker geregeld').

Objectives for 2017

The P&C market remains extremely competitive and mature. There is a shift towards online distribution, which makes data analytics more and more important. In view of these developments, one of the objectives for this product line is to become a leading player in the retail sector with a competitive price and a flawless customer experience.

In order to achieve further growth in this business-to-business market, P&C also focuses on creating durable relationships with distribution partners by developing a strong intermediary proposition for small and medium enterprises. Next to building relationships, focus on profitability remains key and profitability measures will continue in all channels.

After the large reorganisations of 2016, cost reduction measures will be implemented more gradually in light of more automation in our processes. The main goal for 2017 was to improve our data analytics for pricing, attract experts in the P&C field and to drastically simplify the IT landscape.

Achievements in 2017

Organisational Aspects

In 2017, the new operating model and the implementation of the P&C strategy resulted in a Combined Ratio below 100%, which is the first time in several years that this result was achieved.

Commercially, after years of a declining portfolio, VIVAT managed to grow its portfolio premium compared to the previous year. VIVAT profited of improving the relationship with the intermediaries and Authorized Agents in a time of market consolidation and turmoil. We also observe that competitors are taking profitability measures in these channels that have been implemented by VIVAT in the past. Also, the commercial plan has

delivered successful campaigns and events that facilitated the growth.

Looking back on 2017, some large changes in the P&C business occurred. The implementation of the new operating model, the closing of two locations, the appointment of new management and a reduction of the workforce were all absorbed while we were able to maintain the same service levels to our customers and the intermediaries.

The focus was on rationalising old IT legacy systems through an internal program, that will enable VIVAT to reduce costs, improve the data quality and become more agile. The project is being implemented and three legacy IT systems will be phased out in the coming years. This project also ensured improvement of the data quality.

P&C has also put a lot of effort in refining its pricing and underwriting capabilities for the retail market. In the Dynamic Pricing Program, data is centralised and more effective methods are being used for portfolio management and attracting new business.

For commercial lines, a new commercial product proposition was launched ('Bedrijven Totaal Pakket') in November in close collaboration with our intermediaries. The first reactions and new premium numbers were very positive.

Disability Insurance

Disability insurance yielded profitable and stable results in 2017. Disability managed to maintain its portfolio size in this shrinking market due to a number of successful marketing campaigns. Our Disability department worked hard on process improvements and customer and intermediary satisfaction. The NPS improved to minus 8, which is above average.

3.4.4. Asset Management

The product line Asset Management offers a comprehensive range of investment funds and investment solutions that ranges from responsible

index investing to impact investing. The brand of the asset management product range is ACTIAM.

Objectives for 2017

Responsible investment performance was a top priority for ACTIAM over 2017. ACTIAM also strived to achieve good ratings for its investment funds from independent analysts. ACTIAM's goal was an A+ PRI rating on active ownership and an average 3.5 star Morningstar rating. Furthermore, ACTIAM aimed to strengthen its partnerships, boost customer satisfaction and further consolidate existing fund propositions whilst expanding its responsible propositions in micro financing, retail funds, specifically responsible tracker funds.

Achievements in 2017

Client Satisfaction

Client feedback is very important for ACTIAM and client satisfaction is measured twice a year. The feedback is expressed in a quantitative score and in qualitative feedback. In consultation with clients, the feedback is translated into actions in order to continuously improve our services. Customer satisfaction was stable during the reporting period, with a slight increase on some individual activities.

Investment Performance

ACTIAM has managed to achieve a positive investment performance for almost all of its funds, besides ACTIAM funds on average were awarded 4 out of 5 stars by Morningstar. The Morningstar Rating is an external, independent benchmark that compares the risk-adjusted performance of a fund with other funds in the same Morningstar category.

In 2017 ACTIAM has been awarded several times for good investment performance of the funds. We received two Lipper Fund Awards in the categories 'Mixed Asset Euro Aggressive' and 'Equity Sector Real Estate Holdings Europe'. Furthermore ACTIAM received the 'vwd Cash Fund Awards' for the third time in a row.

In July 2017 ACTIAM outsourced its middle and back office activities to BNP Paribas which will help lower the cost base going forward.

Fund Propositions

ACTIAM launched its fifth responsible index tracking fund, namely ACTIAM Verantwoord Index Aandelenfonds Opkomende Landen in the first half of 2017. This retail fund invests in alignment with ACTIAM's Fundamental Investment Principles and provides further diversification possibilities for investors looking to invest in emerging markets.

Responsible investing

As an investor, ACTIAM has different tools to influence investor behaviour and contribute to sustainability, such as impact investing, engagement (dialogues), exerting shareholder voting rights, and exclusion as last resort. By 31 December 2017, ACTIAM was involved in 259 individual engagements (executed both individual as well as via service provider) and 34 collaborative engagements in which it was a lead investor for at least one company. ACTIAM also supported engagement with 221 companies. 157 (of which 72 new) companies were excluded from investment due to non-compliance with our policies and a lack of willingness to change. The government bonds of 88 countries were excluded from the investment universe.

Over 2017, ACTIAM made good progress with respect to the focus themes identified in 2016: climate, water and land. These themes are integrated in all responsible investment tools, engagements and policies. For example, ACTIAM participated in the "Spitsbergen 2 Degrees" which led to the exclusion of coalmining firms from ACTIAM's investable universe.

ACTIAM published an overview of the carbon footprint for all the investment funds. Compared to 2015, a reduction on 2,25% of carbon intensity was achieved by the end of 2016. This is a move towards achieving the 25% reduction in carbon emissions goal by 2025. ACTIAM also made the water footprint of its funds measurable over 2017. With regard to the focus theme water, ACTIAM has expressed the goal to make its investment propositions water-neutral by 2030.

In 2017 tobacco, gambling, adult entertainment and animal welfare were added to the Fundamental Investment Principles. With its responsible investment approach, ACTIAM seeks to contribute to the United Nations Sustainable Development Goals (SDGs). Through the use of focus themes, ACTIAM aims to create standards with respect to specific SDGs.

As a result of these efforts ACTIAM achieved top scores in the annual responsible investment research conducted by the Principles for Responsible Investment (PRI). We achieved the highest possible score on 11 out of 14 modules, in comparison to 2016 ACTIAM improved its score on seven topics. ACTIAM's voting policy also resulted in a positive report by the Fair Finance Guide (Eerlijke Verzekeringswijzer). ACTIAM was the only party with a specific voting policy for oil & gas and the FFG was positive about ACTIAM's support for the Follow This resolution at Shell's AGM.

3.5. Our People

Our employees are the people who are key for putting our mission and vision into practice. We are a business that serves the financial interests of others, and therefore we require a staff that is fully committed to this task. This means being a responsible employer by promoting sustainable employability (e.g. vitality, personal development) and sustainable employment relations (flexibility, diversity).

Customer centricity and a high performance culture are central aspects of our company strategy. VIVAT has also an ambitious task to achieve more for our customers at lower costs. This will ask for a different way of working and changing our behavior. For that reason, we have defined five core behaviors (Client focus, Change attitude, Immediate execution, Take responsibility and Result driven) for our employees, as described in paragraph 3.1.1.

Our Employees in Numbers

VIVAT employs 2,542 employees at the end of 2017 (2016: 3,222). Due to outsourcing and reorganisation in 2016 and 2017, our workforce was reduced in 2017.

Key Figures Human Resources

	2017	2016
Number of employees	2,542	3,222
- of which internal	2,060	2,790
- of which external	482	432
Number of employees excluding redundancies related to the reorganisation in 2016	2,473	2,580
Number of FTEs	2,466	3,098
- of which internal	2,022	2,697
- of which external	444	401
Number of FTEs excluding redundancies related to the reorganisation in 2016	2,408	2,498
Ratio male-female	58% / 42%	58% / 42%
Female managers	25%	23%
Female members of senior management	23%	24%
Average length of service (years)	12.7	13.9
Average age (years)	43	44
Full-time/part-time ratio	70% / 30%	73% / 27%
Male / female ratio full-time	72% / 28%	72% / 28%
Male / female ratio part-time	25% / 75%	24% / 76%
Ratio permanent/temporary contract	92% / 8%	95% / 5%
Male / female ratio permanent	60% / 40%	58% / 42%
Male / female ratio temporary	61% / 39%	60% / 40%
Training costs (million)	€ 3.4	€ 4.6
Sickness absence	5.1%	5.1%
Percentage of employees that have sworn the bankers oath	98%	97%

3.5.1. Employability

At the start of 2017 all reorganisations within VIVAT were finished or were being finished. Several employees who were redundant in 2016 were still listed in Career Plaza where they were supported by offering them career advice and outplacement consultancy. In the course of 2017 almost all of them have left VIVAT. As a result of the reorganisations and people leaving VIVAT voluntarily, there were still many vacancies within VIVAT in 2017. We aim to find people who have an open mindset for contributing to VIVAT's goals and are change willing and able to move within the company in the future. In this way we will be able to have more mobility within VIVAT in the future.

Personal Development

Due to regulations all employees who advise clients need to have a Wft diploma (Wft stands for: Wet op het financieel toezicht) and need to continuously

update their knowledge. Besides that, we challenge our employees with short articles and surveys with questionnaires about relevant topics within their scope, like compliance, life, insurance, etcetera.

Personal development is supported by a learning portal that provides a range of training courses and tools, including 360 degree feedback and a network of coaches.

In VIVAT's Collective Labour Agreement 2017, agreements have been made on applying an annual budget for every employee in VIVAT to spend on his/her own personal development plan. In this way employees are in charge of their own career and development. The annual budget can be spent on an education, course or workshop that adds value to one's employability. Employees can also reserve their budget for three years to save up for a more expensive education.

Training and Education

Training and education continue to be important. Employees are offered the possibility to further develop their skills and knowledge in their own area of expertise as well as their ability to communicate and collaborate with colleagues in other departments.

In our performance management cycle, we address personal development, and managers and employees have career development meetings. Furthermore, ongoing training is provided to keep employees up-to-date in accordance with the requirements of the Dutch Financial Supervision Act. The HR information system informs managers of the status of the necessary diplomas or qualifications of their staff.

VIVAT also invests in training aimed at innovation via the VIVAT Academy. There are two internal data training courses; Basic (32 employees succeeded) and Professional (19 staff succeeded). Examples include the state of the art Data Scientist programme at YADS in which 13 employees have been enrolled. Knowledge in the area of innovation is also obtained by means of partnerships and collaboration with start-ups and universities.

VIVAT partners with startup Bootcamp at B. Amsterdam in the innovation field. Partnership with Rotterdam School of Management Talented students of the Rotterdam School of Management have to opportunity to study and research data analytics as well as digital business development.

Succession Planning

VIVAT uses Career Development Meetings, the Talent Grid and a Mid-Year Review to ensure that critical positions within the company are always filled with competent employees. Succession planning helps VIVAT to ensure our continued success and it helps employees to be prepared for the next steps. On a yearly basis we identify the critical positions and see to it that we have employees on hand ready and waiting to fill the new positions (now, 1–2 years and 3–5 years).

Career Development Meeting

In the Career Development meeting manager and employee discuss the professional, personal development and career options of the employee. All employees have a yearly grow-budget to use for further development.

Talent grid

Based on the Career Development meeting and a Mid-Year Review the manager draws up a Talent Grid of his department. This grid gives insight in how much potential there is in the departments, the business lines and VIVAT as a whole. Based on the Talent Grid, training and development plans are made at VIVAT level and new potentials are being recruited and Succession Planning is made.

Final Planning

Based on the previous steps, the manager makes a Succession Planning for critical positions in his department. He names successors for certain positions and determines if they are ready for the next step or need to develop. The final planning for the entire VIVAT organisation is used to make training and development plans and again for recruiting and retaining talent for VIVAT.

Employment Mobility

Mobility within the company is encouraged and supported. More frequent, employees are being nominated for fulfilling internal vacancies. Furthermore, as part of the restructuring in 2016, tools and support are still provided by VIVAT's Career Plaza for helping employees to find new positions inside or outside the VIVAT organisation.

Vitality

To ensure the health of our employees and keep absences due to illness to a minimum, VIVAT works intensively together with external company doctors and counsellors. VIVAT has changed to GOED as our health and safety service provider. VIVAT also offers sports facilities and encourages employees to adopt a healthy lifestyle. The illness figure remained at the same level as in 2016 (5.1%). This figure has increased focus among all managers and Human Resources.

In November VIVAT participated in the national 'Week of work stress'. But at VIVAT we renamed it in the 'Week of job satisfaction' (Dutch: 'Week van het werkplezier'). To emphasise that work should be fun, all employees were invited to participate and learn how to deal with modern day work live: often rushed, full of deadlines, agreements and time pressure. Because work-related stress is national disease number one, recognising stress symptoms is very important. With workshops, information and other activities we raised awareness and gave tools to be more relaxed, energetic, fit and active during work.

Corruption, Money Laundering and Bribery

It is VIVAT's policy to conduct all business in an honest and ethical manner. VIVAT takes a zero-tolerance approach to corruption, money laundering and bribery. VIVAT will uphold all laws relevant to counter these forms of illegal activities in all the jurisdictions in which we operate. VIVAT has an anti-corruption policy in place. This policy describes the principles to counter corruption, money laundering and bribery on which VIVAT must take adequate measures. A number of measures are (also) taken into account in the code of conduct, pre-employment screening policy, incident policy, whistleblower policy, conflicts of interest policy and procurement policy. The described measures aim to mitigate the corruption risks for VIVAT and its subsidiaries. Any form of corruption that might be detected within VIVAT will be treated as an exceptional report to the EB, SB and regulators.

Although VIVAT has an anti-corruption policy in place, no SMART KPIs have been set yet. With the new CR policies being currently under development, VIVAT is intending to set an anti-corruption key performance indicator in the future in order to better monitor its performance.

3.5.2. Terms and Conditions of Employment

VIVAT's aim to be an appealing employer is reflected in the company's terms and conditions of employment. Variable compensation based on corporate profit is limited. The aim of this policy is to avoid undesired incentives and to ensure that customers are treated fairly in relation to employee remuneration. The pensions of VIVAT's employees have been placed with the SNS REAAL Pension Fund Foundation. This foundation reports independently and publishes its own annual report.

Diversity and Inclusivity

VIVAT's employees can be described as experienced, high educated, loyal to the company and diverse.

It is VIVAT's aim to have a workforce that reflects the composition of its customer base. This includes a good balance between male and female. However, for each vacancy we look at the best candidate for the position, regardless of gender, origin or age. Our management systems provide insight into the male-female ratio on a daily basis.

Diversity in %

Female in %, by function group	2017	2016
Board	28.6%	28.6%
General Managers, Managing Directors, Directors	16.0%	15.4%
Unitmanagers, managers	27.6%	24.3%
Other staff	42.9%	43.8%

3.5.3. Recruitment

In October 2017 we launched a new website, vivat.jobs, to attract new, well educated and motivated personnel. The site contains stories that reflect our main organisational goals, and interviews

with a range of colleagues who tell about their work and the challenges they face in their specific position at VIVAT. At the same time we began using a new applicant tracking system to improve the transparency of our recruitment process as well as the implementation of a metric of vacancies. We also

started a pilot with the implementation of an Artificial Intelligence (AI) job marketing solution to improve job marketing return on investment.

3.6. Our World

3.6.1. Reducing CO₂ Emissions

In 2017 VIVAT has established a stable energy consumption. On the one hand, with the closing of our Zoetermeer and Alkmaar Wognumse Buurt offices we had less buildings to heat, cool and provide of electricity. On the other hand, the increased density in population in the remaining buildings has led to a slight increase of energy consumption. In 2017 we have used a hundred percent green gas and electricity, as we have done in the years before and still do up to this day.

The number of CO₂ emission over 2016 was adjusted upwards with newly acquired data. Nevertheless, the trend over the last three years shows a steady decline of our carbon footprint. Partly caused by the FTE reductions we were forced to implement, but mainly due to our tightened mobility policy that has led to less commuting and due to making our offices more energy neutral.

In August 2017 we started working on improvements to make our Torenburg office more energy efficient. In December 2017 it received the BREEAM certificate, making it one of the most energy friendly buildings in Alkmaar.

Energy Consumption of Offices

	2017	2016
Energy consumption kWh per FTE	1,766	1,760 ¹
Energy consumption kWh per m ²	100	100 ²

¹ The 2016 numbers are adjusted with newly acquired data: In the VIVAT Annual Report 2016 we reported: 1,821

² In the Annual Report 2016 we reported: 123

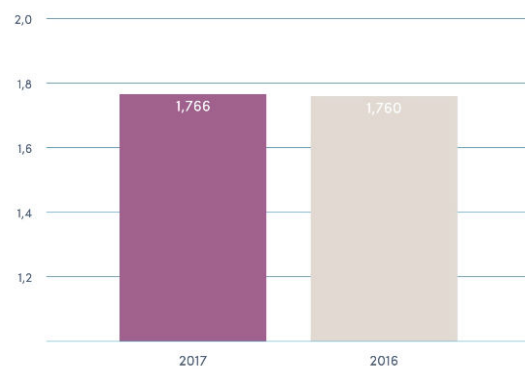


Figure 7: Energy consumption per kWh per FTE

Share of Green Energy Offices

% of total	2017	2016
% Sustainable electricity	100%	100%
% Sustainable gas	100%	100%

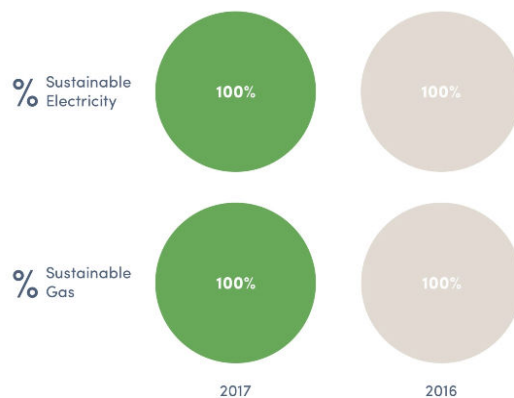


Figure 8: % Sustainable electricity and gas

Carbon Emissions (tonnes)

	2017	2016
Business travel and commuting	4,698	5,492 ¹
Operations	89	135
Net emissions	4,787	5,627 ²
Gross emissions ³	7,550	8,703 ⁴

¹ The 2016 numbers are adjusted with newly acquired data. In the VIVAT Annual Report 2016 we reported: 3,867

² In the VIVAT Annual Report 2016 we reported: 4,002

³ Gross emissions would be VIVAT's emissions using 0% sustainable electricity.

⁴ In the VIVAT Annual Report 2016 we reported: 7,078

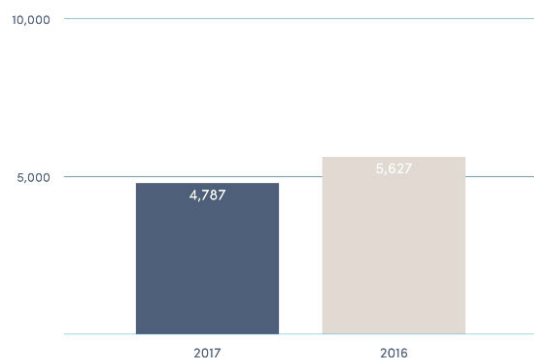


Figure 9: Net Carbon Emissions (tonnes)

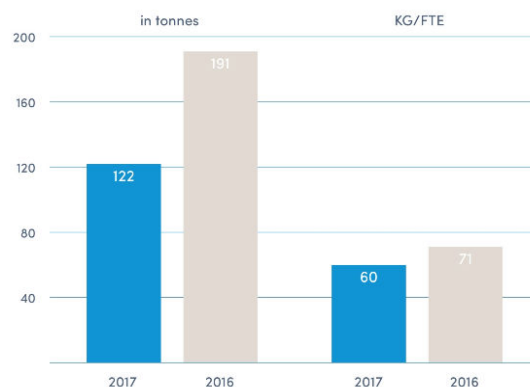


Figure 10: Paper consumption in tonnes and kg/FTE

3.6.2. Paper

VIVAT is transforming into a digital organisation, meaning that we are consciously trying to use digital means of communication over paper. By using email and chat more and more as preferred ways to contact our customers and suppliers, and by actively advising colleagues to not print documents, we have managed to reduce our paper consumption substantially. For the coming years our goal is to further reduce the use of paper, not only in our output but also in our input, by creating more options for our customers to contact us through email, chat, websites and social media.

Paper consumption

	2017	2016
Paper consumption in tonnes	122	191
Paper consumption in kg/FTE	60	71

3.6.3. Waste

In 2017 we were able to continue our waste reduction.

Using less paper means less paper waste. But we have also outperformed our targets, by making agreements with suppliers to use eco friendly packaging or take back packaging all together, which has helped to bring the paper and cardboard waste down.

Our organic waste however has increased, which is a good sign, as it shows that we have been able to better separate our waste.

All our suppliers are requested to comply with VIVAT'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 (including CO₂ emissions, paper consumption, energy consumption and waste) and have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

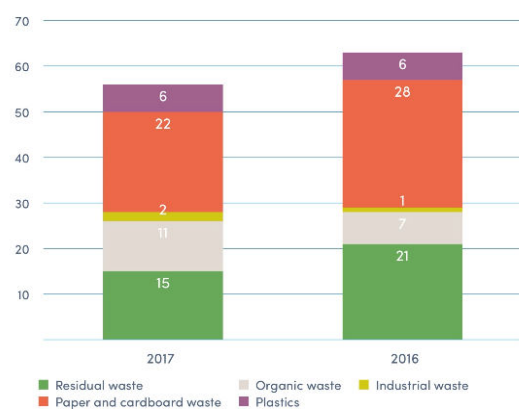


Figure 11: Waste in kg/FTE

Waste

in kg/FTE	2017	2016
Residual waste	15	21
Organic waste	11	7
Industrial waste	2	1
Paper and cardboard waste	22	28
Plastics	6	6

3.7. Financial Results

The net underlying result improved from € 161 million in 2016 to € 172 million in 2017. The increase was mainly driven by a significant decrease in operational expenses due to the reorganisation that was finalised in 2016. This was partly offset by higher investments in strategic projects and marketing, lower technical results at Individual Life and increased interest expenses.

VIVAT's net result IFRS in 2017 of -/- € 116 million was negatively impacted by accounting differences between the market and book value of assets and liabilities, resulting in an addition to the technical provisions from the LAT-shortfall of € 360 million. For a more detailed explanation of the development in the IFRS LAT, we refer to Note 16 in the Notes to the Consolidated Financial Statements.

In € millions	2017	2016
> Result		
Premium Income	2,923	2,508
Direct Investment Income	1,210	1,219
Operating expenses (excl. Restructuring costs)	386	420
Restructuring costs	-	119
Net Underlying Result VIVAT ¹	172	161
Net Result IFRS ²	-116	168

¹ Net Underlying Result consists of Net Result IFRS excluding changes in fair value of assets and liabilities (incl. LAT-shortfall) and non-recurring expenses (e.g. restructuring costs and impairments).

² As of 2017 designated parts of the disability insurance liabilities are measured using current market interest rates. The comparative 2016 figures have been adjusted, resulting in a decrease of equity of € 8 million, the impact on net result IFRS is a gain of € 9 million.

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

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

Operating expenses have decreased following the restructuring in 2016, lowering staff costs by € 26 million. The total operating expenses have fallen by more than € 100 million from 2015 to 2017 on a comparable basis, despite the normal average wage increase during this period. Following the significant FTE reduction in 2016, the number of FTEs has decreased by 632 FTEs in 2017 to 2,466 FTEs at year end 2017 (31 December 2016: 3,674 FTEs) contributing to lower staff costs.

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

Reconciliation Net Underlying Result to Result IFRS

In € millions	2017	2016
Net Underlying Result VIVAT	172	161
1) Change LAT-shortfall Life in P&L	-360	59
2) Other (un)realised changes in fair value of assets and liabilities	57	63
3) Non-operating expenses and profits	15	-115
Net result IFRS VIVAT	-116	168

The addition of € 360 million to the LAT shortfall in 2017 compared to a LAT release of € 59 million in 2016.

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

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

Financial Result per Segment

Life Corporate

In € millions	2017	2016
> Result		
Gross written Premium Income	1,366	954
Operating expenses	112	118
Restructuring costs	-	47
Total costs	112	165
Net Result IFRS	-239	79
Net Underlying Result	60	35

Gross written premium income increased by 43% compared to 2016, predominantly as a result of a pension fund buy-out of € 375 million single premium. Excluding the buy-out, premiums of direct pension products increased by € 37 million.

The net underlying result increased by € 25 million to € 60 million as a result of a higher investment income, a higher technical result and a release of a legal provision. The increase in investment income was driven by higher dividend and interest income.

The result on costs decreased slightly compared to 2016.

The net result IFRS decreased to -/- € 239 million, mainly driven by negative changes in the position of LAT shortfall, partly mitigated by lower cost, the absence of restructuring costs and a provision release for a legal claim. This year € 360 million net was added to the provisions due to a LAT shortfall in 2017, while € 59 million net was released in 2016. The full LAT shortfall is allocated to Life Corporate.

Individual Life

In € millions	2017	2016
> Result		
Gross written Premium Income	886	888
Operating expenses	95	123
Restructuring costs	-	38
Total costs	95	161
Net Result IFRS	160	159
Net Underlying Result	133	156

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

The net underlying result decreased by € 23 million to € 133 million mainly due to a lower result on interest and a lower technical result from mortality and

surrenders, as well as lower cost coverage following the decline of the insurance portfolio.

The net result IFRS remained stable. The decrease in operating expenses, mostly as a result of the restructuring program, were largely offset by a lower cost

coverage. The lower cost coverage was related to the shrinking portfolio and competitive market circumstances.

Property & Casualty

In € millions	2017	2016
> Result		
Gross written Premium Income	671	666
Operating expenses	116	120
Restructuring costs	-	29
Total costs	116	149
Net Result IFRS	2	-48
Net Underlying Result	-	-26
Combined Ratio (COR)	99.0%	104.9%

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

The net underlying result increased by € 26 million compared to 2016. This improvement was driven by an improved net technical result and lower operating expenses, partly offset by lower underlying investment income. The technical result of 2016 was heavily impacted by the hail storm (impact +/- € 15 million). In 2017 the technical result in, mainly,

Motor and Liability improved significantly on the back of a lower claims ratio.

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

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

ACTIAM

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

Total income relates to asset management fees, which were higher in 2017 as a result of increased net fee income with stable fee expenses. Total income improved despite a small decline in assets

under management, as a result of outflows due to maturing and changing product propositions by distributors of the unit linked investment funds. The decline in captive funds was partly offset by new

third party inflows from responsible index funds for retail investors.

Operating expenses rose by € 2 million as a result of strategic investments to support future growth. In July 2017, ACTIAM outsourced its middle and back

office activities to BNP Paribas which will help lower the cost base going forward.

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

Holding

In € millions	2017	2016
> Result		
Net fee and commission income	-1	8
Investment income	9	15
Total Income	8	23
Operating expenses	21	19
Restructuring costs	-	4
Total costs	21	23
Impairment losses	-	17
Other interest expenses	18	4
Net Result IFRS	-40	-20
Net Underlying Result	-22	-2

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

In 2017, the assets and liabilities of Volmachtkantoor Nederland BV were transferred to P&C (previously part of Holding), leading to both lower income (€ 8 million) and lower expenses (€ 11 million) in the P&L of the Holding. In 2017 the own pension contract of VIVAT was reflected in the result, while in 2016 this was reported in the other comprehensive income. In 2016 an impairment of goodwill of € 17 million negatively impacted the net result IFRS for Holding, without having an impact on the net underlying result.

Balance sheet

Total assets of VIVAT decreased by € 1.0 billion to € 56.7 billion. The decrease in 2017 mainly consists of an increase of investments of € 0.3 billion, a decrease of investments for account of policyholders and third parties of € 1.8 billion and an increase of loans and advances to banks of € 0.8 billion.

The increase of investments is mainly driven by a pension fund buy-out (€ 0.4 billion), transfer of investments for account policyholders to Own risk (€ 1.0 billion) and the proceeds of the senior notes issuance in May 2017 (€ 0.6 billion). This was largely offset by a lower market value of bonds as a result of higher market interest rates. Both investments and Liabilities investments for the account of third parties decreased by € 0.8 billion, mainly caused by movements of third parties to investment funds which are not consolidated in the balance sheet of VIVAT. The increase of loans and advances to banks is mainly a result of additional repo transactions and paid cash collateral.

Total liabilities of VIVAT decreased by € 1.0 billion to € 53.2 billion. This is mainly due to the fall of the total amount of insurance liabilities of € 1.0 billion

caused by a lower fair value of technical provisions for Life Insurance, as a result of increased market interest rate movements. The decline in the Individual Life portfolio in 2017 as a result of surrenders was largely offset by an increase of the Life Corporate portfolio.

3.8. Risk and Capital Management

Risk and capital management is more extensively described in Chapter 7 'Managing Risks' in the consolidated financial statements.

Risk Management System

VIVAT 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.

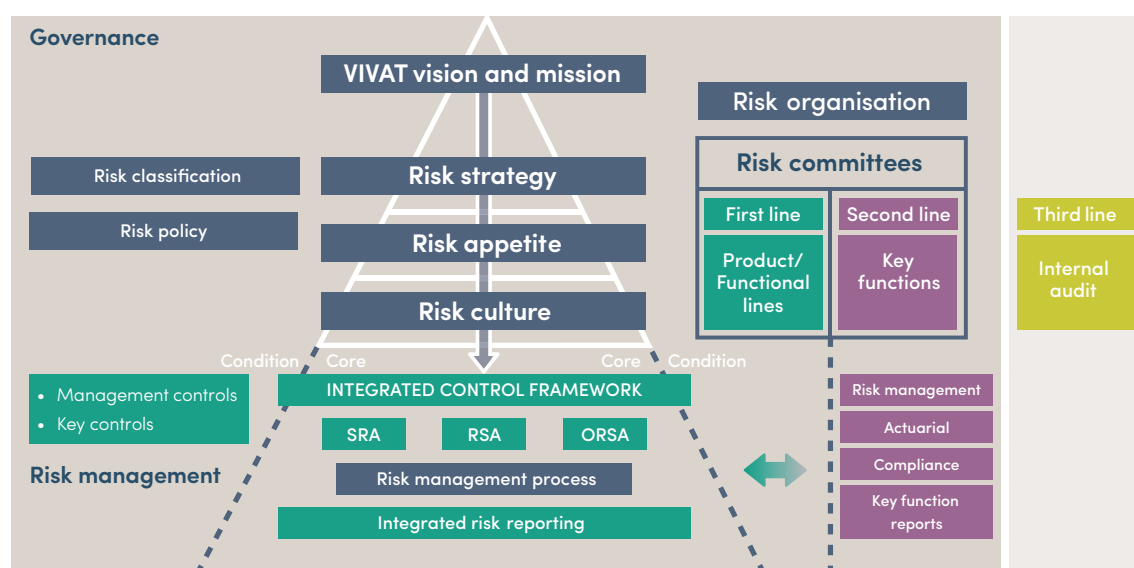


Figure 12: Risk Management

The core of the VIVAT Risk Management System consists of a governance part at which, starting from the VIVAT 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 the second line key functions and the business use the same risk classification, operations are covered by the risk appetite and are aligned by a policy structure. Decision making is in line with VIVAT's risk policy and risk appetite.

Risk Strategy

VIVAT 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 VIVAT has defined a robust capital position, stable profitability, prudent and consistent risk policy, regulatory compliancy, social responsibility and effective and efficient customer solutions. As insurance company, VIVAT provides guarantees for future payments to its customers and therefore VIVAT 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 set yearly and is subsequently translated into practical risk objectives. Risk appetite is defined at VIVAT level. Subsequently it is developed in more detail on the individual legal entity level or specific product or functional lines 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 Executive Board gives guidelines to the product lines for establishing operational plans, taking into account the set risk appetite and corresponding limits. With those objectives and constraints as starting point, the product lines optimise risk and return by developing the best possible products and services.

Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. VIVAT 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, VIVAT ensures that senior management and employees on key functions are fit and proper to fulfill their job. Finally, VIVAT's remuneration policy 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 optimisation and integration of the risk management.

Integrated Control Framework

The Integrated Control Framework (ICF) contains a set of (management & process) controls and an analysis on operating effectiveness enabling management to adequately manage risks, following (strategic) objectives and VIVAT's risk appetite. During 2017 VIVAT finalised implementation of the Integrated Control Framework consisting of process and management controls. The controls enable the identification of gaps in the control framework and monitoring on follow-up using a standardized approach. Key control testing, retesting by second line risk and reporting on key control results is now supported by tooling in which the management key controls are also incorporated. Further improvements to the Integrated Control Framework will be made.

Underwriting and ALM

VIVAT assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. VIVAT mitigates underwriting risks primarily by means of diversification and reinsurance. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the company.

The Asset and Liability Management (ALM) policy covers the management of market risk, counterparty 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. Investments are made in accordance with the prudent person principle taking into account the

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

Developments

In 2017, VIVAT has focused on new opportunities and sustainability towards our clients. The strategic ambition to become an innovative insurer has led to several initiatives in products, services, methodologies and processes. The continued focus on cost reduction and revenue models could influence operational and compliance risks. These risks are addressed, managed and monitored within the VIVAT risk framework to maintain a sound and controlled organisation.

In order to realise more efficiency, VIVAT has defined the target IT landscape and has made non-target systems redundant – this rationalisation will continue in 2018. In addition, VIVAT has reduced its number of models in 2017, lowering model risk. This contributes to a more efficient and reliable valuation of underwriting and market risks and the determination of the solvency ratio. By following a risk based model validation calendar, we have been able to confirm that model improvements led to further reduction of model risk. Uncertainty arising from the remaining conversion projects was mitigated by continuous monitoring, applying workarounds and adopting a process for early provisioning in the accounts.

VIVAT continues to invest in the development of the control environment by the strategic programmes such as Data management and Risk Model Landscape. By doing so we are aiming to improve process controls, management information, risk management policies and first line risk maturity.

Due to new legislation both in the Netherlands and in the EU (General Data Protection Regulation - further: GDPR) privacy risks have become more relevant. Therefore ITC has set up a broad privacy programme to make VIVAT compliant with current privacy regulations. VIVAT is aware of the

increasing strategic importance of collecting, managing and using data. Currently we are implementing a sustainable design for Data Governance to manage and monitor the diverse data related initiatives, taking into account all the relevant legislation, e.g. GDPR.

Capital Management

Capitalisation refers to the extent to which VIVAT and its underlying legal entities have capital to cover unforeseen losses and to achieve the strategic objectives of the company. The required capital of VIVAT 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).

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 VIVAT'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 VIVAT in its current form. In its risk appetite statements, VIVAT has defined specific triggers that determine whether a contingency situation exists. The ORSA is an integral part of VIVAT's management control cycle. It is input for the operational plan and capital management and is used in determining the risk appetite. In 2017 VIVAT concluded that the Solvency Capital Requirement (SCR) was appropriate and that the solvency was sufficient.

Solvency II

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.

VIVAT 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 the supervised insurance entities and also to the consolidated activities of VIVAT.

Solvency II position

In € millions/percentage	2017 ¹	2016
Total eligible own funds	3,772	4,319
Consolidated group SCR	2,327	2,466
Solvency II ratio	162%	175%

¹ Regulatory Solvency II ratio is not final until filed with the regulator

The internal risk limit for the Solvency II capital ratio on VIVAT level amounts to 140%. When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Capital Requirement. 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 (net DTL). In these cases tax offsetting equals the net DTL-position.

The classification of the hybrid capital of VIVAT NV and SRLEV NV (outstanding on 31 December 2017) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

VIVAT is focusing on improving capital generation by re-risking, improving its combined ratio and value of new business, and further optimising its risk profile taking into account its risk appetite. Optimising will also decrease the spread risk which originates from differences between the VIVAT asset portfolio and the reference portfolio of the Volatility Adjustment (VA).

The process of reducing the spread mismatch between assets (mainly German and Dutch government bonds) and liabilities (mainly swap plus Solvency II Volatility Adjustment) started in 2016.

VIVAT 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. VIVAT does not apply the Matching Adjustment.

The basis risk was further mitigated during 2017 by replacing long duration German and Dutch government bonds by swaps combined with short duration government bonds.

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 Ultimate Forward Rate (UFR) of 4.2% prescribed by the European Insurance and Occupational Pensions Authority (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. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency and IFRS results.

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. The Non-Life business is sensitive to changes in the disability ratios.

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

April

May

June



5X Zwitserleven
VBDO
Most responsible
investor 5 times in a row

Innovation

Demo Day

At Demo Day the seven VIVAT start-up teams came back to VIVAT headquarters to pitch their ideas to an audience of VIVAT employees and the VIVAT Innovation Board. They could all choose their top 3 ideas. The pitches with the most votes were given the green light to further develop their ideas. Demo Day eventually led to the successful launch of several products and brands, such as 'Vigi', 'Financieel Vitaal' and 'nowGo'.

New campaign

A new campaign for Zwitserleven

Zwitserleven launched a new campaign called *Roadtrip*, in which well-known Zwitserleven ambassador Chris Zegers makes real journeys and discovers new places. During his road trip, Chris's path regularly crosses that of actress and Emmy Award winner Maryam Hassouni.

Award

5xVBDO

For the fifth year in a row Zwitserleven was awarded the most socially responsible pension insurance company in the Netherlands. The Dutch Association of Investors for Sustainable Development (VBDO) each year compares and evaluates the sustainability of the investment policy of the thirty biggest Dutch insurance companies. Zwitserleven already held the highest scores in 2012, 2013, 2014 and 2015. (VBDO didn't give out any awards in 2016.)



4. Corporate Governance

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

VIVAT is a matrix organisation with both product and functional lines focusing on sustainable profitable growth. The governance model of VIVAT reflects this matrix organisation with product lines being sponsored by various board members and functional lines included in the various product line management teams. This allows control at the level of management teams facilitating the product lines, risk and finance to work together at this level. At the level of the board, sponsorship by each EB member of product and functional lines ensure that they 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 2017 consists of the following:

Composition, Appointment and Role

Name	Nationality	Position	Date of appointment
J.J.T. (Ron) van Oijen	Dutch	Chief Executive Officer	14 March 2016
Y. (Yinhua) Cao	Chinese	Chief Financial Officer	23 October 2015
L. (Lan) Tang	British	Chief Risk Officer	26 July 2015
W.M.A. (Wendy) de Ruiter-Lörx	Dutch	Chief Commercial Officer	24 May 2016
X.W. (Xiao Wei) Wu	Chinese	Chief Transformation Officer	26 July 2015
J.C.A. (Jeroen) Potjes	Dutch	Chief Operating Officer	24 May 2016
F. (Feng) Zhang ¹	Chinese	Chief of Staff	26 July 2015

¹ Mr Zhang resigned as per 11 April, 2018.

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 programme at the Wharton Business School. Van Oijen started his career at Aegon and ING in the Netherlands. He subsequently worked as chief executive officer 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 chief executive officer, after which he was appointed as chief executive officer of AIA Thailand.

Van Oijen is also a member of the board of the Association of Insurers and president of the Royal Actuarial Association of the Netherlands. In 2017 he was appointed as chairman of the supervisory board of football club NEC.

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. Cao started his career in the financial service sector at PricewaterhouseCoopers 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 PricewaterhouseCoopers was the partner of the financial service group. At Anbang, he commenced as managing director of Anbang Asset Management Hong Kong and finance director of the Anbang Insurance Group Co., Ltd.. Cao is also a member of the financial and economic committee of the Association of Insurers.

L. (Lan) Tang (1974) is chief risk officer of the Executive Board. He has a bachelor degree in engineering from Beijing University of Aeronautics and Astronautics and a master degree in actuarial science from Central University of Finance and Economics in Beijing. 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 an 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. Tang is also chairman of Fidea NV, as well as a member of the supervisory boards of ACTIAM Beleggingsfondsen NV, RZL Beleggingsfondsen NV and Zwitserleven Beleggingsfondsen. He is also a non-executive director of Bank Nagelmackers NV.

W.M.A. (Wendy) de Ruiter-Lörx (1973) is chief commercial officer of the Executive Board. 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 Nationale Nederlanden, where she worked for 15 years, fulfilling various managerial roles in operations and product and process management at both Nationale Nederlanden and ING Bank. Her most recent position at Nationale Nederlanden was that of director of retail clients. 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. De Ruiter-Lörx is a member of the distribution committee of the Association of Insurers.

X.W. (Xiao Wei) Wu (1980) is chief transformation officer of the Executive Board. She has a bachelor's degree in international finance from the University in Fudan, China, and a master's degree in business administration from China Europe International Business School in Shanghai. She worked as associate principal at McKinsey Shanghai, for the insurance sector in Asia. In 2012, Wu commenced at the Anbang group of companies and subsequently worked as director of strategy, director of IT and director of risk. Wu is non-executive member and chairwoman of Anbang Belgium Holding NV and Bank Nagelmackers NV.

J.C.A. (Jeroen) Potjes (1965) is chief operating officer of the Executive Board. He earned a master's degree in econometrics from Erasmus University Rotterdam as well as a doctorate in economics from the same university. 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 chief financial officer 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, Potjes also sat on the supervisory board of ING Re, ING's reinsurance business. Potjes joined Anbang in 2015, one of his roles being that of non-executive director of Anbang Belgium Holding NV. Potjes is also a member of the committee life insurance of the Association of Insurers and a member of the board of SIVI.

F. (Feng) Zhang (1979) is chief of staff of the Executive Board. He has a master's degree in business administration from the University of Northumbria at Newcastle and a bachelor's degree in literature from Wuhan University, China. Zhang joined Anbang in 2005, worked as director of claims, underwriting, sale and marketing and human resources. In 2011 he commenced as deputy general manager of Anbang Property and Casualty Insurance. His last positions were general manager of Anbang 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. Mr Zhang resigned as per 11 April, 2018.

Governing Rules

VIVAT adheres to the Code of Conduct of Insurers 2015.

VIVAT aims to have gender balance of having at least 30% men or 30% women on the board of directors. In case of a vacancy, we will always aim to find the best candidate for the position. When more candidates show equal qualities, we will give preference to a woman or a man, if that means we can reach our intended gender balance. Currently VIVAT has close to 30% females on the board.

The governing rules of VIVAT are set out in the articles of association and regulations of the Executive Board of VIVAT. Under the articles of association and regulations, certain decisions of the Executive Board are subject to the approval of its 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 SRLEV NV, VIVAT Schadeverzekeringen NV and Proteq Levensverzekeringen NV. This means that the shared management principle has been implemented at all management levels.

As part of the continuing education programme of VIVAT, 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 VIVAT and are provided by internal and external speakers. The continuing education programme this year included sessions such as PRIIPS, GDPR, inducements, Data analytics and cybercrime.

VIVAT NV is a public limited company. Anbang Group Holdings Co. Limited holds 100% of the shares in VIVAT NV. The Chinese regulator China Insurance Regulatory Committee (CIRC) announced on Feb 23, 2018 that it is temporarily taking over the management of Anbang. VIVAT has taken notice of this.

4.2. The Supervisory Board

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

M.W. (Maarten) Dijkshoorn was appointed as chairman of the Supervisory Board on 23 December 2016. He is a member of the remuneration and nomination committee, a member of the risk committee and a member of the audit committee. Dijkshoorn has worked in the financial services industry for more than 40 years. From 2002 to 2009, Dijkshoorn was chief executive officer and chief operational officer of Eureko BV (Achmea). Prior to that, Dijkshoorn held various management functions within Nationale-Nederlanden for 25 years. He was, until recently, supervisory board member of Monuta and

MediRisk. Dijkshoorn is chairman of the supervisory board of de Goudse Verzekeringen NV.

M.R. (Miriam) van Dongen was appointed as member of the Supervisory Board on 26 July 2015. She is chair of the audit committee and member of the risk committee and member of the remuneration and nomination committee. She has over 20 years of experience in corporate finance, business strategy and in the financial services industry. In 2007, Van Dongen joined Achmea BV/Eureko BV as chief financial officer of the health division. She holds various supervisory board positions and is the chair of the

audit committees of these supervisory boards. Van Dongen currently serves as supervisory board member and the chair of the audit committee of CB Logistics and PGGM NV. She is also member of the supervisory board and the chair of the audit committee of Optiver. Recently, she has been appointed member of the Supervisory Council and chair of audit committee of The Netherlands' Kadaster (Land Registry) and board member of Stichting Administratiekantoor Aandelen KAS BANK.

M. (Ming) He was appointed as member of the Supervisory Board on 26 July 2015. He is member of the audit committee. He went to Chengdu University of technology in China for his college education and completed a bachelor degree in 1982. He obtained a master's degree at Bowling Green State University in 1992 and a MBA at the American Graduate School of International Management in 1998. He started his career at the Superior Environment Corporation in 1992 as an environmental engineer. In 2009, he joined Anbang Insurance Group Co., Ltd. as chief investment director of Anbang Property & Casualty Insurance Co., Ltd. In 2012 he was appointed as director and general manager of Anbang Asset Management. He is chief executive officer of AB Win Win II [LP].

P.P.J.L.M.G. (Pierre) 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. After his studies in mechanical engineering and industrial administration, Lefèvre became internal auditor at Unilever before joining AXA Belgium NV in Belgium as a financial controller. He continued his career with AXA Belgium as general manager for Individual Life and later on as general manager for P&C Personal Lines. In 1994, he moved to AXA United Kingdom plc. as chief executive officer of the P&C insurance business and was subsequently appointed chairman of the board. In 1998 he was appointed as chief executive officer of AXA Netherlands. Between 2002 and 2013 Lefèvre fulfilled various chief executive officer roles in subsidiaries of Groupama SA. Since 2013, Lefèvre has acted as independent non-executive director and chair of the risk committee 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. He is also an independent non-executive director, member of the nomination and governance committee and chairman of the audit, risk and compliance committee of Fidea NV.

K.C.K. (Kevin) Shum was appointed as member of the Supervisory Board on 26 July 2015. He is chair of the remuneration and nomination committee and member of the risk committee. Shum joined Anbang Insurance Group Co., Ltd. in March 2014. With over 20 years' experience in the financial industry, Shum is a qualified solicitor of England & Wales, a solicitor of Hong Kong, a member of the Chartered Institute of Arbitrators in the U.K. and is a Chartered Financial Analyst in the U.S. Prior to joining Anbang, Shum worked as a private practitioner at Coudert Brothers LLP and Jun He Law Offices, as counsel for private equity firm Alliance Capital Asia Limited and a hedge fund of CCIB Asset Management Co. Limited. He currently serves as Executive Director, Legal and Compliance, for Anbang Overseas Holdings Co. Limited, is a non-executive director of Fidea NV (chair of governance, nomination and remuneration committee) as well as a member of the supervisory boards of ACTIAM Beleggingsfondsen NV, RZL Beleggingsfondsen NV and Zwitserleven Beleggingsfondsen.

Meetings of the Supervisory Board

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.

4.3. Report of the Supervisory Board

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. 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

The Supervisory Board carries out a self-assessment once every three years facilitated by an external consultant. This was done in 2016. The Chairman of the Supervisory Board will, regarding the year 2017, conduct individual interviews with Supervisory Board and Executive Board members to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors and the relationship with the Executive Board during 2017.

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, customers, integrity, risk management, financial reporting and audit. The participation of the members of the Supervisory Board in the programme was monitored.

These continuing education sessions included – amongst others – topics on Cyber Security, IFRS 9, Risk Appetite Statement, Deep dive financials and pensions.

Important Topics and Key Discussions

The formal meetings of the Supervisory Board were every six weeks and several additional meetings and conference calls were held. The attendance rate at meetings and committees is high, demonstrating the strength of the Supervisory Board's commitment. None of the Supervisory Board members were frequently absent at these meetings and meaning that there was always a valid quorum.

During the formal meetings the Supervisory Board was updated on strategic activities and topical issues. Furthermore, the Supervisory Board was briefed on the discussions and resulting recommendations from Supervisory Board committee meetings. Twice a year the Supervisory Board had business reviews with all product lines to discuss their business activities and key initiatives.

In 2017 the Supervisory Board discussed and approved several items, such as:

- > Debt issuance
- > Re-risking program
- > Strategy update
- > Risk Appetite
- > General Data Protection Regulation
- > Investment insurance policies
- > Operational Plan

The Supervisory Board and the Chairman of 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 where at least two members of these committees have knowledge of risk management / risk control and internal control / reporting respectively. The Audit Committee discussed the audit scope, key audit matters, the external auditor's report and the management letter of the external auditor. The independence of the external auditor and fees were also reviewed by the Audit Committee. The Audit Committee maintains regular contact with the external auditor by meetings between the chair of the Audit Committee and the external auditor.

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on remuneration regarding Identified Staff and employees in control functions. The ReNomCo members have sufficient expertise with regard to remuneration policies, culture and incentives.

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 thank the Executive Board and all employees for their efforts in 2017. Special word of thanks to Mr. Feng Zhang. During his period as member of the Executive Board Mr. Feng Zhang supervised certain staff functions of the company. The Supervisory Board thanks Mr. Feng Zhang for his dedication and contribution to setting up an efficient, customer-oriented organisation and his contribution to the substantial cost reductions.

Amstelveen, the Netherlands, 13 April 2018

On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

4.4. Remuneration

Remuneration Policy VIVAT

VIVAT's remuneration policy applies to all employees of VIVAT NV. The remuneration policy consists of several remuneration policies for different groups within VIVAT, such as CLA employees, above-CLA employees and employees within ACTIAM. For information regarding the remuneration policies of ACTIAM we refer to the annual report of ACTIAM NV.

Principles

The different remuneration policies:

- > reflect the interests of all the company's stakeholders: customers, employees, shareholders and society at large;
- > are in line with, and contribute to, robust and effective risk management whilst not encouraging the taking of inappropriate risks than acceptable for the company's risk appetite;
- > support the ability to attract and retain qualified people.

Governance

The Supervisory Board is responsible for approving the remuneration policy for above-CLA employees and also approves the principles of the remuneration policy for other employees. The general meeting is responsible for adopting the remuneration policy for the members of the Executive Board after consultation with the Supervisory Board. The remuneration policies are based on and in line with the Regulation on sound remuneration policies Wft 2014 (Regeling beheerst beloningsbeleid Wft 2014) and the Act on Remuneration Policies of Financial Enterprises (wet Beloningsbeleid Financiële Ondernemingen, WBFO) as included in the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht, Wft).

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on remuneration regarding Identified Staff and employees in control functions as mentioned hereafter. This includes decisions that may have consequences for the risks and risk control of the company which the Supervisory Board takes, as proposed by the Working Group Identified Staff. The Working Group Identified Staff (WGIS) comprises three members of the Executive Board, the heads of Financial Risk, Non Financial Risk/Compliance, Audit, Human Resources and Legal. Where necessary, the ReNomCo is assisted by independent remuneration experts. The Executive Board is responsible for the implementation of the remuneration policies.

Identified Staff

Every year, VIVAT designates members of staff who are Identified Staff on the basis of applicable laws, rules and regulations (the open-book-criteria of DNB). VIVAT has implemented the specific rules regarding variable remuneration for such Identified Staff. Employees who are Identified Staff are determined once a year and approved by the Supervisory Board.

Composition of Remuneration

Remuneration of all employees is made up of fixed and variable pay.

Level of Fixed Remuneration

Fixed pay is generally made up of 12 times an employee's fixed monthly salary, plus 8% holiday allowance and a 13th-month payment. The fixed monthly salary depends on the employee's role, knowledge and experience. A decision as to whether to increase the fixed monthly salary is made once a year, on the basis of a competence assessment. The fixed monthly salary is based on applicable salary scales.

Level of Variable Remuneration

The maximum levels of variable compensation as defined by WBFO are applicable for all employees of VIVAT. Pursuant to the WBFO, the variable remuneration of an employee of a financial undertaking may not exceed 20% of the fixed remuneration. This

'bonus cap' does not apply to employees of alternative investment fund managers with a license under the European Alternative Investment Fund Managers Directive (AIFMD), such as ACTIAM NV. ACTIAM met the applicable exemption criteria of an asset manager. VIVAT has offered a number of employees in specific positions at ACTIAM a variable remuneration opportunity of up to 50% in the event of stretched performance.

For all employees, the performance management cycle started with setting the performance targets in the first quarter of 2017. These targets are in line with the company targets and the company's mission and vision. For all employees two general targets were set: One regarding customer satisfaction (the Net Promoter Score) and one financial target. The financial target for the Product lines was: commercial success and, for the Functional lines: cost management. At least 50% of the KPIs set were non-financial related KPIs. For employees in control functions such as Risk, Audit and Compliance departments, no financial KPIs were set.

The extent to which the performance targets have been achieved by an employee is used as the basis for determining if an employee is eligible for variable remuneration and to which level.

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 behavior that led to a material deterioration in VIVAT's financial position (Wft Section 1:127, Subsection 2).

In addition to the above, in 2017 two knock out criteria applies for the awarding of variable remuneration: Solvency II ratio and IFRS Result.

For CLA employees, variable remuneration is paid in cash. Variable remuneration for Identified Staff is split 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.

Number of Employees with Total Remuneration Exceeding € 1 million

In 2017, one VIVAT employee received a total remuneration exceeding € 1 million.

Variable Remuneration for the Year 2017

In 2017, no variable remuneration is paid for 2017.

In 2017, a total amount of €1.3 million was awarded to ACTIAM employees as a variable remuneration over the year 2016 (€ 0.9 million) and as deferred variable remuneration over the year 2013 (€ 0.2 million) and 2014 (€ 0.2 million) respectively.

Claw Back on Variable Remuneration

VIVAT has the power to claw back all or part of any variable pay awarded (Section 135(8), Book 2 of the Dutch Civil Code in connection with Wft Section 1:127 Subsection 3). 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 behavior that led to a material deterioration in the financial position of VIVAT. This claw back may relate to both the immediately payable portion and the deferred portion of the variable remuneration.

Pension

Nearly all employees of VIVAT are members of the same pension scheme. The scheme qualifies as a defined contribution scheme for IAS 19 purposes. The contributions are paid by VIVAT and employees respectively as employer and employee contributions. Due to the changes in the tax law on pension accruals for salaries above the pensionable salary an allowance of 16.35% on an employee's pensionable salary in excess of € 103,317 has been paid.

Other Benefits

The majority of above-CLA employees are eligible for a lease car or a lease car allowance. In 2017, VIVAT NV changed its lease policy which limited leasing of cars to those with less than 106 gram CO₂ emissions. In addition, the group eligible for a lease car has diminished. As part of VIVAT's commitment to impact investment principles, certain types of

cars and certain brands are no longer included in this policy.

Special Arrangements on Employee Benefits

At VIVAT, special arrangements for employee benefits refer to retention and/or welcome bonuses and material redundancy packages. VIVAT exercises great restraint when agreeing such arrangements. Such arrangements may be agreed only if they are in accordance with legislation and regulations.

Actual Remuneration (former) Members of the Executive Board and the Supervisory Board

Reference is made to Note 22 Related parties (Intra-group balances with key management personnel of VIVAT) for the actual remuneration (former) members of the Executive Board and the Supervisory Board.

July

August

September



Innovation

Innovation Days

Innovation is important to VIVAT as it will help us make a difference for our customers. Therefore it is crucial that all VIVAT employees acquire at least basic knowledge about innovation. During the VIVAT Innovation Days employees were brought up to speed with innovation trends and its impact, and aligned with VIVAT's innovation strategy. A separate day was organised for intermediary.

Durability

BREEAM durability certificate

After the summer we started the final sprint to make our Torenburg office in Alkmaar ready for the BREEAM durability certificate. With a score of three stars for assets, four stars for maintenance and three stars for usages this office reaches the highest durability score in the city of Alkmaar. Since our headquarters in Amstelveen had already met the durability standards, VIVAT now has two BREEAM certified offices, keeping us on track with our goal of bringing down our carbon footprint and being a company that takes on its environmental responsibility.

New campaign

'Lekker geregeld'

Well-known Dutch biologist Freek Vonk appeared in a new commercial for insurer Reaal, aside a giant panda. The real star in the commercial however is Freek's mother. She is the driving force behind her son, the person who takes care of Freek's insurances, so he can go off to explore wildlife. With this new campaign Reaal is putting the spotlight on the people who arrange things, to doers, the ones that one can always depend upon. Reaal and the intermediary claim that role in people's lives, so they can do the things they enjoy, knowing that things are well taking care of.



VIVAT Alkmaar

Financial Statements

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5. Consolidated Financial Statements

5.1. Consolidated Statement of Financial Position

Before result appropriation and in € millions	Notes ¹	31 December 2017	31 December 2016
> Assets			
Intangible assets	1	1	4
Property and equipment	2	65	74
Investments in associates		-	7
Investment property	3	380	274
Investments	4	38,624	38,294
Investments for account of policyholders	5	13,202	14,251
Investments for account of third parties	6	630	1,387
Derivatives	7	760	1,091
Deferred tax	8	491	426
Reinsurance share	16	181	225
Loans and advances to banks	9	1,814	960
Corporate income tax		31	43
Assets held for sale	10	7	-
Other assets	11	302	355
Cash and cash equivalents	12	259	410
Total assets		56,747	57,801
> Equity and liabilities			
Share capital ²		0	0
Reserves		3,663	3,531
Retained earnings		-116	168
Shareholders' equity	13	3,547	3,699
Subordinated debt	14	1,016	1,047
Borrowings	15	642	-
Insurance liabilities	16	46,794	47,617
Liabilities investments for account of third parties	6	630	1,387
Provision for employee benefits	17	585	578
Other provisions	18	44	150
Derivatives	7	636	486
Amounts due to banks	19	1,643	1,353
Other liabilities	20	1,210	1,484
Total equity and liabilities		56,747	57,801

¹ The references next to the balance sheet items relate to the notes to the consolidated statement of financial position in Section 6.3

² The issued and paid up share capital of VIVAT NV is € 238,500

5.2. Consolidated Statement of Profit or Loss

In € millions	Notes ¹	2017	2016
> Income			
Premium income		2,923	2,508
Less: Reinsurance premiums		51	61
Net premium income	25	2,872	2,447
Fee and commission income		87	98
Fee and commission expense		25	32
Net fee and commission income	26	62	66
Share in result of associates		1	1
Investment income	27	1,430	2,794
Investment income for account of policyholders	28	435	902
Result on investments for account of third parties	29	57	43
Result on derivatives	30	-409	-233
Other operating income	31	15	-
Total income		4,463	6,020
> Expenses			
Technical claims and benefits	32	3,814	3,591
Charges for account of policyholders	33	87	1,349
Acquisition costs for insurance activities	34	159	135
Result on liabilities from investments for account of third parties	29	57	43
Staff costs	35	281	426
Depreciation and amortisation of non-current assets	1 / 2	10	15
Other operating expenses	36	95	98
Impairment losses	37	8	28
Other interest expenses	38	127	104
Other expenses		-	1
Total expenses		4,638	5,790
Result before tax		-175	230
Tax expense	39	-59	62
Net result continued operations for the period		-116	168
Attribution:			
Net result continued operations attributable to the shareholder		-116	168
Net result continued operations for the period		-116	168

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

5.3. Consolidated Statement of Total Comprehensive Income

Consolidated Statement of Other Comprehensive Income

In € millions	2017	2016
> Items that will not be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	-11	32
Total items never reclassified to profit or loss	-11	32
> Items that may be reclassified subsequently to profit or loss		
Unrealised revaluations from cash flow hedges	-27	28
Unrealised revaluations investments available for sale	-403	1,216
Impairments fair value reserve	-4	-4
Realised gains and losses fair value reserve through profit or loss	-297	-1,216
Results on allocated investments and interest derivatives	706	-16
Total items that may be reclassified to profit or loss subsequently	-25	8
Other comprehensive income (after tax)	-36	40

Statement of Total Comprehensive Income

In € millions	2017	2016
Net result for the period	-116	168
Other comprehensive income (after tax)	-36	40
Total comprehensive income	-152	208
> Attribution:		
Total comprehensive income attributable to the shareholder	-152	208
Total comprehensive income	-152	208

5.4. Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Shareholders' Equity 2017

In € millions	Issued share capital ¹	Share premium	Sum revaluation reserves	Other reserves	Retained earnings	Shareholders' equity
Balance as at 1 January 2017	-	4,309	124	-902	168	3,699
Transfer of net result 2016	-	-	-	168	-168	-
Transfers 2017	-	-	-	168	-168	-
Other comprehensive income	-	-	-25	-11	-	-36
Net result 2017	-	-	-	-	-116	-116
Total comprehensive income 2017	-	-	-25	-11	-116	-152
Balance as at 31 December 2017	-	4,309	99	-745	-116	3,547

¹ The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2016, no dividends for 2017.

Statement of Revaluation Reserves 2017

In € millions	Revaluation reserve property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2017	4	-	120	124
Unrealised revaluations from cashflow hedges	-	-27	-	-27
Unrealised revaluations investments available for sale	-	-	-403	-403
Impairments and reversals	-	-	-4	-4
Realised gains and losses through profit or loss	-1	-	-296	-297
Results on allocated investments and interest derivatives	-	27	679	706
Total changes in equity 2017	-1	-	-24	-25
Balance as at 31 December 2017	3	-	96	99

Consolidated Statement of Changes in Shareholders' Equity 2016

In € millions	Issued share capital	Share premium	Sum revaluation reserves	Other reserves	Retained earnings	Shareholders' equity
Balance as at 1 January 2016	-	4,261	116	-1,043	109	3,443
Transfer of net result 2015	-	-	-	109	-109	-
Transfers 2016	-	-	-	109	-109	-
Other comprehensive income	-	-	8	32	-	40
Net result 2016	-	-	-	-	168	168
Total comprehensive income 2016	-	-	8	32	168	208
Transactions with former shareholders	-	48	-	-	-	48
Balance as at 31 December 2016	-	4,309	124	-902	168	3,699

Statement of Revaluation Reserves 2016

In € millions	Revaluation reserve property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2016	4	-	112	116
Unrealised revaluations from cashflow hedges	-	28	-	28
Unrealised revaluations investments available for sale	-	-	1,216	1,216
Impairments and reversals	-	-	-4	-4
Realised gains and losses through profit or loss	-	-	-1,216	-1,216
Results on allocated investments and interest derivatives	-	-28	12	-16
Total changes in equity 2016	-	-	8	8
Balance as at 31 December 2016	4	-	120	124

5.5. Consolidated Cash Flow Statement

In € millions	2017	2016
> Cash flow from operating activities		
Operating profit before tax	-175	217
> Adjustments for:		
Revaluation through profit or loss	2	2
Depreciation and amortisation of non-current assets	10	16
Amortisation of investments	216	105
Changes in insurance liabilities for own risk	-1,661	1,963
Changes in other provisions	7	116
Impairment charges / (reversals)	8	28
Unrealised results on investments through profit or loss	456	-182
Taxes (paid) received	18	-45
> Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-564	14
Change in other operating activities	537	-3,162
Net cash flow from operating activities	-1,146	-928
> Cash flow from investment activities		
Sale of investment property	15	4
Sale and redemption of investments and derivatives	27,010	25,294
Purchase of property and equipment	-2	-5
Purchase of investment property	-108	-4
Purchase of investments and derivatives	-26,586	-24,515
Net cash flow from investment activities	329	774
> Cash flow from finance activities		
Issue of shares and share premium	-	48
Issue of subordinated loans	491	484
Redemption of subordinated loans	-466	-268
Issue of senior notes	650	-
Costs of issue of senior notes	-9	-
Net cash flow from financing activities	666	264
Net increase in cash and cash equivalents	-151	110
Cash and cash equivalents 1 January	410	300
Cash and cash equivalents as at 31 December	259	410
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,637	1,257
Dividends received	147	152
Interest paid	96	86

6. Notes to the Consolidated Financial Statements

6.1. Accounting Policies for the Consolidated Financial Statements

6.1.1. General Information

VIVAT NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. 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.

VIVAT NV has its registered office located in Utrecht, the Netherlands and has its principal place of business located at Burgemeester Rijnderslaan 7, 1185 MD in Amstelveen, the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 30099450. The principal activities of VIVAT and its subsidiaries are described in Section 6.4, note 41.

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

The consolidated financial statement combines the financial statements of VIVAT NV (the parent company) and its subsidiaries (see Section 6.3, note 42 List of principal subsidiaries).

The key accounting policies and the changes herein used in the preparation of VIVAT's consolidated financial statements are set out in this section.

Adoption of the Financial Statements

The consolidated financial statements of VIVAT for the year ended on 31 December 2017 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 13 April 2018. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

6.1.2. Basis of Preparation

Statement of IFRS Compliance

VIVAT prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. Pursuant to the option offered in article 2:362(8) of the Dutch Civil Code, VIVAT prepares its company financial statements in accordance with the same accounting policies as those used for the consolidated financial statements (refer to Section 9.1 Principles for the preparation of the company financial statements).

Relevant New standards, Amended Standards and Interpretations of Existing Standards Effective as of 2017

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. The amendments to IAS 7 'Statement of cash flows': Disclosure Initiative were issued by IASB in January 2016 and became effective from 1 January 2017. The purpose of the amendments was to address investors' need to better understand the entities' debt by providing extra information about financing cash flows. As a result the amendments

require additional disclosures for liabilities for which cash flows are classified as financing activities in the statement of cash flows.

VIVAT addressed these new requirements by presenting additional disclosures for subordinated loans and borrowings.

Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2018

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 2018, were not early adopted by VIVAT. New or amended standards that become effective on or after 1 January 2018 and that are relevant to VIVAT are disclosed below.

Amended IFRS 4 on Insurance Contracts

This standard is effective as of 1 January 2018 and permits an insurer to apply the temporary exemption from applying IFRS 9 for entities whose business model is predominantly to issue insurance contracts. An entity that applies this exemption is allowed to postpone the implementation of IFRS 9 until 1 January 2021, the effective date of IFRS 17 the new standard on insurance contracts.

Predominance is 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. VIVAT's predominance ratio is well above 90%.

VIVAT meets these criteria and has decided to postpone the implementation of IFRS 9 until 1 January 2021.

IFRS 9 Financial Instruments

IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However, since VIVAT has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 is postponed by VIVAT until 1 January 2021, the effective date of IFRS 17.

Since financial instruments constitute a significant item in VIVAT's consolidated financial statements, it is expected the introduction of IFRS 9 will have a significant impact on VIVAT's financial statements.

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 will not have a significant impact on the consolidated financial statements of VIVAT.

IFRS 16 Leases

This standard has an effective date of 1 January 2019. According to this new standard, lessees (the users of the assets) 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.

The introduction of IFRS 16 is expected to only have minor impact on VIVAT's consolidated financial statement - the total of assets and liabilities will increase as a result of right-of-use assets and lease liabilities being recognised. No significant impact on equity is expected.

IFRS 17 Insurance contracts

On 18th May 2017 the IASB has issued IFRS 17, the new comprehensive standard on insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 the current standard on insurance contracts. IFRS 4 allows insurers to continue their previous local accounting policies for the measurement of insurance contracts. IFRS 17 provides a comprehensive model (the general model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short duration (non-life) insurance contracts.

The main features of the new accounting model for insurance contracts comprise:

- Measurement of insurance liabilities is based on the present value of probability weighted future cash flows to fulfil the contract, increased with a risk adjustment to reflect uncertainties in these cash flows.
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period. The contractual service margin is amortised over the coverage period of the contract.
- The recognition of insurance revenue and insurance service expenses in profit or loss based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented

separately from the insurance finance income and expenses.

- The effects of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- Extensive disclosures to provide information on the recognised amounts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. Retrospective application of the standard is required. Early adoption is permitted. VIVAT plans to adopt IFRS 17 per 1 January 2021. The adoption of IFRS 17 will have a significant effect on VIVAT's consolidated financial statements, systems and data requirements.

Changes in Policies, Estimates and Presentation

Changes in policies

As of 2017 designated parts of the disability insurance liabilities, which previously were measured using locked-in interest rates, are measured using current market interest rates in order to better reflect economic reality given the interest sensitivity of these liabilities. The comparative figures affected have been altered accordingly resulting in a decrease of equity per 1 January 2016 of € 17 million. The impact on profit or loss after taxation in 2016 is a gain of 18 million. Impact on equity per 31 December 2016 is an increase of € 1 million.

Prior to the recognition of this change in policies, the measurement of the insurance liabilities was adjusted. This resulted in an increase of equity per 1 January 2016 of € 9 million. The impact on profit or loss after taxation in 2016 is a loss of € 9 million.

The following tables present the combined impact of these events on the relevant items of the consolidated statements of financial position per 1 January 2016 and 31 December 2016 and the consolidated statement of profit or loss over 2016.

Impact changes in policies

Consolidated statement of financial position			
In € millions	Balance as at 1 January 2016	Impact new accounting policy as at 1 January 2016	Restated balance as at 1 January 2016
Insurance liabilities	46,457	13	46,470
Reinsurance share	3,422	2	3,424
Corporate income tax (liability)	27	-3	24
Shareholders' equity	3,451	-8	3,443

In € millions	Balance as at 31 December 2016	Impact new accounting policy as at 31 December 2016	Restated balance as at 31 December 2016
Insurance liabilities	47,617	-	47,617
Reinsurance share	223	2	225
Corporate income tax (asset)	44	-1	43
Shareholders' equity	3,698	1	3,699

Consolidated statement of profit or loss			
In € millions	Statement of profit or loss 2016	Impact new accounting policy on 2016	Restated statement of profit or loss 2016
Technical claims and benefits	3,604	-13	3,591
Result before taxation	217	13	230
Taxation	58	4	62
Net result	159	9	168

Changes in estimates

The effects of significant changes in estimates are disclosed in the notes to the consolidated financial statement relating to the item concerned. The most significant changes in estimates concern the insurance liabilities (refer to section 6.1.5).

Changes in presentation

Adjustment in presentation of results on investments for account of third parties and results on liabilities from investments for account of third parties

The results on investments for account of third parties and the results on liabilities from investments for account of third parties are no longer offset as of 2017. The results on investments for account of third parties € 57 million (2016: € 43 million) and the results on liabilities from investments for account of third parties € 57 million (2016: € 43 million) are presented on a gross basis in the statement of profit or

loss. Impact of this change on profit or loss in 2017 is nil.

Adjustment in presentation of deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities were presented separately in the statement of financial position at 31 December 2016. However, deferred tax assets and deferred tax liabilities relate to corporate income tax levied by the same Dutch Tax Authorities and therefore have to be offset under IAS 12 'Income Taxes'. This has been adjusted in 2017. The amount of deferred tax assets and deferred tax liabilities offset at the end of 2016 was € 1.415 million and € 989 million respectively. The amount of deferred tax assets and deferred tax liabilities offset as at 1 January 2016 was € 1.499 million and € 990 million respectively. Impact of this change on profit or loss and equity in 2017 and in 2016 is nil.

Adjustment in presentation of intercompany fees

In 2016 in the consolidated statement of profit or loss the asset management fees charged by ACTIAM to SRLEV and VIVAT Schadeverzekeringen amounting to € 20 million were presented as fee and commission income and as negative investment income. Also in 2016 the intermediary fees paid by VIVAT Schadeverzekeringen and Proteq to Volmachtkantoor Nederland BV amounting to € 18 million were presented as fee and commission income and as acquisition costs. However, these fees constitute an intragroup transaction and have to be eliminated under IFRS 10 'Consolidated Financial Statements'. Therefore the corresponding amounts were adjusted in the consolidated statement of profit or loss.

6.1.3. General Accounting Policies

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

Functional Currency and Reporting Currency

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

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 VIVAT 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,
- > VIVAT 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 consolidated financial statements requires VIVAT to make estimates and assumptions based on complex and subjective opinions and best estimates. In this process, management judges situations on the basis of available information and financial data that are likely to change in the future. Although estimates are made to the best of the management's knowledge, actual results will 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 provision for employee benefits, the provisions for bad debts, the fair value of assets and liabilities, and impairments.

Fair Value of Assets and Liabilities

Fair Value

The fair value is the price that VIVAT would receive to sell an asset or to pay to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market and assuming the highest and best use for non-financial assets.

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. VIVAT 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 VIVAT governance procedures.

6.1.4. Basis for Consolidation

Subsidiaries

Subsidiaries, i.e. all entities (including structured entities) that are controlled by VIVAT, are consolidated. Control over companies and entities is assumed to exist if all of the following conditions are met:

- > VIVAT has power over a company or entity by means of existing rights that give VIVAT the current ability to direct the relevant activities of the company or entity;
- > VIVAT has exposure or rights to variable returns from its involvement with the investee; and
- > VIVAT has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to VIVAT until the date this control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting policies applied by VIVAT. Non-controlling interests and their results are presented separately in the consolidated statement of financial position and the statement of profit or loss.

Investments in Associates

Associates are entities in which VIVAT can exercise significant influence on the operating and financial policies, but over which it has no control.

The consolidated financial statements include VIVAT's total share of profit of associates from the date that VIVAT acquires significant influence to the date that significant influence ceases to exist. The profit is accounted for using the equity method, after adjustments to comply with VIVAT's accounting policies, where needed.

Upon recognition, associates are initially accounted for at their acquisition price (including transaction costs) and subsequently measured using the equity method. This measurement also includes goodwill paid upon acquisition less accumulated impairment losses, if applicable.

Under the equity method, VIVAT's share of profit or loss of associates is recognised in the statement of profit or loss within share of profit of associates. Other changes in equity of associates are recognised directly in VIVAT's other comprehensive income.

If the carrying amount of the associate is nil, no further losses are accounted for, unless VIVAT has entered into commitments, made payments on its behalf or acts as a guarantor.

Elimination of Group Transactions

Intra-group transactions, intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements.

Unrealised gains on transactions between VIVAT and its associates are eliminated to the extent of VIVAT's interest in these investments. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that no evidence of impairment exists.

Segment Information

The operating segments of VIVAT are clearly distinctive organisational components that carry out activities that generate income and expenses. The operating segments are:

- > Property & Casualty (P&C) carrying out non-life insurance activities;
- > Individual Life carrying out individual life insurance services;
- > Life Corporate carrying out collective life insurance services;
- > Asset Management carrying out asset management services;
- > Other, carrying out the holding activities along with the activities that are not directly attributable to any other segment.

The segment information is based on the accounting policies used in the consolidated financial statements. For one-off intra-group transactions directed by VIVAT the required consolidation adjustments and eliminations are accounted for directly in the related segment.

6.1.5. Accounting Policies for the Statement of Financial Position

Intangible Assets

Goodwill

Business combinations are accounted for using the acquisition method. Goodwill, represents the excess of the cost of the acquisition over the fair value of VIVAT's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at acquisition date. Any negative goodwill is recognised directly in the statement of profit or loss.

Any change in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. Adjustments that occur after a period of one year are recognised in the statement of profit or loss. Adjustments to the purchase price that are contingent on future events – to the extent that these

have not already been included in the purchase price – are recognised within the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently in case of indication of an impairment loss (see the section entitled 'Impairment of intangible assets').

Software

Costs that are directly related to the development of identifiable software controlled by VIVAT, that is expected to generate economic benefits in excess of these costs, are capitalised. The direct costs comprise external costs and staff costs directly attributable to software development. All other costs associated with the development or maintenance of software are expensed as incurred.

Capitalised software development costs are amortised on a straight-line basis over the asset's useful life, with a maximum of five years. An asset impairment test is performed at the end of each reporting period.

Other Intangible Assets

Other intangible assets include assets with finite and indefinite useful lives, such as distribution channels, trademarks and client portfolios. Assets with finite useful lives are either amortised using a straight-line method over their useful lives or on the basis of the economic benefits flowing from the underlying portfolios, i.e. usually between five and 15 years. If objective evidence points to a possible impairment loss, an impairment test is performed. Assets with indefinite useful lives are not amortised. They are tested for impairment at the end of each reporting period.

Impairment of Intangible Assets

An intangible asset is subject to impairment if its carrying amount exceeds the recoverable amount from continued use (value in use) or sale of the asset. The recoverable amount of assets is estimated if indications of an impairment of the asset exist. Goodwill, intangible assets with indefinite useful

lives and intangible assets not yet available for use are tested at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

Property and Equipment

Owner-occupied Property

Owner-occupied property mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based on annual valuations performed by external, independent appraisers with adequate professional expertise and experience in the specific location and categories of properties.

Owner-occupied property is measured at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return at inception and the market rental value to determine the fair value of an asset. Gains and losses on owner-occupied property include lease incentives, discount rates and expected vacancy, making allowance for the location, quality, age and liquidity of the property in question.

Increases in the fair value exceeding cost are added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as they result in the reversal of earlier impairments on the same asset, are credited to the statement of profit or loss. Decreases in fair value, insofar as they result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are recognised in profit or loss.

Buildings are depreciated over their useful lives using a straight-line method, with a maximum of 50 years, taking into account any residual value. Land is not depreciated. Regular impairment tests are performed on land and buildings.

Repair and maintenance expenses are recognised within other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of owner-occupied property in relation to their original use are capitalised and then depreciated.

Upon the sale of a property, the part of the revaluation reserve related to the property in question, which was recognised within shareholders' equity, is transferred to the other reserves.

IT Equipment and other Property and Equipment

All other property and equipment are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses. Cost includes all expenses directly attributable to the acquisition of the assets. Assets are depreciated on a straight-line basis over their useful lives, taking into account any residual value. The estimated useful life varies between three and ten years.

Repair and maintenance expenses are recognised in other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of other property and equipment in relation to their original use are capitalised and subsequently depreciated.

Gains and losses on the sale of property and equipment are defined as the balance of the recoverable amount less transaction costs and the carrying amount. These gains and losses are recognised within other operating income.

Investments in Associates

For details, see Section 6.1.4 (Basis of consolidation) under 'Investments in associates'.

Investment Property

Investment property, comprising retail properties and offices, residential properties and land, is held to generate long-term rental income or capital

appreciation or both. If a property qualifies as part investment property and part owner-occupied property, it is recognised within property and equipment, unless the owner-occupied part makes up less than 20% of the total number of square metres.

Investment property is measured at fair value i.e. its value in a (partially) let state, including transaction costs, upon initial recognition. The fair value is based on valuations performed every year by independent external appraisers with adequate expertise and specific experience in property locations and categories.

The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return since inception and the market rental value to determine the fair value of an asset. Gains and losses on investment property include lease incentives, discount rates and expected vacancy, but allowance is made for location, quality, age and liquidity of the property as well.

Changes in the fair value of investment property are recognised in profit or loss within investment income.

Financial Instruments

VIVAT 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.

VIVAT 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
- VIVAT 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. VIVAT 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 loans to banks arising from 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, VIVAT 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'.

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.

Where mortgage loans are concerned, an allowance for impairment is recognised if objective evidence exists that VIVAT 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.

When a loan is uncollectable, it is written off against the relevant allowance for impairment.

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

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 for Account of Policyholders (Fair Value Through Profit or Loss)

Investments for account of policyholders are classified as fair value through profit or loss. These investments are held to cover insurance contracts, according to which the investment risk is borne by the policyholders (see the section entitled 'Life insurance contracts for account of policyholders'). Amounts due from these policyholders are recognised in the statement of profit or loss as premium income. Dividends, coupons, adjustments in the fair value of investments and gains and losses on the sale of investments are recognised in the statement of profit or loss as investments for account of policyholders.

Investments for Account of Third Parties and Liabilities from Investments for Account of Third Parties (Fair Value Through Profit or Loss)

These investments relate to the third parties' share in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount and are measured at fair value through profit or loss. Any related gains and losses are recognised in the statement of profit or loss as gains and losses on financial instruments. These investment funds are consolidated since VIVAT controls these funds and is exposed to these funds' gross variable results, which are mainly attributable to investments for account of policyholders. This item also comprises investments for account of participants of Zwitserleven PPI.

VIVAT's exposure to risks arising from these financial instruments is limited since the beneficial ownership rests with these third parties and participants. The value of corresponding liabilities equals the fair value of the underlying investments.

Derivatives General

Derivatives are recognised at fair value upon inception. The fair value of publicly traded derivatives is based on quoted bid prices for assets held or liabilities

to be issued, and quoted offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a present value model or an option valuation model. VIVAT recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Changes in the fair value of derivatives, that do not qualify for cash flow hedge accounting, are accounted for in the statement of profit or loss as gains and losses on financial instruments.

For embedded derivatives refer to “Embedded options and guarantees in insurance contracts” in the section “Life insurance”

Hedge Accounting

VIVAT uses derivatives as part of its asset and liability management and risk management. These instruments are used for hedging interest rate and currency risks, including the risks of future transactions. VIVAT can designate a derivative as either:

- a hedge of the exposure to changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
- a hedge of the exposure to variability in future cash flows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is only applied if a hedging relationship is considered to be effective. Hedge effectiveness is assessed by VIVAT at inception and during the term. A hedge is effective if the changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument, insofar as these changes are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

Fair Value Hedge Accounting

Derivatives designated as a hedge of fair value changes of recognised assets or of a firm commitment are recognised as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedging instrument are recognised directly in the statement of profit or loss and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

If the hedge no longer meets the conditions for hedge accounting, an adjustment in the carrying amount of a hedged financial instrument is amortised and taken to the statement of profit or loss during the expected residual term of the previously hedged item.

If the hedged item is no longer recognised, i.e. if it is sold or redeemed, the non-amortised fair value adjustment is directly recognised in the statement of profit or loss.

Cash Flow Hedge Accounting

Derivatives can be designated to hedge the exposure to variability in future cash flows resulting from a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of a derivative that has been designated as a cash flow hedge and that meets the conditions for cash flow hedge accounting are recognised in the cash flow hedge reserve as a separate component of shareholders' equity. The portion of the gain or loss on the hedging instrument that is considered to be ineffective, is recognised in the statement of profit or loss. The measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses on the derivative that were previously recognised in the cash flow hedge reserve are amortised to profit or loss until maturity of the acquired asset or liability.

If the hedging instrument expires or is sold or terminated, or no longer meets the conditions for hedge

accounting, the accumulated all gains and losses that were included in the cash flow hedge reserve remain in the cash flow hedge reserve within other comprehensive income until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains and losses recognised in other comprehensive income are directly taken to 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. Deferred tax assets and liabilities are presented on a net basis to the extent that they relate to the same tax authority and that they are settled simultaneously.

Other Assets

Reinsurance contracts

Inbound reinsurance contracts

Other insurers use these contracts to transfer the insurance risk associated with their own insurance contracts to VIVAT. These contracts qualify as inbound reinsurance contracts; the obligations from the insured risk and the deposit component are recognised as liabilities within insurance contracts in accordance with IFRS 4.

Outbound reinsurance contracts

By virtue of these contracts, VIVAT is compensated for losses incurred on its own insurance contracts. Because of the transfer of significant insurance risks, the entire contract qualifies as an outbound (re)insurance contract. The liabilities from insurance risks and the deposit components are recognised as insurance liabilities in accordance with IFRS 4. The share of reinsurance companies in the insurance liabilities and the benefits to which VIVAT is entitled by virtue of its reinsurance contracts are accounted for as reinsurance assets, after deduction of reinsurers' share in technical claims and benefits expenses. These assets comprise short-term receivables from reinsurance companies (presented under other assets) and long-term receivables (presented under reinsurance contracts). These receivables depend on the expected claims and benefits arising from the insurance contracts that VIVAT has reinsured.

The amounts receivable from, and payable to, reinsurance companies are determined in accordance with the terms and conditions of each reinsurance contract. Reinsurance obligations relate primarily to premiums payable for reinsurance contracts.

Receivables from reinsurers are assessed for potential impairment due to credit risk, at the reporting date.

Other advances and accrued 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, which include amounts receivable from the clearing counterparty with regard to derivative positions.

Assets Held for Sale

Assets held for sale are presented separately in the consolidated statement of financial position and consist of non-current assets whose carrying amount will be recovered principally through a sale transaction and not through continuing use.

Assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Any surplus of the carrying amount over their fair value less costs is recognised as an impairment loss.

Equity

Issued 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.

Reserves

Revaluation reserve

Revaluations of owner-occupied property (see the section entitled 'Owner-occupied property') are included in the revaluation reserve.

Cash flow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes in the fair value of derivatives qualifying for cash flow hedge accounting (net of taxes), provided that the hedged transaction has not yet occurred.

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 cash flow hedge reserve and fair value reserve for fixed-income securities that are held to cover insurance liabilities.

Subordinated Debt

Subordinated debt includes the subordinated bonds and private loans issued by VIVAT. This debt is initially measured at fair value net of the transaction costs incurred. The debt is subsequently measured at amortised cost, using the effective interest method.

Borrowings

On initial recognitions these borrowings are stated at fair value net of transaction costs incurred. These instruments are subsequently measured at amortised cost, using the effective interest method.

Insurance Liabilities

Insurance liabilities arise from insurance contracts. Insurance contracts are contracts that concern the transfer of significant insurance risk. These contracts can also involve investment risks. VIVAT issues both life and non-life insurance contracts.

VIVAT 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.

VIVAT 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 and non-life insurance contracts and the corresponding liability adequacy test are described below.

Life insurance

Life insurance contracts can be divided into general account life insurance policies and life insurance contracts for account of policyholders. Both types of insurance policies include individual insurance contracts as well as group insurance contracts.

These contracts provide mainly long-term insurance for events that lead to a payment in cash, or of the counter value of investment units, upon maturity of the contract or death of the insured.

General account life insurance policies

General

For these contracts, VIVAT incurs insurance risk as well as investment risk. These insurance contracts are divided into individual and group contracts and include the following product groups: savings mortgage insurance, annuities, term insurance policies, corporate pensions and funeral expenses insurance policies.

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 and 2017, 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

VIVAT 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. The time value of the embedded options is not included in the measurement of the embedded derivative.

Provisions for longevity risk

Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become inadequate due to the extended life expectancy of the beneficiaries. This provision comprises additional contributions that have been made in the past to absorb this longevity risk. The actual longevity risk is the part of the total liabilities and subject to the liability adequacy test.

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.

Interest rate surcharge or discount

With respect to individual single-premium insurance contracts, an interest rate can be guaranteed, which may be lower or higher than the contractual interest rate used to calculate the liability. The rates for annuity policies are based on a yield curve derived from market data. As the expected market interest rates are currently lower than the standard rate basis, the policyholder pays a surcharge based

on the difference between the market rate at the contract's inception date and the contract date and the standard rate applied until maturity. The recognized surcharges and discounts are subsequently amortised on either an actuarial or straight-line basis.

With regard to group insurance contracts, similar surcharges or discounts are amortised on a straight-line basis. In the initial year of recognition, the full-year amortisation charge is recognised.

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

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual 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 VIVAT'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.

There are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

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).

VIVAT 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 VIVAT this leads to two 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.

- Fair value changes of interest rate derivatives used to hedge interest rate risks, which are initially recognised in the cash flow hedge reserve, are transferred to the insurance liabilities without affecting profit or loss.

Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are recognised in 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, VIVAT 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 (if applicable), 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 EIOPA 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, if available. Any remaining deficit will be added to insurance liabilities through 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 both at legal entity level and at consolidated level. A deficit and a surplus in the liability adequacy test of the separate life insurance companies is offset in consolidation. Non-life insurance liabilities are tested separately.

Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2017:

- > 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 and the company's decisions regarding discretionary profit sharing.

- > 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% (2016: 4%).

Life insurance contracts for account of policyholders

General

This item concerns insurance contracts under which policyholders bear the investment risk. The liabilities arising from these contracts basically equal the value of the underlying investments, the value of interest rate guarantees and the value of the term insurance. Since unit-linked policyholders bear investment risk they determine how VIVAT should invest the premiums paid net of costs and risk premiums.

Unit-linked life insurance contracts

Liabilities linked to the investments related component

The technical provisions for the underlying investments of these insurance contracts correspond to the carrying amount (fair value) of the related underlying investments. As a result, these liabilities are measured at the fair value of the underlying investments. Transaction costs and commission are not included at initial recognition but charged to the statement of profit or loss as these transactions occur. The changes in these insurance liabilities are recognised directly in profit or loss in line with changes in the fair value of these investments.

Interest rate guarantees

Interest rate guarantees have been issued by VIVAT for returns from a limited number of unit-linked

insurance contracts. These guarantees mainly apply at the maturity dates of the insurance contracts. Prior to maturity, the liability arising from these contracts is at least equal to the accumulated amount of premiums paid plus guaranteed interest less any expense and mortality charge deductions and adjustments for future lapses.

Insurance component

The insurance component in these insurance contracts is determined based on the tariff rate.

Separate accounts

Group insurance contracts with segregated investments are recognised as life insurance contracts for account of policyholders. Interest rate guarantees on returns have been granted for a limited number of these contracts.

If group insurance contracts are renewed as general account after contract expiration dates, the existing provisions for interest rate guarantees are amortised on an actuarial basis to compensate for the deficits in future investment returns in comparison to the guaranteed interest rates stipulated in these contracts.

Non-life insurance

General

These are insurance contracts that provide coverage not related to the life or death of insured persons. Apart from disability contracts, the non-life contracts (also referred to as property and casualty or P&C) generally provide coverage for a relative short period of time. VIVAT's non-life insurance contracts can be divided into the following product groups: accident and health, motor vehicles, fire, transport, general liability and other.

Payments made after the occurrence of a specified insured event are either fixed (e.g. in the event of disability) or linked to the scale of the economic loss suffered by the policyholder (in accordance with the indemnity principle).

Liabilities arising from non-life insurance contracts are determined as specified below:

Provision for unearned premiums

This provision reflects premiums related to the period of any unexpired coverage at the reporting date. The provision is equal to the unearned gross premiums and commission paid is deducted from the gross premium. The provision for unearned premiums is calculated separately for each insurance contract in proportion to the unexpired risk period.

The change in the provision for unearned premiums is recorded in the statement of profit or loss in order to recognise the income over the period of exposure to risk.

Provision for current risks

The provision for current risks has been formed to meet obligations resulting from:

- claims and claims handling expenses that may arise after the reporting date and which are covered by contracts issued prior to that date, insofar as the related estimated amount exceeds the provision for unearned premiums and the future premiums in relation to these contracts; and
- premiums received, both single and regular, for contracts with a fixed premium where the underlying risk increases over time. This applies to disability insurance contracts in particular.

Provision for claims payable

This provision is intended to cover claims arising from the current and preceding years that have not been settled at the reporting date. The provision is determined systematically on a claim-by-claim basis. In the case of disability claims, this provision is referred to as the provision for periodic payments.

Provision for internal claims handling costs

A separate provision for internal claims handling costs is formed as part of the provision for claims payable. This provision is an estimate of the expenses relating to payments to be made in respect of claims arising from insured events that have already occurred. The provision for internal claims handling costs is measured by reference to the carrying amount of the previous month, adjusted – if

necessary – for significant developments in the current month. The provision is reassessed semi-annually, based on business information as well as actuarial analysis derived from the most recent liability adequacy test.

Provision for co-insurance

VIVAT participates in co-insurance contracts, mainly relating to the transport sector. The technical provision is calculated based on all risks accepted at the reporting date and claims incurred during the financial year, both reported and unreported.

The expected balances of risks covered and losses incurred arising from transport insurance contracts are determined on an underwriting-year basis.

Provision for claims incurred but not reported (IBNR)

This provision is intended for events that occurred prior to the reporting date but have not yet been reported at that date. Upon measurement, projected subrogation amounts are deducted from this experience-based provision.

IBNR methodology

The IBNR is based on historically observed claim development statistics on which estimates are made for claims that have occurred, but are not yet (enough) reported at the reporting date. The IBNR provision is reassessed semi-annually, based on business information.

Discounting

In accordance with general practice in the industry, VIVAT does not discount the liabilities arising from non-life insurance contracts mentioned in this section, with the exception of disability insurance liabilities. Designated disability insurance liabilities are discounted using current market interest rates.

Liability adequacy test of non-life insurance contracts

Test methodology

This test is performed on all non-life provisions. The test value of the insurance liabilities is based on a

best estimate and a risk margin. The best estimate is determined separately for each portfolio with homogeneous risk. The best estimate serves as a realistic estimate of future premium income, claim payments, expenses and commissions. The cash flows are discounted using the swap curve including ultimate forward rate. The risk margin is based on the cost of capital method, in which process the cost of capital equals the capital requirements of a reference company. Cost of capital is determined annually. For 2017 it is set at 4% (2016: 4%).

The test is performed on an aggregate level; deficits in portfolios are compensated with a surplus in another. Any remaining deficit is charged directly to the statement of profit or loss.

Test level and frequency

An IFRS liability adequacy test is carried out quarterly to establish the adequacy of the liabilities arising from the total portfolio of non-life insurance policies.

Liabilities from Investments for Account of Third Parties

See the section on investments for account of third parties and liabilities from investments for account of third parties.

Provision for Employee Benefits

Short-term employee benefits

Short-term employee benefits include salaries, short paid leave, profit-sharing and bonus schemes. These are accounted for in the statement of profit or loss over the period in which the related services are rendered. In the event that employees have not made use of their entitlements at the end of the period, a liability is formed for the nominal amount.

Pension benefits

General

All currently employed personnel is hired by VIVAT NV. VIVAT's main pension scheme is a defined contribution scheme administrated by Stichting PensioenfondS SNS REAAL. New staff is included in

this scheme. In addition, a number of defined benefit plans were acquired from insurance companies in the past. The members of those schemes are referred to as members with deferred pension rights or retirees.

Defined contribution schemes

According to this pension scheme, defined contributions are paid to separate entities, primarily to Stichting Pensioenfonds SNS REAAL, an independent pension fund. Besides the defined contributions, VIVAT has no obligation to make additional payments to the scheme to make up for deficits resulting from actuarial or investment risk.

Defined benefit schemes

A number of defined benefit schemes for (former) employees still exists. The net liability related to these schemes is represented by the difference between the present value of the future liabilities to pay the participants' pensions (gross pension entitlements) and the value of the qualifying assets of these schemes. Qualifying assets are investments relating to pension funds or insurance contracts with insurance companies other than VIVAT.

A net asset due to a surplus is recognised only if VIVAT has the ability to use the surplus to generate future economic benefits (asset ceiling). The excess amount above the asset ceiling will be deducted from the surplus through other comprehensive income. This can be caused by actuarial gains and losses, gains and losses on plan assets, or by employers' contributions stipulated in the financial agreement with the pension fund. This agreement is based on the pension liability calculated by the pension fund according to the specific parameters prescribed by DNB, among other aspects.

Gross pension entitlements from defined benefit schemes

These are calculated annually by an independent actuary according to the projected unit credit method and discounted using rates based on returns from investment-grade corporate bonds (AA rating) with a maturity corresponding to the time of benefit payments to the members. In principle, this method

distributes the pension costs evenly over the period in which an employee renders services to VIVAT.

Self-administered defined pension schemes

Entitlements from these schemes are insured at SRLEV within VIVAT. The investments under these schemes are held by SRLEV; given that they do not qualify as plan assets, they are presented as investments (general account).

Recognition of costs in the statement of profit or loss

Costs of defined contribution schemes
The regular contributions in the defined contribution schemes qualify as net periodic costs in the year in which they are due and are recognised within the employee benefits expense. Employee contributions are deducted from this expense.

Income and expense associated with defined benefit schemes

The following items are recognised in the statement of profit or loss for defined benefit schemes:

- > periodic pension costs relating to the members of the scheme who are still employed by VIVAT;
- > costs of improvement (or costs relating to deducted value of entitlements returned) of these pension schemes, insofar as they relate to past employment;
- > gains and losses on settlement of pension entitlements; and
- > net interest on the net defined benefit liability (or asset).

Net interest on defined benefit schemes

Net interest is calculated based on the actuarial discount rate used to determine the present value of the gross pension entitlements. This net liability (or asset) is determined at the start of the annual reporting period, taking into account possible changes resulting from contributions from VIVAT or employees and benefits paid out during the year.

Interest costs consist of actuarial interest costs corresponding to the gross defined benefit liability, the

fixed return on qualifying investments (calculated using the discount rate of the gross defined benefit entitlements) and interest on the excess above the asset ceiling, which is determined if a defined benefit asset exists.

Recognition in other comprehensive income

The following revaluations of the net pension liability (or asset) are recognised in other comprehensive income:

- actuarial gains and losses;
- gains on qualifying investments of defined benefit schemes actually realised during the year, net of the fixed gains and losses based on the actuarial discount rate that is included in the net interest from defined benefit schemes; and
- the effect of asset ceiling, if a defined benefit asset exists.

Revaluations are not reclassified to the statement of profit or loss in the next reporting period, but they can be reclassified to another component of equity, e.g. settlement of pension entitlements.

Other long term employee benefits

These refer to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The amount of the obligation is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, an obligation for reimbursement of medical expenses is recognised. A liability for the expected expenses of these reimbursements during the period of employment is recognised according to the methods used to determine the defined pension schemes. To qualify for these benefits, an employee's contract is required to run until his or her retirement age and it is to span a specified minimum period.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before

the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised as staff costs in the statement of profit or loss.

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.

Restructuring Provision

The restructuring provision is a specific provision that consists of expected severance pay and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or constructive obligation to make payments arises. No provision is recognised for costs or future operating losses from continuing operations.

VIVAT recognises severance pay if it has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:

- terminating the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- paying termination benefits as a result of an offer to encourage voluntary redundancy. Benefits that fall due after more than twelve months after the reporting date are discounted.

Legal Provisions

At the reporting date, VIVAT 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

Derivatives

See the previous section entitled 'Derivatives'.

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, amounts payable to reinsurers, 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, after elimination of intra-group transactions within VIVAT. Income is recognised as described in the following sections.

Premium income

Premium income from insurance contracts, exclusive of taxes and other charges, comprises regular life premiums (including pensions), single life premiums and non-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. Interest rate discounts are included in gross premium income and charged to technical claims and benefits during the amortisation period.

Premium income from non-life insurance contracts is recognised as income (earned premium) until the contracts' maturity in proportion to the insurance period, taking into account movements in the provision for unearned premium. In general, this concerns the insurance contracts with periods of up to twelve months. In case of long term disability contracts with fixed premiums and increasing risk during the contract period, the premium is recognised in profit or loss in line with the predefined risk.

Reinsurance premiums

This item represents premiums on ceded reinsurance contracts. They are charged to the statement of profit or loss in proportion to the contract period.

Fee and commission income

Fee and commission income includes income from asset management, commissions from the insurance operations and other related services offered by VIVAT. 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.

Share in result of associates

This item represents VIVAT's share of profit of its associates. If the carrying amount of an associate falls to zero, no further losses are recognised, unless

VIVAT has entered into commitments or made payments on its behalf.

To the extent necessary, the accounting policies applied by associates have been adjusted to ensure consistency with those applied by VIVAT.

Investment income

Investment income consists of interest, dividends, rental income 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 VIVAT will conclude a particular loan agreement. If the commitment expires without VIVAT 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.

Dividends

Dividends 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-dividends.

Rental income

Rental income consists of rentals from investment property. Rental income is recognised as income on a straight-line basis for the duration of the lease agreement.

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 gains and losses, 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.

Investment income for account of policyholders

This item represents income from investments held for account of life insurance policyholders. These investments are measured at fair value. Increases and decreases in the value of investments are recognised in the statement of profit or loss as investment income for account of policyholders. The dividends and interest for account of policyholders are also accounted for in this item.

Results on investments for account of third parties

This item represents gains and losses on investments for account of third parties. These gains and losses comprise increases and decreases in the fair value changes on the investments for account of third parties respectively the changes in fair value of the liabilities arising from these investments.

Result on derivatives

Gains and losses on derivative and other financial instruments are recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are directly

recognised in the statement of profit or loss within gains and losses on financial instruments. However, if derivatives are designated as hedging instruments, the recognition of a resulting gain or loss depends on the nature of the hedged item and the effectiveness of the hedging relationship. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly as result on derivatives.

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.

Charges for account of policyholders

This item comprises changes in provisions for insurance contracts for account of policyholders (see the section entitled 'Life insurance contracts for account of policyholders').

Acquisition costs for insurance activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract, including brokerage fees, the costs of medical check-ups and service charges for recording new policies in the portfolio. The change in the provision for unearned premiums, insofar as it corresponds to commissions paid, is also accounted for under acquisition costs.

Results on liabilities from investments for account of third parties

This item represents changes in value of liabilities from investments for account of third parties, which mirror the changes in the fair value of the underlying investments.

Staff costs

This item concerns expenses related to staff, including salaries, social security contributions and pension costs.

Depreciation and amortisation of non-current assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets. For details on depreciation and amortisation, see Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Other operating expenses

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

Impairment charges

This item includes impairments of assets whose carrying amounts exceed their recoverable amounts. Intangible assets, property and equipment, associates, 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 reinsurance depots as well as interest on subordinated bonds and private loans issued by VIVAT. 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 the primary and secondary 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 VIVAT. 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 tax 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.

Investments in subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price. 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 2017. There were no acquisitions or disposals in 2016 either.

6.3. Notes to the Consolidated Financial Statements

1. Intangible Assets

Breakdown of Intangible Assets

In € millions	2017	2016
Goodwill	-	-
Software	1	4
Other intangible assets	-	-
Total	1	4

Statement of Changes in Intangible Assets 2017

In € millions	Goodwill	Software	Other intangible assets	Total
Accumulated acquisition costs	17	5	107	129
Accumulated amortisation and impairments	-17	-4	-107	-128
Balance as at 31 December	-	1	-	1
Balance as at 1 January	-	4	-	4
Amortisation capitalised costs	-	-3	-	-3
Balance as at 31 December	-	1	-	1

Of the carrying amount of the software at year-end 2017, € 1 million (2016: € 3 million) related to self-developed software.

The amounts of goodwill and other intangible assets were nil during 2017.

Statement of Changes in Intangible Assets 2016

In € millions	Goodwill	Software	Other intangible assets	Total
Accumulated acquisition costs	17	5	107	129
Accumulated amortisation and impairments	-17	-1	-107	-125
Balance as at 31 December	-	4	-	4
Balance as at 1 January	17	6	15	38
Amortisation capitalised costs	-	-1	-	-1
Amortisation purchases	-	-1	-3	-4
Impairments	-17	-	-12	-29
Balance as at 31 December	-	4	-	4

2. Property and Equipment

Breakdown of Property and Equipment

In € millions	2017	2016
Land and buildings for own use	52	56
IT equipment	4	8
Other assets	9	10
Total	65	74

Statement of Changes in Property and Equipment 2017

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	114	17	12	143
Accumulated revaluations	-6	-	-	-6
Accumulated depreciation and impairments	-56	-13	-3	-72
Balance as at 31 December	52	4	9	65
Balance as at 1 January	56	8	10	74
Investments	-	2	1	3
Depreciation	-1	-5	-2	-8
Impairments	-3	-1	-	-4
Balance as at 31 December	52	4	9	65

Statement of Changes in Property and Equipment 2016

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	114	15	11	140
Accumulated revaluations	-6	-	-	-6
Accumulated depreciation and impairments	-52	-7	-1	-60
Balance as at 31 December	56	8	10	74
Balance as at 1 January	58	13	10	81
Reclassifications	-2	-	2	-
Revaluations	-1	-	-	-1
Investments	2	2	1	5
Depreciation	-1	-7	-3	-11
Balance as at 31 December	56	8	10	74

Rental Income

Land and buildings for own use includes two offices that have been partially let. The expiration dates of these agreements are 2020 and 2021.

Appraisal of Land and Buildings for Own Use

All land and buildings for own use are appraised by an external surveyor in three stages spread across the first three quarters of the calendar year: one third in the first quarter, the next third in the second quarter and the final third in the third quarter. The external surveyor updates the appraisals at the end of the fourth quarter. Consequently, properties are appraised two times a year.

Valuation of Land and Buildings for Own Use

In € millions	Assessed	Carrying amount	Appraised value as % of total carrying amount
2017	52	52	100%
2016	56	56	100%

3. Investment Property

Statement of Changes in Investment Property

In € millions	2017	2016
Balance as at 1 January	274	259
Investments	108	4
Divestments	-15	-4
Revaluations	13	15
Balance as at 31 December	380	274

Investment property mainly consists of offices and retail properties.

4. Investments

Investments

Breakdown of Investments

In € millions	2017	2016
Fair value through profit or loss: Designated	203	69
Available for sale	29,896	29,501
Loans and receivables	8,525	8,724
Balance as at 31 December	38,624	38,294

Fair Value Through Profit or Loss: Listed and Unlisted

	Designated fixed-income	
In € millions	2017	2016
Listed	202	-
Unlisted	1	69
Total	203	69

Fair Value Through Profit or Loss: Statement of Changes

Designated fixed-income		
In € millions	2017	2016
Balance as at 1 January	69	161
Purchases and advances	332	-
Disposals	-199	-90
Revaluations	-2	-2
Other	3	-
Balance as at 31 December	203	69

Available for Sale: Listed and Unlisted

	Shares and similar investments		Fixed-income investments		Total	
	2017	2016	2017	2016	2017	2016
In € millions						
Listed	-	-	26,301	26,385	26,301	26,385
Unlisted	3,135	2,237	460	879	3,595	3,116
Total	3,135	2,237	26,761	27,264	29,896	29,501

The increase of shares and similar investments in 2017 was primarily caused by the acquisition of shares in money market funds.

Available for Sale: Statement of Changes

	Shares and similar investments		Fixed-income investments		Total	
	2017	2016	2017	2016	2017	2016
In € millions						
Balance as at 1 January	2,237	1,962	27,264	26,721	29,501	28,683
Purchases and advances	10,391	7,566	10,533	11,647	20,924	19,213
Disposals and redemptions	-9,479	-7,352	-10,200	-12,518	-19,679	-19,870
Revaluations	-8	66	-567	1,555	-575	1,621
Impairments	-6	-5	-	-	-6	-5
Amortisation	-	-	-215	-105	-215	-105
Other	-	-	-52	-36	-52	-36
Balance as at 31 December	3,135	2,237	26,761	27,264	29,896	29,501

The high level of turnover in shares is due to the continuous re-investment of cash collateral in money market funds.

In 2017 the next steps have been made into re-risking the portfolio by divesting fixed-income investments primarily German and Dutch government bonds. Investments mainly increased in bonds from European and other international institutions and government bonds of Japan and France. In 2017 there was a net inflow of € 1.245 million due to the inflow from Separate Accounts, new capital funding and pension fund.

The other movements under Fixed-income investments involves the change in accrued interest (€ -30 million) and currency revaluation (€ -22 million).

Available for Sale: Measurement

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2017	2016	2017	2016	2017	2016
(Amortised) cost	3,086	2,158	23,320	22,868	26,406	25,026
Revaluation	49	79	3,033	3,958	3,082	4,037
Accrued interest	-	-	408	438	408	438
Balance as at 31 December	3,135	2,237	26,761	27,264	29,896	29,501

Changes in the (amortised) cost of shares and similar investments are the result of the re-risking strategy and liquidity management.

VIVAT has lent some of its investments for the purpose of additional income. The carrying amount of lent investments at 31 December 2017 was € 104 million (2016: € 2,143 million), the decrease was primarily caused by the termination of the securities lending programme. The lending periods are open-ended and can be terminated on request.

Some 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 2017 was € 1,729 million (2016: € 919 million). The movement in collateral pledged was caused by an increase in repo-funding € 373 million and an increase in collateral pledged for derivatives € 437 million. The collateral received for derivatives are reported in Note 40 Financial Instruments.

Loans and Receivables: Investments

In € millions	2017	2016
Mortgages	2,343	2,648
Private loans linked to savings mortgages	5,054	5,294
Other private loans	1,133	795
Total	8,530	8,737
Provision for bad debts	-5	-13
Total	8,525	8,724

The decrease in mortgages by € 305 million was mainly caused by regular mortgage repayments within the portfolio.

The increase of other private loans in 2017 was primarily caused by the settlement of new loans as part of the re-risking strategy.

Loans and Receivables: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	8,737	7,901
Reclassification to Investments for account of policyholders	-6	-
Purchases and advances	692	1,630
Disposals and redemptions	-1,139	-1,055
Accrued interest	258	252
Amortisation	-8	9
Other	-4	-
Balance as at 31 December	8,530	8,737
Balance provisions as at 1 January	-13	-18
Release	8	5
Balance provisions as at 31 December	-5	-13
Total	8,525	8,724

Investment Portfolio

Fixed-income Investment Portfolio Investments of Insurance Business

In € millions	2017	2016
Investments		
- Fair value through profit or loss: Designated	203	69
- Available for sale	26,761	27,264
- Other private loans	1,133	795
Interest-bearing investment portfolio	28,097	28,128
Mortgages	2,338	2,635
Total	30,435	30,763

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

Breakdown of Interest-bearing Investment Portfolio (sector)

In € millions	2017		2016	
Sovereign	20,589	73%	22,018	78%
Corporate bonds - financial sector	3,945	14%	2,842	10%
Corporate bonds - non-financial sector	1,844	7%	1,645	6%
Mortgage backed securities	559	2%	800	3%
Loans	1,103	4%	779	3%
Other	57	0%	44	0%
Total	28,097	100%	28,128	100%

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

Breakdown of Interest-bearing Investment Profile (rating)

In € millions	2017		2016	
AAA	17,407	62%	19,711	70%
AA	4,366	15%	3,573	13%
A	3,253	12%	2,018	7%
BBB	2,485	9%	2,390	8%
< BBB	36	0%	52	0%
Not rated	550	2%	384	2%
Total	28,097	100%	28,128	100%

Of the interest-bearing investment portfolio, 89% of investments had an A rating or higher (year-end 2016: 90%).

The re-risking strategy includes the sale of bonds with AAA-rating (German Government / Dutch Government) and buying bonds with AA-rating (French Government) and A-rating (Japanese Government).

The table below contains the breakdown of the interest bearing investment portfolio by geographic area. The interest-bearing investment portfolios of VIVAT have predominantly European debtors. The German Government and Dutch Government represent, as single debtors, an interest of more than 5% each in the interest-bearing investment portfolio.

Breakdown of Interest-bearing Investment Profile (geographic)

In € millions	2017		2016	
Netherlands	8,358	31%	9,238	33%
Germany	8,136	29%	10,277	37%
France	2,007	7%	1,586	6%
Austria	1,123	4%	984	3%
Ireland	962	3%	810	3%
Belgium	862	3%	530	2%
Spain	735	3%	758	3%
United States of America	689	2%	716	2%
United Kingdom	649	2%	658	2%
Italy	635	2%	650	2%
Japan	482	2%	-	0%
Other	3,460	12%	1,921	7%
Total	28,097	100%	28,128	100%

The category "others" also consists of European and other international institutions that cannot be allocated to a single country (2017: € 1.987 million / 2016: € 887 million).

Investment of Mortgage Business per Risk Category

In € millions ¹	2017	2016
Mortgages < 75% of foreclosure value	547	569
Mortgages 75% < > 100% of foreclosure value	421	492
Mortgages > 100% of foreclosure value	354	430
Mortgages with National Mortgage Guarantee	1,021	1,157
Residential property in the Netherlands	2,343	2,648
Specific provision for bad debts	-5	-13
Total	2,338	2,635

¹ Mortgages are recognised in the statement of financial position under investments in loans and receivables.

5. Investments for Account of Policyholders

Investments for account of policyholders include investments under unit-linked policies and separate investment deposits for separate accounts.

Investments for Account of Policyholders: Listed and Unlisted

In € millions	2017	2016
Shares and similar investments:		
- Listed	12,029	12,924
- Unlisted	230	298
Fixed-income investments		
- Listed	598	659
- Unlisted	345	370
Total	13,202	14,251

As a consequence of the consolidation of investments funds, the investments for account of policyholders within these funds are represented by the underlying investments.

Investments for Account of Policyholders: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	14,251	14,377
Reclassification from Loans and receivables	6	-
Purchases and advances	4,694	3,428
Disposals and redemptions	-6,023	-4,322
Changes in fair value	274	768
Balance as at 31 December	13,202	14,251

6. Investments for Account of Third Parties

The third party investments amount to € 630 million (2016: € 1,387 million) and are largely consisting of different SNS investment funds, ACTIAM Responsible Index Funds and SNS Profile Funds and investments for the account of participants and related liabilities of Zwitserleven PPI.

The decrease of amount of investments for account of third parties is primarily caused by redemption of SNS funds.

7. Derivatives

Breakdown of Derivatives

In € millions	Positive value		Negative value		Balance	
	2017	2016	2017	2016	2017	2016
Derivatives for which cash flow hedge accounting is applied	119	180	3	2	116	178
Derivatives held for fair value hedge accounting	73	86	11	1	62	85
Derivatives held in the context of asset and liability management to which no hedge accounting is applied	568	825	622	483	-54	342
Total	760	1,091	636	486	124	605

Statement of Changes in Derivatives

In € millions	2017	2016
Balance as at 1 January	605	478
Purchases	-45	245
Realised gains and losses	1	-
Disposals	30	43
Revaluations	-444	-167
Exchange rate differences	-43	6
Other	20	-
Balance as at 31 December	124	605

The other movements involves the change in accrued interest.

For more information about derivatives see Note 30 Results on derivatives and Note 41 Hedging and hedge accounting.

8. Deferred Tax

Origin of Deferred Tax 2017

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Value of business acquired	1	-1	-	-	-
Capitalised acquisition costs					
Insurance activities	23	-6	-	-	17
(Investment) property and equipment	-34	-8	-	-	-42
Investments	-877	24	233	-	-620
Derivatives	-58	109	9	-	60
Insurance contracts	1,213	36	-235	-	1,014
Provision for employee benefits	66	-13	4	-	57
Carry forward losses	82	-	1	-82	1
Other	10	-6	-	-	4
Total	426	135	12	-82	491

Origin of Deferred Tax 2016

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Intangible assets	-4	4	-	-	-
Value of business acquired	3	-2	-	-	1
Capitalised acquisition costs					
Insurance activities	29	-6	-	-	23
(Investment) property and equipment	-31	-3	-	-	-34
Investments	-894	13	4	-	-877
Derivatives	-16	-32	-10	-	-58
Insurance contracts	1,408	-190	-5	-	1,213
Provision for employee benefits	17	49	-	-	66
Carry forward losses	-	-	-	82	82
Other	-3	13	-	-	10
Total	509	-154	-11	82	426

The corporate income taxes are irrevocable for the years up to and including 2015.

9. Loans and Advances to Banks

In € millions	2017	2016
Loans relating to saving components of mortgages	702	725
Collateral	333	-
Repo (Repurchase agreements)	460	-
Other	319	235
Balance as at 31 December	1,814	960

This item relates mainly to loans and advances to banks other than interest-bearing securities, with a remaining term to maturity of more than three months. Of the total amount of € 1.814 million (2016: € 960 million), € 254 million has a remaining term to maturity of less than three months (2016: € 5 million). The increase of this remaining term to maturity of less than three months is mainly caused by the reverse repos.

10. Assets Held for Sale

This item comprises VIVAT's investment in CED Holding BV. CED Holding BV provides services for VIVAT Schadeverzekeringen NV such as valuation of claims. VIVAT approved the sale plan of CED Holding BV and the sale process has also been agreed with the management and the supervisory board of CED Holding BV.

The fair value of CED Holding BV (selling price) less costs to sell exceeds the carrying amount of the investment per 31 December 2017, an impairment is not needed. In February 2018 the sale of the associate CED Holding BV has been completed.

We refer to Note 24 Events after the Reporting Date for further information.

11. Other Assets

Breakdown of other assets

In € millions	2017	2016
Receivables from policyholders	42	119
Receivables from intermediaries	98	137
Receivables from reinsurers	15	8
Receivables from direct insurance	155	264
Accrued interest	6	24
Other advances and accrued assets	141	67
Total	302	355

The receivables are expected to be recovered within twelve months after reporting date.

12. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

In € millions	2017	2016
Short-term bank balances	259	410
Total	259	410

The group companies of VIVAT have a joint credit facility of € 10 million in total with ABN AMRO.

13. Equity

Breakdown of Equity

In € millions	2017	2016
Equity attributable to shareholders	3,547	3,699
Total	3,547	3,699

The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

The change in Equity attributable to shareholders in 2017 was caused by net result 2017 (€ -116 million) and change in Other Comprehensive Income (€ -36 million). For further details on group equity, see Section 5.4, Consolidated statement of changes in equity.

14. Subordinated Debt

Breakdown of Subordinated Debt

In € millions	2017	2016
Bonds	1,016	563
Private loans	-	484
Total	1,016	1,047

Subordinated Debt: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	1,047	872
Issue of subordinated debts	491	670
Disposals and redemptions	-466	-488
Currency gains and losses	-40	-
Changes market value due to hedging	-16	-7
Balance as at 31 December	1,016	1,047

Subordinated Bonds

				Carrying amount		Nominal value	
In € millions	Coupon	Maturity	First call date	2017	2016	2017	2016
SRLEV	9.000%	April 2011 – April 2041	April – 2021	399	398	400	400
SRLEV (Swiss Franc)	mid-swap plus 5.625%	July 2011 – perpetual	December – 2018	90	98	90	87
VIVAT (US Dollar)	6.250%	November 2017 – November 2022	November – 2022	476	-	479	-
				965	496	969	487
Hedge accounting adjustment				51	67	-	-
Total				1,016	563	969	487

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041.

In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond has a first redemption date on 19 December 2016. SRLEV decided not to exercise its redemption option to redeem the CHF bond in December 2016 and 2017. Under the Solvency II transitional measures the CHF bond qualifies in full as Restricted Tier 1 own funds in the calculation of Solvency II own funds for ten years after 1 January 2016. At this specific time, it has been determined that it is currently in the interests of SRLEV not to exercise the redemption option to redeem the CHF Bond. The interest rate on the CHF bond has been reset to 5-year CHF mid-swap plus 5.625%.

In November 2017, VIVAT NV issued \$ 575 million (€ 476 million) in subordinated notes. The notes are first callable after 5 years and each fifth anniversary thereafter, subject to conditions to redemption. The coupon is fixed at 6.25% per annum until the first call date. The notes qualify as Tier 2 regulatory capital under Solvency II.

Subordinated Private Loans

In € millions	Coupon	Maturity	First call date	2017	2016
Anbang Group Holdings Co. Limited	7.750%	February 2016 – February 2026	February – 2021	-	95
Anbang Group Holdings Co. Limited	7.750%	February 2016 – February 2026	February – 2021	-	63
Anbang Group Holdings Co. Limited	7.750%	July 2016 – July 2026	July – 2021	-	144
Anbang Group Holdings Co. Limited (\$ 190 million)	6-months LIBOR plus 6.3%	December 2016 – December 2026	December – 2021	-	180
				-	482
Hedge accounting adjustment				-	2
Total				-	484

In November 2017, VIVAT NV issued \$ 575 million (€ 476 million) in subordinated notes. The net proceeds of the subordinated notes applied by VIVAT have been deployed to repay all subordinated private loans provided by Anbang Group Holdings Co. Limited.

15. Borrowings

On May 17th 2017 VIVAT NV issued € 650 million of senior notes. The € 650 million senior notes have a fixed coupon at 2.375% per annum and a maturity of seven years.

Borrowings: Statement of Changes

In € millions	2017
Balance as at 1 January	-
Issue of senior notes	650
Incurred transaction costs	-9
Amortisation	1
Balance as at 31 December	642

16. Insurance Liabilities and Reinsurance Share

As per 31 December, 2017 the total amount of insurance liabilities is € 46,794 million (2016: € 47,617 million). The reinsurers' share is € 181 million (2016: € 225 million).

Breakdown of Insurance Liabilities and its Reinsurers Share per Line of Business

In € millions	Gross		Reinsurance	
	2017	2016	2017	2016
Individual Life, for own risk	12,434	13,197	91	105
Life Corporate, for own risk	19,615	18,541	-	1
Life, for own risk (16.1)	32,049	31,738	91	106
Individual Life, for account of policyholders	4,937	5,223	-	-
Corporate Life, for account of policyholders	8,640	9,419	-	-
Life, for account of policyholders (16.2)	13,577	14,642	-	-
Non-Life (16.3)	1,168	1,237	90	119
Total	46,794	47,617	181	225

VIVAT sells Individual Life insurance policies in the retail and SME markets and Life Corporate insurance policies in the entire corporate market in the Netherlands. The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings-based mortgage policies and life annuity insurance policies providing regular payments for the remainder of the holder's life. The Life Corporate insurance portfolio mainly consists of traditional contracts, group policies with separate accounts and of unit-linked policies. With respect to new business, the focus is primarily on term life insurance. These are sold both via intermediaries (Individual Life) as well as direct channels (Individual Life and Life Corporate).

Breakdown of Insurance Liabilities and its Reinsurers Share per Type of Reserve

In € millions	Gross		Reinsurance	
	2017	2016	2017	2016
Provision for Life insurance obligations (16.1)	26,470	25,522	91	106
Results on allocated investments and interest derivatives	4,432	5,627	-	-
Cumulative LAT deficit	1,103	623	-	-
Unamortised interest rate discounts	-14	-124	-	-
Provision for profit-sharing, bonuses and discounts	58	90	-	-
Life, for own risk	32,049	31,738	91	106
Life, for account of policyholders	13,577	14,642	-	-
Current risks	35	46	-	-
Unearned premiums	64	65	1	1
Claims payable	815	880	64	87
Claims incurred but not reported	254	246	25	31
Non-Life	1,168	1,237	90	119
Total	46,794	47,617	181	225

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 and 2017, 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).

Results on allocated investments and interest derivatives

In € millions	2017	2016
Revaluation reserve of fixed income investment portfolio	2,408	3,191
Results on fixed income financial assets backing insurance contracts with discretionary participation features and related derivatives	2,024	2,436
Total	4,432	5,627

In 2016, there was a significant realisation of gains on the sale of sovereign bonds. The reinvested cash flows in fixed income investments have a shorter duration with an effect on the revaluation reserve causing the results on allocated investments and interest derivatives to decrease in 2017.

The increase of the cumulative LAT deficit amounts to € 480 million (2016: release € 79 million) which is charged through the income statement. The development of the LAT deficit was a result of changes in economic and non-economic assumptions mainly in changes in expense and other underwriting risk parameters. The assumption changes caused an increase of insurance liabilities amounting to € 106 million.

When determining the IFRS LAT reserve the surplus value of the investments measured at amortised cost (2017: € 408 million; 2016: € 503 million) is taken into account.

Statement of Changes in Unamortised Interest Rate Discounts

	Life own risk	
In € millions	2017	2016
Balance as at 1 January	-124	-210
Discounts and surcharges in the financial year	13	53
Amortisation	97	33
Balance as at 31 December	-14	-124

Statement of Changes in Provision for Profit-sharing, Bonuses and Discounts

	Life own risk	
In € millions	2017	2016
Balance as at 1 January	90	95
Profit-sharing, bonuses and discounts granted in the financial year	-32	-5
Balance as at 31 December	58	90

16.1. Life, for Own Risk

Statement of Changes in Provisions for Life Insurance Obligations for Own Risk

In € millions	Gross		Reinsurance	
	2017	2016	2017	2016
Balance as at 1 January	25,522	25,420	106	3,310
Portfolio transfers	976	255	-	-
Reinsurance contracts	-	-	-	-3,191
Benefits paid	-2,291	-1,844	-24	-21
Premiums received	1,558	1,096	12	16
Interest added	914	911	6	7
Technical result	-85	-180	-5	-5
Release of expense loading	-113	-131	-4	-10
Realised and unrealised result transferred to insurance liabilities	-	-	-	-
Other movements	-11	-5	-	-
Balance as at 31 December	26,470	25,522	91	106

The reinsurance share decreased in 2016 due to the termination of the quota share reinsurance contracts as per 1 January 2016.

The Life portfolio contains individual and group insurance policies. In 2017, an amount of € 976 million was transferred from life insurance on behalf of policyholders to life insurance liabilities (2016: € 255 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms for account of VIVAT. This transfer took place in dialogue with the customers.

Traditional Insurance Policies

In principle, VIVAT bears the investment risk related to traditional insurance policies. Special categories are formed by the savings-based mortgage insurance policies, in which the return on the savings portion is linked to the associated mortgage loan. A small portion of the private loans linked saving mortgages portfolio is exposed to counterparty default risk.

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

Breakdown of Traditional Insurance Policies

In € millions	2017	2016
With profit-sharing (operational or surplus interest)	10,063	10,084
With interest rate discounts (or surcharges)	4,130	4,116
Without profit-sharing	7,285	6,164
Savings-based mortgages	4,992	5,158
Total traditional insurance policies	26,470	25,522

16.2. Life, for Account of Policyholders

Statement of Changes in Technical Provisions for Insurance on account of Policyholders

In € millions	2017	2016
Balance as at 1 January	14,642	14,774
Portfolio transfers	-976	-255
Premiums received	694	746
Benefits paid	-1,069	-1,346
Interest added	176	426
Exchange rate / valuation differences	211	370
Technical result	-42	-2
Release of expense loading	-68	-77
Other movements	9	6
Balance as at 31 December	13,577	14,642

Insurance Policies in Investment Units

Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units). VIVAT is in principle, not exposed to interest rate risk, price risk, exchange rate risk or counterparty default risk. For part of the portfolio however, VIVAT has issued minimum guarantees, as a result of which the interest rate risk, price risk and exchange rate risk for these contracts are for the account and risk of VIVAT. The value of the guarantees within the portfolio is measured periodically.

VIVAT's portfolio includes also group policies with separate accounts and unit-linked policies. The separate accounts have an interest guarantee. At the current low interest rates this option has value for the customer.

Breakdown of Insurance Policies in Investment Units

In € millions	2017	2016
Without guarantee	9,395	9,224
With guarantee	4,182	5,418
Total	13,577	14,642

16.3. Non-Life

In 2017, the total amount of gross reserves regarding Non-Life is € 1,168 million (2016: € 1,237 million). Net of the reinsurance share of € 90 million (2016: € 119 million) the net amount at year-end 2017 is € 1,078 million (2016: € 1,118 million). The breakdown per line of business is included below.

Breakdown Net Reserve

In € millions	2017			2016		
	Net reserve	% Net reserve	% Gross earned premium	Net reserve	% Net reserve	% Gross earned premium
Fire	132	12%	32%	120	11%	30%
Accident and health	382	35%	16%	398	36%	17%
Motor	383	36%	30%	407	36%	31%
Transport	39	4%	5%	41	4%	5%
Other	142	13%	17%	152	13%	17%
Total	1,078	100%	100%	1,118	100%	100%

Statement of Changes in Provision for Claims Payable

In € millions	Gross		Reinsurance	
	2017	2016	2017	2016
Balance as at 1 January	880	872	87	80
Reclassification	-	-	-	-
Reported claims, current period	353	408	16	25
Reported claims, prior periods	20	56	-6	6
Claims paid, current period	-187	-217	-11	-12
Claims paid, prior periods	-248	-253	-20	-14
Interest added	9	9	-	2
Other movements	-12	5	-2	-
Balance as at 31 December	815	880	64	87

Statement of Changes in Provision for Claims Incurred but not Reported

In € millions	Gross		Reinsurance	
	2017	2016	2017	2016
Balance as at 1 January	246	266	31	33
Additions during the year	91	54	2	2
Added to the results	-83	-74	-8	-4
Balance as at 31 December	254	246	25	31

Development of Ultimate Loss Total

In € millions Calendar year	Accident Year							Total
	≤ 2011	2012	2013	2014	2015	2016	2017	
2011	1,706	-	-	-	-	-	-	
2012	1,668	544	-	-	-	-	-	
2013	1,680	538	539	-	-	-	-	
2014	1,690	543	561	575	-	-	-	
2015	1,710	547	560	530	453	-	-	
2016	1,710	548	557	530	465	459	-	
2017	1,690	542	550	527	450	448	441	
Total development	15	2	-11	49	3	11	-	69
Run-off gain (loss)								
2017	19	7	7	3	15	11	-	63

The development of the ultimate loss concerns gross figures, before reinsurance. It includes the claims payment, the changes in claims reserves and the changes in the provision IBNR.

16.4. Liability Adequacy Test results

Reconciliation of the IFRS insurance liabilities and the LAT Results

In € millions	Life insurance LAT		Non-life insurance LAT	
	2017	2016	2017	2016
Insurance liabilities before LAT	42,024	42,465	1,078	1,120
IFRS LAT reserve	45,943	46,782	917	997
Deficit	-3,919	-4,317		

The deficit is covered by the revaluation reserve of the fixed income investment portfolio (2017: € 2,408 million; 2016: € 3,191 million) and by the surplus value of the investments measured at amortised cost (2017: € 408 million; 2016: € 503 million). The remaining cumulative LAT deficit at 31 December 2017 amounts to € 1,103 million (2016: € 623 million) and is added to the insurance liabilities before LAT.

17. Provision for Employee Benefits

Breakdown of Provision for Employee Benefits

In € millions	2017	2016
Pension commitments	570	566
Other employee benefit commitments	15	12
Total	585	578

Pension Commitments

Defined Contribution Scheme

The pension scheme to which VIVAT employees are entitled is a defined contribution scheme. Under this scheme, VIVAT NV pays a fixed amount to Stichting Pensioenfonds SNS REAAL.

In 2018, VIVAT's contribution to the defined contribution scheme will be approximately € 25 million (2017: € 28 million). The decrease in VIVAT's contribution was caused by the reorganisation which our workforce was reduced by one third.

Defined Benefit Schemes

VIVAT has also several legacy pension schemes with pension entitlements of current and former employees of VIVAT and the companies it acquired over the years. Most of these legacy pension schemes have been insured by SRLEV and few with other insurance companies.

Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position.

VIVAT's total contribution to these defined benefit schemes is expected to be approximately € 10 million in 2018 (2017: €10 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

The main aspects of the defined benefit schemes are explained below.

Pension Scheme Former AXA and Winterthur (Defined Benefit Scheme)

The accrual of new pension rights of former employees of Winterthur, UAP, Equity & Law (E&L) and Guardian have been transferred to the Stichting Pensioenfonds SNS REAAL as from 1 January 2009. The schemes of Winterthur, UAP and Equity & Law (E&L) are insured with SRLEV NV, without the investments being separated; instead they are recognised within investments in the statement of financial position but included in the balance sheet item Investments. The Guardian pension scheme is insured externally.

The indexation of the pension entitlements of inactive participants is equal to the indexation applied by the Stichting Pensioenfonds SNS REAAL. The pension entitlements of active participants are unconditionally indexed based on the salary index. Active participants are here defined as employees of VIVAT that actively accrue pension benefits in the Stichting Pensioenfonds SNS REAAL.

In the event that the coverage ratio of the Winterthur scheme falls below the agreed limit of 105%, an additional contribution will be made by the employer.

After offsetting the fair value of the investments, € 192 million has been included in the provision for pensions for these pension schemes (2016: € 191 million). In 2018, VIVAT's contribution to these defined benefit schemes is expected to amount to € 3 million (2017: € 3 million).

Pension Scheme Zwitterleven (Defined Benefit Scheme)

As of 1 January 2010, the accrual of new pension entitlements of the employees of former Zwitterleven NV was transferred to Stichting Pensioenfonds SNS REAAL. The rights of inactive participants built up in the past and active former participants remain part of the former pension scheme of Zwitterleven.

Until 2025 the conditional indexation of the pension rights of inactive participants is determined using the return on investment and potential technical results. If the return is insufficient, the indexation may be lower than the indexation of Stichting Pensioenfonds SNS REAAL. From 2025 onwards, the indexation will

in principle be equal to the indexation of Stichting Pensioenfonds SNS REAAL. The pension rights of active former participants are unconditionally indexed based on the salary index.

The pension scheme of Zwitterleven is self-administered. For this pension scheme, the present value of the pension obligations of € 295 million (2016: € 286 million) has been included in the provision for employee benefits. There is no separate investment account. VIVAT's contribution to the defined benefit scheme of Zwitterleven is expected to amount to € 5 million in 2018 (2017: €5 million).

Other Pension Schemes

The accrual of new pension rights of former employees of Zürich, NHL, Helvetia and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of former employees built up in the past are insured internally by SRLEV. In all of these pension schemes no more pension rights, other than indexation, are accrued.

After offsetting the fair value of the investments, € 83 million (2016: €89 million) has been included in the provision for pensions for these pension schemes. In 2018, VIVAT's contribution to the other defined benefit schemes is expected to amount to € 2 million (2017: € 2 million).

Overview Pension Commitments Breakdown of Pension Commitments

In € millions	2017	2016
Present value of defined benefit obligations	641	631
Less: Fair value of plan assets	-73	-65
Effect of asset ceiling	2	-
Present value of the net liabilities	570	566

Change in Present Value of Defined Benefit Obligations

In € millions	2017	2016
Present value as at 1 January	631	583
Transfer from SRH NV	-	30
Increase and interest accrual through profit or loss	10	7
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	20	48
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	1	4
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	-4	-24
Benefits paid	-17	-17
Present value as at 31 December	641	631

Change in Fair Value of the Plan Assets

In € millions	2017	2016
Fair value as at 1 January	65	60
Transfer from SRH NV	-	3
Investment income through profit or loss	1	1
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	-	6
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	10	-2
Investment income	11	5
Premiums	14	14
Benefits paid	-17	-17
Fair value as at 31 December	73	65

The expected return on investments through profit or loss has been netted with the actuarial rate of interest (in accordance with IAS 19 Revised). The difference between the actual interest result and the actuarial rate of interest is recognised in Other Comprehensive Income.

Breakdown of Investments

In € millions	2017	2016
Cash and cash equivalents	-	-1
Equity instruments	-	11
Debt instruments	-	42
Insurance contract	73	13
Balance as at 31 December	73	65

In 2017 the investments fully include the non-contributory value, based on the actuarial principles.

Statement of Other Comprehensive Income

In € millions	2017	2016
Balance as at 1 January	35	3
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-17	-28
Actuarial gains or losses directly taken to Other Comprehensive Income other employee benefit commitments	-2	2
Investment income for the benefit or at the expense of Other Comprehensive Income	10	4
Additional transfer from technical provision	5	65
Deferred taxes	4	-11
Other	-11	-
Balance as at 31 December	24	35

The table below shows the actuarial gains and losses on pension commitments, that arise from experience adjustments, as a percentage of the pension commitments at year-end.

Experience Adjustment Arising on the Pension Commitments

In percentages	2017	2016
Experience adjustments as a % of defined benefit obligation	-1%	-4%
Experience adjustments as a % of investments	14%	-3%

The Main Actuarial Parameters at Year-end

In percentages	2017	2016
Discount rate	1.8%	1.7%
Expected salary increase	2.3%	1.8%
Price inflation	2.2%	1.8%

Sensitivity Present Value of Pension Obligations 2017

In € millions	31 December 2017	
	Change in € millions	Change in %
Discount rate 1.25% (-0.5%)	65	10%
Discount rate 2.25% (+0.5%)	-56	-9%

Sensitivity Present Value of Pension Obligations 2016

In € millions	31 December 2016	
	Change in € millions	Change in %
Discount rate 0.7% (-1.0%)	139	22%
Discount rate 2.7% (+1.0%)	-105	-17%

Other Employee Benefit Commitments Change in Other Employee Benefit Commitments

In € millions	2017	2016
Balance as at 1 January	12	19
Additions	2	-
Release through Other Comprehensive Income	2	-2
Withdrawal	-1	-5
Balance as at 31 December	15	12

These refer to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement.

18. Other Provisions

Breakdown of Other Provisions

In € millions	2017	2016
Restructuring provision	9	110
Other provisions	35	40
Total	44	150

The restructuring provision, formed in 2016, is used during 2017.

Other provisions are predominantly of a long-term nature; they have been formed mainly for the settlement of legal and other claims.

Statement of Changes in Restructuring and Other Provisions

	Restructuring provision		Other provisions		Total	
In € millions	2017	2016	2017	2016	2017	2016
Balance as at 1 January	110	33	40	40	150	73
Additions / release	5	119	16	6	21	125
Withdrawal	-106	-42	-7	-3	-113	-45
Released to results	-	-	-14	-3	-14	-3
Balance as at 31 December	9	110	35	40	44	150

19. Amounts due to Banks

Breakdown of Amounts Due to Banks

In € millions	2017	2016
Due on demand	414	479
Deposits and certificates	526	149
Private loans	703	725
Total	1,643	1,353

The amount of € 414 million (2016: € 479 million) due on demand relates to cash collateral. Deposits and certificates are comprised of liabilities under repo agreements.

The private loans relates to the saving components of mortgages.

20. Other Liabilities

Breakdown of Other Liabilities

In € millions	2017	2016
Debts in relation to direct insurance	309	456
Debts to reinsurers	149	172
Other taxes	23	43
Other liabilities	343	385
Benefits to be paid	348	386
Accrued interest	38	42
Total	1,210	1,484

The other liabilities are expected to be settled within twelve months after reporting date.

21. Guarantees and Commitments

Contingent Liabilities

At year-end 2017, SRLEV NV had assumed commitments to invest € 599 million in investment funds (2016: € 273 million). These funds may in due course call these commitments (capital calls). Ahead of these capital

calls, securities have been identified that can be sold as soon as there is a capital call. This exposure had no immediate effect on the capital as of 31 December 2017.

Guarantee Schemes

SRLEV NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, which – as stipulated in the contract with the third party – will be guaranteed by VIVAT NV if the SII ratio of SRLEV NV should fall below 100%. SRLEV NV's solvency ratio was higher than 100% at year-end 2017. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

DNB can impose a levy on VIVAT as part of a so-called relief scheme, which stipulates that a Life insurer falling short of the minimum capital requirement can be transferred to a relief institution through reinsurance or portfolio transfer. The additional capital required is apportioned among Life insurers, taking into account their own solvency requirements, with a maximum of approximately € 214 million (2017: €302 million) in total and approximately € 107 million (2017: € 151 million) per relief situation for all Life insurers jointly.

In 2012, SRLEV NV revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV NV bore part of the interest deficit. At year-end 2017, a liability of € 3 million exists relating to this separate accounts restructuring (2016: € 6 million). The customers' liability in respect of this restructuring was € 6 million at year-end 2017 (2016: € 10 million).

Guarantees Received and Given

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to € 928 million at year-end 2017 (2016: € 1,157 million).

The market value of the collateral of the mortgages was € 4,598 million at year-end 2017 (2016: € 4,433 million). The amortised cost of the mortgages was € 2,343 million at year-end 2017 (2016: € 2,648 million).

For saving mortgage arrangements made between SRLEV and several credit institutions the credit risk concerning saving premiums was covered by received cession warranties amounting to € 4,586 million (2016: € 4,666 million), deeds of assignment amounting to € 264 million (2016: € 259 million) or clearance amounting to € 356 million (2016: € nihil). At year-end 2017 an amount of € 157 mln was unsecured (2016: € 626 million).

Under the so-called 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2017 was € 56.1 million (2016: € 58.2 million).

Netherlands Reinsurance Company for Losses from Terrorism

In 2018, VIVAT will take a 13.72% share in the Life cluster (2017: 13.86%) and a 3.99% share in the Non-life cluster (2017: 4.72%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2018, the guarantee will be €9.1 million (one third of total guarantee of € 27.4 million) for the Life cluster and € 2.7 million (one third of total guarantee of € 8 million) for the Non-life cluster and total premiums will amount to € 1 million (2017: € 1 million).

Legal Proceedings

General

VIVAT is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning the products and services of VIVAT and its position as principal, employer and taxpayer. Although it is impossible to predict the outcome of current or threatened legal proceedings, management believes on the basis of currently available information and after taking legal advice in general, the outcome of these proceedings is unlikely to have any material adverse effects on VIVAT's financial position or operating results.

VIVAT believes it cannot be excluded that some of the proceedings set below may have significant operational, financial and/or reputational effects.

Investment Insurance Policies

SRLEV NV has a portfolio of investment insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV NV has concluded approximately 1.2 million investment-linked insurance policies, of which about 270,000 were still outstanding at 31 December 2017.

Since 2006, there has been widespread public attention for costs and risks related to investment insurance policies and the question whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, insurers, VIVAT being one of them, agreed on compensation schemes with consumer organisations. In 2009, VIVAT reached an outline agreement followed by an Agreement ('Vaststellingsovereenkomst') in 2010 to offer compensation to its unit linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, VIVAT has concluded its implementation of the compensation scheme. An audit of this implementation in 2015 has uncovered a small number of deviations. When applicable additional payments have been made to a small group of customers to rectify these deviations.

Later on, much of the attention of the public, politicians and regulators has shifted from the costs of investment-linked insurances to the efforts undertaken by the insurers to mobilise customers with an active investment-linked insurance to review their position (Flankerend Beleid: 'complementary policy'). VIVAT complies with the "Best in class criteria" as formulated by the Minister of Finance in a letter to Parliament in November 2011.

As from 2013 clients have been approached and activated to review their position and take adequate measures. The nature of the encouragement depended on the characteristics of the policies. First focus was on the so called 'non-accumulating policies' (Dutch: niet opbouwende polissen, "NOPs"). Policies qualify as

NOP if, based on the status on 1 January 2013 and a projected return of 4%, the increase in value at expiration date is lower than the total of the paid premiums over the same period.

In 2016 the customers with a pension or mortgage related policy have been approached. In 2017, the remaining group of customers (Activation Category “Other”) have been encouraged to take action.

In December 2017, AFM published the results of its investigation of the activation by insurers of pension or mortgage related policies. AFM’s assessment of VIVAT’s activations of these policies revealed shortcomings. VIVAT has executed a recovery plan and expects to resolve the shortcomings within the near future. The final outcome of the assessment by the AFM is uncertain at this moment.

VIVAT uses various tools to communicate with customers and encourages them to check whether their policies still meet the purposes for which they were originally entered into and to consider revising their products or switch to other forms or products for capital accumulation. Compensation has been implemented. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

Dutch insurers still face complaints and claims involving unit-linked policies. Over time VIVAT has received a large number of complaints/claims from customers stating VIVAT did not inform them in full about the associated costs, specific product features, leverage and capital consumption effects, attached risks or other material and legal grounds. Elements of investment-linked insurances are being challenged or may be challenged on multiple legal grounds in current and possible future legal proceedings against VIVAT and peers. There is a risk that one or more of those legal challenges will succeed and may affect VIVAT. Current and any future subsequent legal proceedings could have a substantial financial and reputational impact. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The political, regulatory and public focus on investment-linked insurances remains.

The number of legal proceedings against SRLEV NV that involve unit linked policies is, compared to the portfolio of active policies, relatively limited. Approximately 60 of those proceedings were still pending on 31 December 2017, including a class action before the District Court in Alkmaar brought by Vereniging Woekerpolis.nl regarding Swiss Life Spaarbeleg and AXA Verzekerd Hypotheekfonds.

By judgement of 20 December 2017 of the District Court Noord Holland almost all requested declaratory decisions have been denied, except for two. The Court rules SRLEV has not met its obligation to provide information on increasing life premiums as the accrued capital diminishes (‘hefboom en inteereffect’) and nullifies the condition regarding cost indexation. The Court rules the indexation increase is therefore (in part) unduly paid by clients. It should be noted the costs itself are not affected by this decision. The judgement does not have immediate effect. The judgement does not have substantial influence on the assessment of the investment insurances risk profile. Both Woekerpolis.nl and SRLEV filed appeal against the judgement.

To date, the number of cases in which SRLEV NV has been required to pay damages following a decision by KiFiD or a civil court has been very limited.

Relevant proceedings against peers as well as the Vereniging Woekerpolis.nl proceeding against SRLEV are, in general, still at an early stage. There are no relevant judgements of the Supreme Court so far. As recent case law shows the judgement of the European Court of Justice in 2015 mainly broadened the legal debate, instead of placing parties in a substantial adverse or improved legal position. Given the wide variety of legal

grounds, product characteristics, different applying regulations over time etc. the case law is to a large extent extremely casuistic.

Individual claims have operational impact. However, there are no material adverse changes in the overall risk profile, regarding the portfolio of investment insurance policies compared to Annual Report 2016. The political, regulatory and public focus on investment-linked insurances remains. Elements of investment-linked insurances are being challenged or may be challenged on multiple legal grounds in current and possible future legal proceedings against VIVAT and peers. There is a risk that one or more of those legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof may affect VIVAT, both financially and reputationally. However, the consequences cannot be estimated reliably or quantified at this point. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

Future Payment Obligations Arising from Leases

VIVAT has signed a number of contracts for Information Technology support, with a payment obligation of € 11.1 million in 2018. The obligation for the period of more than one year and less than five years amounts to € 17.2 million. No obligations have been entered into for more than five years.

Future payment obligations for car leases in 2018 amount to € 1.2 million and to € 1.6 million for a period of more than one year. No obligations have been entered into for more than five years.

The annual rental obligations for owner-occupied properties are € 8.4 million in 2018. The tenancy agreements will expire between 2019 and 2023.

22. Related Parties

Identity of Related Parties

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

Intra-group Balances and Transactions between VIVAT NV, Anbang and Affiliates

	Anbang		Affiliates		Total	
In € millions	2017	2016	2017	2016	2017	2016
> Positions						
Other assets	-	-	2	-	2	-
Other liabilities	2	-	-	-	-	-
Subordinated private loans	-	482	-	-	-	482
> Transactions						
Obtain loans	-	482	-	-	-	482
Interest expense	30	-	-	-	30	-
Redemption loans including interest	484	-	-	-	484	-
Service fees expenses	2	-	-	-	-	-
Service fees income	-	-	2	-	2	-

The intra-group balances and transactions between VIVAT NV, Anbang and affiliates in 2017 were:

- In November 2017, VIVAT NV issued \$ 575 million (€ 476 million) in subordinated notes. The net proceeds of the subordinated notes applied by VIVAT have been deployed to repay the subordinated private loans provided by Anbang Group Holdings Co. Limited.
- In 2017 VIVAT have provided administration and investment services to certain affiliates of Anbang in the Netherlands and Belgium, a part of those fees are outstanding at the end of 2017.
- In 2017 Anbang have provided IT services to VIVAT, these fees are outstanding at the end of 2017.

Intra-group Balances and Transactions with Key Management Personnel of VIVAT

The key management personnel consists exclusively of the members of the Executive Board and the Supervisory Board. This applies to VIVAT and also to SRLEV NV, Proteq Levensverzekeringen NV and VIVAT Schadeverzekeringen NV.

The Executive Board comprised seven members as at 31 December 2017 (31 December 2016: 7). The Supervisory Board comprised five members as at 31 December 2017 (31 December 2016: 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 and 2017, including former and existing key management.

Breakdown of Remuneration (former) Members of the Executive Board

In € thousands	2017	2016
Short-term employee benefits	4,691	4,419
Post-employment benefits	150	125
Termination benefits	-	695
Total	4,841	5,239

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

Loans, Advances and Guarantees

There are no loans, advances and guarantees outstanding on 31 December 2017 (and 2016) and/or granted to members of the Executive Board during 2017.

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 and 2017 (excluding 21% VAT).

Breakdown of Remuneration (former) Members of the Supervisory Board

In € thousands	2017	2016
Total fixed actual remuneration for Supervisory Board members	610	543
Total remuneration for delegated Supervisory Board members	-	188
Total remuneration for the members of the Supervisory Board's Committees	25	25
Total	635	756

Loans, Advances and Guarantees

There are no loans, advances and guarantees outstanding on 31 December 2017 (and 2016) and/or granted to members of the Supervisory Board during 2017.

23. Interests in Non-consolidated Structured Entities

VIVAT invests in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

The table below breaks down the carrying amount of the assets and liabilities relating to VIVAT with its involvement classified by type of transaction and the maximum exposure to losses of the non-consolidated structured entities and the relative size of those entities.

Non-consolidated Structured Entities 2017

In € millions	Carrying amount assets	Carrying amount liabilities	Carrying amount vs maximum exposure to loss	Total assets of entities	Total liabilities of entities
Securitisation entities	17	-	17	1,239	1,239
Total	17	-	17	1,239	1,239

Non-consolidated Structured Entities 2016

In € millions	Carrying amount assets	Carrying amount liabilities	Carrying amount vs maximum exposure to loss	Total assets of entities	Total liabilities of entities
Securitisation entities	46	-	46	2,343	2,343
Total	46	-	46	2,343	2,343

The maximum exposure to losses with respect to equity interests (including loans and participating interests) is the carrying amount of those interests. The maximum exposure to losses with respect to commitments and guarantees is the notional amount. The nominal amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that VIVAT could suffer on its involvement in non-consolidated structured entities, without considering the impact of any mitigating action or compensating influence of other financial instruments.

VIVAT had not offered financial or non-financial support to any non-consolidated structured entities at 31 December 2017.

24. Events after the Reporting Date

Change name Reaal Schadeverzekeringen NV

As from March 5, 2018 Reaal Schadeverzekeringen NV has changed its name to VIVAT Schadeverzekeringen NV.

Storm claims

In January 2018 the storm claims for VIVAT Schadeverzekeringen NV were around € 20 million before tax, after re-insurance.

Sale of CED Holding BV

In February 2018 the sale of the associate CED Holding BV has been completed; In VIVAT's statement of financial position year-end 2017, the associate was presented as an asset held for sale.

25. Net Premium Income

Premium income consists of insurance premiums net of reinsurance premiums.

Breakdown of net premium income

	General account		For account of policyholders		Total	
In € millions	2017	2016	2017	2016	2017	2016
Regular premiums Individual Life	550	585	233	270	783	855
Regular premiums Life Corporate	206	227	401	421	607	648
Total gross regular premiums Life	756	812	634	691	1,390	1,503
Single premiums Individual Life	96	30	7	3	103	33
Single premiums Life Corporate	706	254	53	52	759	306
Total gross single premiums	802	284	60	55	862	339
Total gross premium income	1,558	1,096	694	746	2,252	1,842
Total reinsurance premiums Life	12	16	-	-	12	16
Total net premium income Life	1,546	1,080	694	746	2,240	1,826
Gross premium Property & Casualty	671	666	-	-	671	666
Reinsurance Property & Casualty	39	45	-	-	39	45
Total net premium income Property & Casualty	632	621	-	-	632	621
Total net premium income	2,178	1,701	694	746	2,872	2,447

Gross premium income of product line Life Corporate has increased in 2017 predominantly as a result of a pension fund buy-out in 2017.

Breakdown of regular premiums Life

	General account		For account of policyholders		Total	
In € millions	2017	2016	2017	2016	2017	2016
<i>Individual</i>						
Without profit-sharing	502	509	233	270	735	779
With profit-sharing	67	93	-	-	67	93
Total individual	569	602	233	270	802	872
<i>Group</i>						
Without profit-sharing	119	78	401	421	520	499
With profit-sharing	68	132	-	-	68	132
Total group	187	210	401	421	588	631
Total gross regular premiums Life	756	812	634	691	1,390	1,503

Breakdown of single premiums Life

	General account		For account of policyholders		Total	
In € millions	2017	2016	2017	2016	2017	2016
<i>Individual</i>						
Without profit-sharing	398	195	7	3	405	198
Total individual	398	195	7	3	405	198
<i>Group</i>						
Without profit-sharing	390	33	53	52	443	85
With profit-sharing	14	56	-	-	14	56
Total group	404	89	53	52	457	141
Total gross single premiums Life	802	284	60	55	862	339

Breakdown of premium income Property & Casualty

	Gross		Reinsurance		Total	
In € millions	2017	2016	2017	2016	2017	2016
Fire	212	198	11	14	201	184
Accident and health	110	115	5	6	105	109
Motor vehicle	198	203	2	2	196	201
Transport	36	36	1	2	35	34
Other segments	115	114	20	21	95	93
Net premium income Property & Casualty	671	666	39	45	632	621

26. Net Fee and Commission Income

Breakdown of net fee and commission income

In € millions	2017	2016
Fee and commission income:		
- Management fees	69	93
- Other activities	18	5
Total fee and commission income	87	98
Fee and commission expense	25	32
Total	62	66

27. Investment Income

Breakdown of investment income

In € millions	2017	2016
Fair value through profit or loss	157	96
Available for sale	808	2,225
Loans and receivables	428	441
Investment property	37	32
Total	1,430	2,794

Breakdown of investment income 2017

In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	163	434	427	-	1,024
Dividends	-	30	-	-	30
Rental income	-	-	-	25	25
Direct operating expenses	-	-	-	-5	-5
Total interest dividends and rental income	163	464	427	20	1,074
Realised gains and losses	-2	387	1	4	390
Unrealised revaluations	-4	-43	-	13	-34
Total revaluations	-6	344	1	17	356
Total	157	808	428	37	1,430

Interest income from Fair value through profit or loss includes € 153 million interest income from derivatives (2016: € 86 million). Unrealised revaluation from Available for sale consists of currency differences on bonds.

Breakdown of investment income 2016

In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	98	557	438	-	1,093
Dividends	-	40	-	-	40
Rental income	-	-	-	22	22
Direct operating expenses	-	-	-	-5	-5
Total interest dividends and rental income	98	597	438	17	1,150
Realised gains and losses	1	1,628	3	-	1,632
Unrealised revaluations	-3	-	-	15	12
Total revaluations	-2	1,628	3	15	1,644
Total	96	2,225	441	32	2,794

The decrease in investment income in 2017 is caused by the high level of sales in 2016. The sales of bonds decreased in 2017 compared to 2016, which leads to lower realised gains and losses. Because of these sales the interest income on the available for sale portfolio decreases.

Investment income includes a net loss on currency differences of € 48.2 million in 2017 (2016: € 7.9 million loss). This amount is hedged within the result on derivatives.

28. Investment Income for Account of Policyholders

Breakdown of investment income for account of policyholders

In € millions	2017	2016
Interest	38	40
Dividends	118	112
Total interest and dividends	156	152
Revaluations	279	750
Total	435	902

The decrease of investments for account of policyholders is mainly attributable to a decrease in the market value revaluations.

29. Result on (Liabilities from) Investments for Account of Third Parties

The amount of € 57 million (2016: € 43 million) consists of results of the third party investments. We refer to Note 6 Investments for Account of Third Parties for information about the third party investments.

30. Result on Derivatives

Breakdown of Result on Derivatives

In € millions	2017	2016 ¹
Revaluations transferred from OCI	-10	-
Interest income transferred from OCI	7	5
Result on derivatives held for cash flow hedge accounting	-3	5
Market value movements in hedged item attributable to hedged risks	16	5
Market value movements in derivatives held for fair value hedge accounting	16	5
Market value movements of derivatives maintained for ALM not classified for hedge accounting	-422	-243
Total	-409	-233

¹ An adjustment of € 14 million has been made in the comparative figures from the category not classified for hedge accounting to the categories held for cash flow hedge accounting (€ 4 million) and held for fair value hedge accounting (€ 10 million).

31. Other Operating Income

The amount of € 15 million (2016: € 0 million) consists of a release for a legal claim.

32. Technical Claims and Benefits

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

Breakdown of Technical Claims and Benefits

In € millions	Gross		Reinsurance		Total	
	2017	2016	2017	2016	2017	2016
General account benefits paid and surrenders	2,291	1,844	-24	-21	2,267	1,846
Change in general account insurance liabilities	892	122	15	13	907	112
Profit-sharing and discounts	37	48	-	-	37	48
Results on allocated investments and interest derivatives	-253	1,239	-	-	-253	1,239
LAT deficit	480	-79	-	-	480	-79
Life insurance	3,447	3,174	-9	-8	3,438	3,166
Claims paid	434	470	-30	-26	404	444
Change in provision for reported claims	-65	6	23	-7	-42	-1
Change in provision for claims incurred but not reported	8	-20	6	2	14	-18
Property & Casualty insurance	377	456	-1	-31	376	425
Total	3,824	3,630	-10	-39	3,814	3,591

The change in general account insurance liabilities includes compensation paid to unit-linked policyholders and compensation relating to defined contribution schemes. For further details on the compensation scheme, see Note 16 Insurance liabilities and reinsurance share.

33. Charges for Account of Policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit-sharing and discounts relating to these policyholders.

Breakdown of Charges for Account of Policyholders

In € millions	2017	2016
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,069	1,346
Change in technical provisions for Life insurance contracts for account of policyholders	-982	3
Total	87	1,349

34. Acquisition Costs for Insurance Activities

Breakdown of Acquisition Costs for Insurance Activities

In € millions	2017	2016
Individual Life	21	21
Life Corporate	2	3
Total Life	23	24
Property & Casualty	143	136
Reinsurance Property & Casualty	-6	-7
Total Property & Casualty	137	129
Other (eliminations)	-1	-18
Total	159	135

35. Staff Costs

Breakdown of Staff Costs

In € millions	2017	2016
Salaries	139	172
Pension costs	34	37
Social security contributions	18	24
Other staff costs	90	193
Total	281	426

Breakdown of Pension Costs

In € millions	2017	2016
Pension contributions based on defined contribution	29	37
Employee contributions	-4	-5
Total based on defined contributions	25	32
Increase of present value defined benefit plans	9	5
Total	34	37

Other Staff Costs

Other staff costs include the cost of temporary staff of € 65 million (2016: € 62 million) and restructuring charges of € 6 million (2016: € 117 million). It also consists of travelling expenses, car fleet and training costs.

Number of Internal FTE's

In numbers	2017	2016
Number of internal FTE's	2,022	2,697

Share-based Remuneration

Variable remuneration for Identified Staff is split 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 unconditional portion of variable remuneration in share based instruments has a retention period of one year, after which it will be paid in cash. The share-based component of the deferred portion of the variable remuneration vests four years after the year of award and will be paid in cash at that moment. For further details on remuneration see Section 4.4 Remuneration.

36. Other Operating Expenses

Breakdown of Other Operating Expenses

In € millions	2017	2016
IT systems	24	25
Housing	11	15
Marketing and public relations	18	9
External advisors	10	18
Other costs	32	31
Total	95	98

The other costs mainly relate to outsourced services and contributions.

37. Impairment Losses (Reversals)

Breakdown of Impairment Losses / Reversals by Class of Asset

In € millions	Impairments		Reversals		Total	
	2017	2016	2017	2016	2017	2016
> Through profit or loss						
Intangible assets	-	29	-	-	-	29
Property and equipment	4	-	1	-	3	-
Investments	6	5	1	-	5	5
Other debts	1	-	1	6	-	-6
Total through profit or loss	11	34	3	6	8	28
> Through other comprehensive income						
Investments	-	-	4	4	-4	-4
Total through other comprehensive income	-	-	4	4	-4	-4

38. Other Interest Expenses

Breakdown of Other Interest Expenses

In € millions	2017	2016
Bonds	55	44
Private loans	65	55
Interest on reinsurance deposits	7	-
Other interest and investment expenses	-	5
Total	127	104

VIVAT uses interest rate and cross currency swaps to hedge the interest and currency risk on its subordinated bonds. These swaps have decreased the interest expenses by € 17 million in 2017 (2016: € 17 million) which are recognised as investment income.

39. Income Tax

Breakdown of Tax Expense

In € millions	2017	2016
In financial year	82	-93
Prior year adjustments	-6	1
Corporate income tax due	76	-92
Due to temporary differences	-135	154
Deferred tax	-135	154
Total	-59	62

Reconciliation Between the Statutory and Effective Tax Rate

In € millions	2017	2016
Statutory income tax rate	25.0%	25.0%
Result before tax	-175	230
Statutory corporate income tax amount	-44	58
Effect of participation exemption	-9	3
Prior year adjustments (<i>including tax provision release</i>)	-6	1
Total	-59	62
Effective tax rate	33.7%	27.1%

The effective tax rate of 33.7% is caused by the relatively high effect of the participation exemption.

The Dutch government announced, following a verdict from the European Court of Justice of 22 February 2018, that it intends to publish a proposal of law affecting the tax position of consolidated tax groups in the second quarter of 2018. The proposed legislation is expected to have retroactive force until 25 October 2017 and may therefore, when enacted, have a financial impact on the tax year 2017.

40. Financial Instruments

Fair Value of Financial Assets and Liabilities

The table below shows the fair value of VIVAT's financial assets and liabilities. It only shows the financial assets and financial liabilities and does not 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 € millions	Fair value 2017	Carrying amount 2017	Fair value 2016	Carrying amount 2016
Financial assets				
Land and buildings for own use	52	52	56	56
Investment property	380	380	274	274
Investments				
- Fair value through profit or loss: designated	203	203	69	69
- Available for sale	29,896	29,896	29,501	29,501
- Loans and receivables	6,385	6,187	6,315	6,089
- Mortgages	2,504	2,338	2,864	2,635
Investments for account of policyholders	13,202	13,202	14,251	14,251
Investments for account of third parties	630	630	1,387	1,387
Derivatives	760	760	1,091	1,091
Loans and advances to banks	1,863	1,814	1,008	960
Other assets	302	302	355	355
Cash and cash equivalents	259	259	410	410
Total financial assets	56,436	56,023	57,581	57,078
Financial liabilities				
Subordinated debt	1,019	1,016	1,052	1,047
Borrowings	652	642	-	-
Derivatives	636	636	486	486
Amounts due to banks	1,643	1,643	1,353	1,353
Other liabilities	1,883	1,883	2,659	2,659
Total financial liabilities	5,833	5,820	5,550	5,545

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 carrying amount 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.

Land and Buildings for Own Use

The fair value of land and buildings for own use is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investment Property

The fair value of investment property is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

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.

Mortgages

The market value of mortgages is determined using a discounted value method. The yield curve used to discount cash flows of mortgage loans is the swap rate plus a risk premium that can vary between sub-portfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

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.

Loans and Advances to Banks

Given the short-term nature of the loans classified as loans and advances to banks, the carrying amount is considered to be a reasonable approximation of the fair value.

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.

Subordinated Debts

The fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market at years' end for holding subordinated debt issued by VIVAT, differentiated by maturity and type of instrument.

Borrowings

On initial recognitions these borrowings are stated at fair value net of transaction costs incurred.

Amounts Due to Banks

The fair value of amounts due to banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by SRLEV NV, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month 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 account 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.

Fair value hierarchy 2017

In € millions	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
> Financial assets measured at fair value					
Land and buildings for own use	52	-	-	52	52
Investment property	380	-	-	380	380
Investments at fair value through profit or loss: designated	203	191	11	1	203
Investments available for sale	29,896	28,224	493	1,179	29,896
Investments for account of policyholders	13,202	12,776	40	386	13,202
Derivatives	760	-	760	-	760
Total	44,493	41,191	1,304	1,998	44,493
> Financial assets not measured at fair value					
Mortgages	2,338	-	-	2,504	2,504
Investments loans and receivables	6,187	-	6,385	-	6,385
Loans and advances to banks	1,814	-	1,863	-	1,863
Other assets	302	302	-	-	302
Cash and cash equivalents	259	259	-	-	259
> Financial liabilities measured at fair value					
Derivatives	636	-	571	65	636
> Financial liabilities not measured at fair value					
Subordinated debt	1,016	1,019	-	-	1,019
Borrowings	642	652	-	-	652
Amounts due to banks	1,643	-	1,643	-	1,643
Other liabilities	1,883	1,883	-	-	1,883

Fair value hierarchy 2016

In € millions	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
> Financial assets measured at fair value					
Land and buildings for own use	56	-	-	56	56
Investment property	274	-	-	274	274
Investments at fair value through profit or loss: designated	69	-	62	7	69
Investments available for sale	29,501	27,598	824	1,079	29,501
Investments for account of policyholders	14,251	13,783	57	411	14,251
Derivatives	1,091	-	1,091	-	1,091
Total	45,242	41,381	2,034	1,827	45,242
> Financial assets not measured at fair value					
Mortgages	2,635	-	-	2,864	2,864
Investments loans and receivables	6,089	-	6,157	158	6,315
Loans and advances to banks	960	-	1,008	-	1,008
Other assets	356	356	-	-	356
Cash and cash equivalents	410	410	-	-	410
> Financial liabilities measured at fair value					
Derivatives	486	-	419	67	486
> Financial liabilities not measured at fair value					
Subordinated debt	1,047	554	498	-	1,052
Amounts due to banks	1,353	-	1,353	-	1,353
Other liabilities	2,659	2,659	-	-	2,659

The table below shows the movements in financial instruments measured at fair value and classified in level 3.

Change in Level 3 Financial Instruments in 2017

	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	56	274	-67	411	7	1,079	1,760
Transfer to level 3	-	-	-	-	11	301	312
Realised gains or losses recognised in profit or loss	-	-	-4	5	-	15	16
Unrealised gains or losses recognised in profit or loss	-	-	6	-	-1	-	5
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	-	-27	-27
Purchase/acquisition	-	108	-39	15	-	389	473
Sale/settlements	-	-15	39	-64	-14	-449	-503
Other	-4	13	-	19	-	-5	23
Transfer from level 3	-	-	-	-	-	-123	-123
Balance as at 31 December	52	380	-65	386	3	1,180	1,936
Total gains and losses included in profit or loss	-	-	2	5	-1	15	21

Change in Level 3 Financial Instruments in 2016

	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	58	259	-58	367	22	710	1,358
Transfer to level 3	-	-	-	40	8	30	78
Realised gains or losses recognised in profit or loss	-	-	-	-	-	5	5
Unrealised gains or losses recognised in profit or loss	-	-	-3	11	-3	-	5
Unrealised gains or losses recognised in other comprehensive income	-	-	-6	-	-	11	5
Purchase/acquisition	2	4	-	19	-	565	590
Sale/settlements	-	-4	-	-39	-20	-248	-311
Other	-4	15	-	13	-	7	31
Transfer from level 3	-	-	-	-	-	-1	-1
Balance as at 31 December	56	274	-67	411	7	1,079	1,760
Total gains and losses included in profit or loss	-	-	-3	11	-3	5	10

Breakdown of Level 3 Financial Instruments

In € millions	2017	2016
Land and buildings for own use	52	56
Investment property	380	274
Bonds issued by financial institutions	711	193
Collateralised debt obligation	-	469
Collateralised loan obligation	18	25
Equities	454	399
Derivatives	-65	-67
Investments for account of policyholders	386	411
Total	1,936	1,760

The fair value of financial instruments classified in level 3 is based in part on inputs that are not observable in the market. The values of CDOs and CLOs classified in level 3 are determined by calculating scenarios using best estimates of data unobservable in the market. The main non-observable data are the expected defaults in the underlying portfolios and the implied discount rate. A stress scenario involving a higher expected loss on the principal, for instance, would result in a significant decrease in the fair value of the instrument.

Impairments of Financial Instruments by Category

In € millions	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Equities	-	5	-	-	5	-	5	5
Total	-	5	-	-	5	-	5	5

The table below shows movements in the financial assets and liabilities measured at fair value between the levels.

Reclassification Between Categories 2017

In € millions	to Level 1	to Level 2	to Level 3	Total
From:				
Based on published stock prices in an active market (Level 1)	-	-	15	15
Based on observable market data (Level 2)	-	-	297	297
Not based on observable market data (Level 3)	-	123	-	123

Reclassification Between Levels 1, 2 and 3

Shift Between Levels 2 and 3

At year-end 2017, € 297 million (2016 € 78 million) was transferred from level 2 to level 3 for investments that were significantly less traded. Therefore, available prices for these investments are largely supported and validated using market inputs resulting in an increase in measurement uncertainty.

At year-end 2017, € 123 million (2016: € 1 million) was transferred from level 3 to level 2 for investments that were significantly more traded. These investments mainly consist of collateralised securities for which no quoted prices are available but whose fair value is determined using models.

Shift Between Levels 1 and 3

At year-end 2017, € 15 million (2016 € nil) was transferred from level 1 to level 3 for investments that were significantly less traded. Therefore, available prices for these investments are largely supported and validated using market inputs resulting in an increase in measurement uncertainty.

Offsetting Financial Assets and Liabilities

The table below shows the financial assets and liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk.

Financial Assets and Liabilities 2017

In € millions	Related amounts not netted in the carrying amount						Netted value
	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	
Financial assets							
Derivatives	760	-	760	304	437	-	19
Loans and advances to banks	461	-	461	445	13	-	3
Total financial assets	1,221	-	1,221	749	450	-	22
Financial liabilities							
Derivatives	636	-	636	567	68	-	1
Amounts due to banks	526	-	526	521	-	-	5
Total financial liabilities	1,162	-	1,162	1,088	68	-	6

At year-end 2017, VIVAT received collateral from third parties by virtue of derivative exposures. An amount of €375 million (2016: € 494 million) of this collateral has been reinvested in a money-market fund.

Financial Assets and Liabilities 2016

In € millions	Related amounts not netted in the carrying amount						Netted value
	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	
<i>Financial assets</i>							
Derivatives	1,091	-	1,091	433	654	-	4
Total financial assets	1,091	-	1,091	433	654	-	4
<i>Financial liabilities</i>							
Derivatives	486	-	486	330	156	-	-
Amounts due to banks	1,353	-	1,353	149	-	-	1,204
Total financial liabilities	1,839	-	1,839	479	156	-	1,204

Management of Past Due and Impaired Assets

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

Financial Instruments – Impairments 2017

In € millions	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	30,055	-	93	-49	30,099
Loans and receivables	8,513	-	16	-4	8,525
Other financial assets	282	26	-	-6	302
Total	38,850	26	109	-59	38,926

Financial Instruments – Impairments 2016

In € millions	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	29,624	-	-54	-	29,570
Loans and receivables	8,683	54	-	-13	8,724
Other financial assets	329	32	-	-5	356
Total	38,636	86	-54	-18	38,650

VIVAT 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.

VIVAT 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.

41. Hedging and Hedge Accounting

VIVAT uses various strategies for its insurance business to hedge its interest rate, market and currency risks. Under IFRS, derivatives are recognised at fair value in the statement of financial position, while changes in their fair value are recognised through profit or loss. An accounting mismatch arises if changes in the fair value of hedged risks are not recognised through profit or loss, causing volatility in the results. In these cases, hedge accounting is applied in principle to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which VIVAT is active in the relevant markets.

Derivatives for Hedging Purposes 2017

In € millions	Nominal amounts			Total	Fair value	
	< 1 year	1 - 5 years	> 5 years		Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	2,452	2,947	21,911	27,310	521	-584
- Options	25	1,271	4,650	5,946	211	-24
> Currency contracts						
- Swaps	55	659	-	714	10	-27
- Forwards	702	-	-	702	18	-1
Total	3,234	4,877	26,561	34,672	760	-636

Derivatives for Hedging Purposes 2016

In € millions	Nominal amounts			Total	Fair value	
	< 1 year	1 - 5 years	> 5 years		Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	131	2,279	15,289	17,699	826	-455
- Options	-	915	5,194	6,109	259	-29
> Currency contracts						
- Swaps	236	98	-	334	4	-1
- Forwards	289	-	-	289	2	-1
Total	656	3,292	20,483	24,431	1,091	-486

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.

Hedging

VIVAT uses derivatives to protect the market value of own funds and regulatory solvency against undesired market developments. Examples include:

- hedging interest rate risks arising from return guarantees made to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities; and
- hedging currency risks on investments and liabilities denominated in foreign currencies.

Hedge Accounting

VIVAT applies two types of hedge accounting, fair value hedges and cash flow hedges, in the majority of the hedging strategies described above.

Fair Value Hedges

Hedging Currency Risk in Equity Portfolio

VIVAT hedges the currency risk in the equity portfolio using foreign exchange futures contracts.

Hedging Interest Rate Risk on Subordinated Debt

VIVAT hedges the interest rate risk in the subordinated debt using interest rate swaps.

Cashflow Hedges

Hedging Interest Rate Risk in Future Reinvestments

VIVAT has extended the effective maturity of the investment portfolio using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period.

Currently interest rate risk is managed from a top down perspective, rather than hedged on an individual basis which was applicable when these swaps were acquired. As a result of this change it is no longer highly probable that the forecasted reinvestment, as defined in the hedge documentation, will occur.

The cash flow hedge reserve in shareholders' equity, before application of shadow loss accounting, related to the aforementioned swaps is € 142 million (2016: € 169 million).

Hedging Inflation Risk on Government Bonds

VIVAT uses inflation swaps to hedge the inflation risk in the government bonds.

42. List of Principal Subsidiaries

Overview of Principal Subsidiaries

Name	Country of incorporation and place of business	Nature of business or industry	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by the group (%)
SRLEV NV	The Netherlands, Alkmaar	Insurance	100	100
VIVAT Schadeverzekeringen NV	The Netherlands, Amstelveen	Insurance	100	100
Proteq Levensverzekeringen NV	The Netherlands, Alkmaar	Insurance	100	100
ACTIAM NV	The Netherlands, Utrecht	Asset management	100	100
Zwitserleven PPI NV	The Netherlands, Utrecht	Pensions	100	100
RZL Investment Funds	various	Investment management	range	range
ACTIAM Index Funds	various	Investment management	range	range

6.4. Segmentation

43. Segment Information

The corporate structure was comprised of five segments at year-end 2016: P&C, Individual Life, Life Corporate, ACTIAM and Other. During the year 2017 the structure remained unchanged.

Property & Casualty

This segment offers property, casualty and disability insurance.

Individual Life

This segment mainly consists of life annuity insurance policies, mortgage-related endowment policies and unit-linked insurance policies. These products are targeted at the retail and SME markets.

Life Corporate

This segment offers pension solutions for business customers. A range of products provide the employees of our customers freedom in making the right decisions to secure their financial future. The main brand of this product line is Zwitserleven.

Asset Management

This segment offers a comprehensive range of investment funds and investment solutions that ranges from responsible index investing to impact investing. The main brand of this product line is ACTIAM.

Other

This segment comprises activities that are managed separately from the other segments.

Accounting basis between reportable segments

Costs are allocated within VIVAT Group on an accrual basis. The prices of other transactions between group companies are in principal based on arms' length conditions.

44. Statement of Financial Position by Segment

Statement of financial position by segment 31 December 2017

In € millions	Life Corporate	Individual Life	Property & Casualty	Asset Management	Other ¹	Elimination	Total
> Assets							
Intangible assets	-	-	1	-	-	-	1
Property and equipment	24	29	-	-	12	-	65
Investments in associates	-	-	-	-	-	-	-
Investment property	52	328	-	-	-	-	380
Investments	21,581	14,844	1,567	16	851	-235	38,624
Investments for account of policyholders	8,281	4,921	-	-	-	-	13,202
Investments for account of third parties	175	455	-	-	-	-	630
Derivatives	447	294	19	-	-	-	760
Deferred tax assets	544	-	-	-	421	-474	491
Reinsurance share	-	91	90	-	-	-	181
Loans and advances to banks	685	1,119	-	10	-	-	1,814
Corporate income tax	61	-	13	1	2	-46	31
Other assets	-327	263	72	19	293	-18	302
Cash and cash equivalents	89	63	46	13	48	-	259
Assets held for sale	-	-	7	-	-	-	7
Total assets	31,612	22,407	1,815	59	1,627	-773	56,747
> Equity and liabilities							
Share capital	-	-	-	-	-	-	0
Other reserves	1,794	1,600	342	31	-104	-	3,663
Retained earnings	-238	160	2	1	-41	-	-116
Shareholders' equity	1,556	1,760	344	32	-145	-	3,547
Subordinated debt	397	378	150	-	326	-235	1,016
Borrowings	-	-	-	-	642	-	642
Insurance liabilities	28,255	17,371	1,168	-	-	-	46,794
Liabilities investments for account of third parties	175	455	-	-	-	-	630
Provision for employee benefits	184	-	26	-	375	-	585
Other provisions	1	34	-	-	9	-	44
Derivatives	576	36	8	-	16	-	636
Deferred tax liabilities	-	83	4	-	387	-474	-
Amounts due to banks	36	1,591	16	-	-	-	1,643
Corporate income tax	-	22	-	-	24	-46	-
Other liabilities	432	677	99	27	-7	-18	1,210
Total equity and liabilities	31,612	22,407	1,815	59	1,627	-773	56,747

¹ In the segment Other eliminations have been included between Individual Life, Property & Casualty and Other.

Statement of financial position by segment 31 December 2016

In € millions	Life Corporate	Individual Life	Property & Casualty	Asset Management	Other ¹	Elimination	Total
> Assets							
Intangible assets	-	-	4	-	-	-	4
Property and equipment	23	34	-	1	16	-	74
Investments in associates	-	-	7	-	-	-	7
Investment property	45	229	-	-	-	-	274
Investments	20,924	15,570	1,636	29	275	-140	38,294
Investments for account of policyholders	9,035	5,216	-	-	-	-	14,251
Investments for account of third parties	67	1,320	-	-	-	-	1,387
Derivatives	605	456	30	-	-	-	1,091
Deferred tax assets	593	-155	-14	-	2	-	426
Reinsurance share	1	105	119	-	-	-	225
Loans and advances to banks	37	923	-	-	-	-	960
Corporate income tax	-	56	17	1	13	-44	43
Other assets	-12	11	49	15	313	-21	355
Cash and cash equivalents	172	109	53	13	63	-	410
Total assets	31,490	23,874	1,901	59	682	-205	57,801
> Equity and liabilities							
Share capital	0	0	0	0	0	0	0
Other reserves	1,594	1,322	407	27	181	-	3,531
Retained earnings	79	159	-48	-2	-20	-	168
Shareholders' equity	1,673	1,481	359	25	161	-	3,699
Subordinated debt	405	395	150	-	237	-140	1,047
Borrowings	-	-	-	-	-	-	-
Insurance liabilities	27,961	18,419	1,237	-	-	-	47,617
Liabilities investments for account of third parties	67	1,320	-	-	-	-	1,387
Provision for employee benefits	182	-	26	-	370	-	578
Other provisions	11	29	-	-	110	-	150
Derivatives	429	47	10	-	-	-	486
Deferred tax liabilities	-	-	-	-	-	-	-
Amounts due to banks	217	1,114	22	-	-	-	1,353
Corporate income tax	44	-	-	-	-	-44	-
Other liabilities	501	1,069	97	34	-196	-21	1,484
Total equity and liabilities	31,490	23,874	1,901	59	682	-205	57,801

¹ In the segment Other eliminations have been included between Individual Life, Property & Casualty and Other.

45. Statement of Profit or Loss by Segment

Statement of profit or loss by segment 2017

In € millions	Life Corporate	Individual Life	Property & Casualty	Asset Management	Other ¹	Elimination	Total
> Income							
Premium income	1,366	886	671	-	-	-	2,923
Less: Reinsurance premiums	3	9	39	-	-	-	51
Net premium income	1,363	877	632	-	-	-	2,872
Fee and commission income	3	23	1	79	-	-19	87
Less: Fee and commission expense	5	2	-	35	1	-18	25
Net fee and commission income	-2	21	1	44	-1	-1	62
Share in result of associates	-	-	1	-	-	-	1
Investment income	699	716	16	-	9	-10	1,430
Investment income for account of policyholders	200	235	-	-	-	-	435
Result on investments for account of third parties	8	49	-	-	-	-	57
Result on derivatives	-327	-73	-9	-	-	-	-409
Other operating income	15	-	-	-	-	-	15
Total income	1,956	1,825	641	44	8	-11	4,463
Inter-segment revenues	6	21	1	31	33		
> Expenses							
Technical claims and benefits	2,481	934	376	-	23	-	3,814
Charges for account of policyholders	-351	438	-	-	-	-	87
Acquisition costs for insurance activities	2	21	137	-	-1	-	159
Result on liabilities from investments for account of third parties	8	49	-	-	-	-	57
Staff costs	88	71	82	25	15	-	281
Depreciation and amortisation of non-current assets	1	2	6	1	-	-	10
Other operating expenses	22	21	28	16	8	-	95
Impairment losses	3	4	-	1	-	-	8
Other interest expenses	32	78	10	-	18	-11	127
Other expenses	-	-	-	-	-	-	-
Total expenses	2,286	1,618	639	43	63	-11	4,638
Result before tax	-330	207	2	1	-55	-	-175
Tax expense	-91	47	-	-	-15	-	-59
Net result continued operations for the period	-239	160	2	1	-40	-	-116

¹ In the segment Other eliminations have been included between Individual Life, Property & Casualty and Other.

Statement of profit or loss by segment 2016

In € millions	Life Corporate	Individual Life	Property & Casualty	Asset Management	Other ¹	Elimination	Total
> Income							
Premium income	954	888	666	-	-	-	2,508
Less: Reinsurance premiums	2	14	45	-	-	-	61
Net premium income	952	874	621	-	-	-	2,447
Fee and commission income	4	34	-	73	19	-32	98
Less: Fee and commission expense	4	-	-	35	11	-18	32
Net fee and commission income	-	34	-	38	8	-14	66
Share in result of associates	-	-	1	-	-	-	1
Investment income	2,000	786	19	-	15	-26	2,794
Investment income for account of policyholders	733	169	-	-	-	-	902
Result on investments for account of third parties	4	39	-	-	-	-	43
Result on derivatives	-317	66	18	-	-	-	-233
Other operating income	-	-	-	-	-	-	-
Total income	3,372	1,968	659	38	23	-40	6,020
Inter-segment revenues	11	18	-	20	34		
> Expenses							
Technical claims and benefits	2,133	1,033	425	-	-	-	3,591
Charges for account of policyholders	931	418	-	-	-	-	1,349
Acquisition costs for insurance activities	3	21	129	-	-	-18	135
Result on liabilities from investments for account of third parties	4	39	-	-	-	-	43
Staff costs	142	130	110	26	18	-	426
Depreciation and amortisation of non-current assets	1	5	7	1	1	-	15
Other operating expenses	22	26	32	14	4	-	98
Impairment losses	-1	-	12	-	17	-	28
Other interest expenses	32	83	7	-	4	-22	104
Other expenses	-	1	-	-	-	-	1
Total expenses	3,267	1,756	722	41	44	-40	5,790
Result before tax	105	212	-63	-3	-21	-	230
Tax expense	26	53	-15	-1	-1	-	62
Net result continued operations for the period	79	159	-48	-2	-20	-	168

¹ In the segment Other eliminations have been included between Individual Life, Property & Casualty and Other.

7. Managing Risks

7.1. Risk Management System

7.1.1. General

VIVAT 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 VIVAT 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. VIVAT 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 Integrated Control Framework (ICF) provides the basis for the internal control system on risk maturity of process key controls and management controls within VIVAT. 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 include applicable minimum requirements. All components of VIVAT are scored for each Product Line and Functional Line by a yearly assessment of all Management Controls, in which both first line and second line of defence are involved.

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 VIVAT Risk Management System operates an integrated approach for risks that the organisation is or could be exposed to, with Risk Management being an integral part of the decision making process. Major decisions of the Executive Board have to be accompanied by a Key Function opinion.

The core of the VIVAT Risk Management System consists of a Governance part at which, starting from the VIVAT 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 the second line Key Functions and the business

use the same risk classification, 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 as the core a control cycle of risk identification-measurement- mitigation and continuous monitoring and reporting. The Risk Management Process is supported by the ICF, build up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of VIVAT and its Product and Functional lines. The ICF measures maturity of risk management and ensures steering on correct and complete risk reports.

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.

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

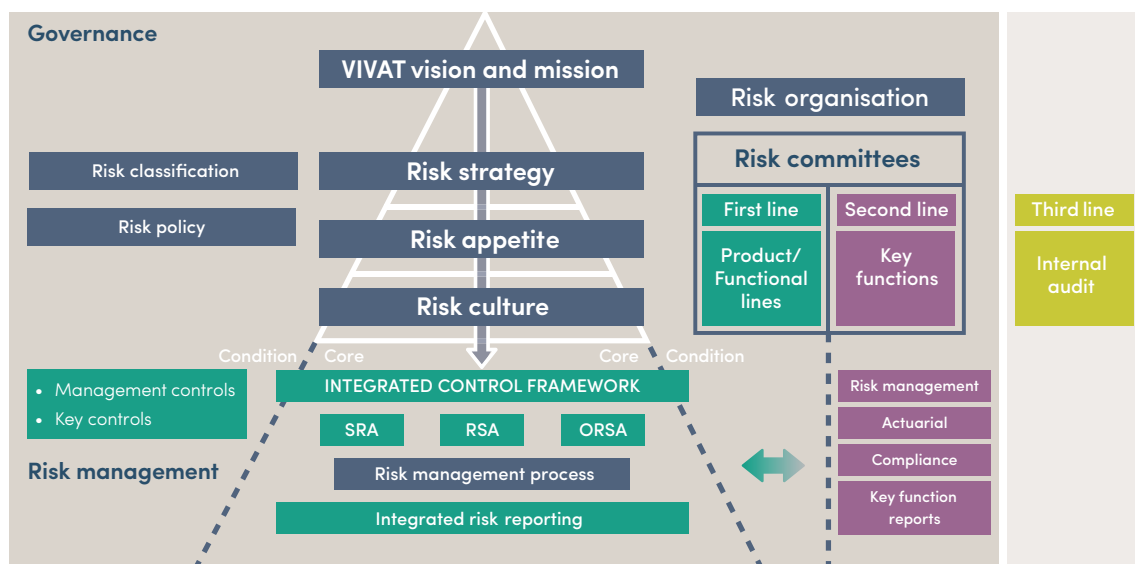


Figure 13: Risk Management

7.2. Risk Management Governance

7.2.1. Mission and Vision

The vision of VIVAT to be a leading financial service provider results in a mission, focusing on comprehensive products and services leveraging state of the art technologies. From this starting point, the Risk Strategy contributes to a sustainable profitable growth of VIVAT, for the benefit of all its stakeholders.

VIVAT takes its role in society seriously. Corporate responsibility (CR) forms an integral part of the strategy and business operations. VIVAT wishes to offer competitively priced products in efficient business processes, using a central back office in addition. VIVAT pursues a customer-centric strategy, with both

Zwitserleven and Reaal positioned clearly and appealing to different segments. The focus on these flagship brands allows for a more agile and lean operation bringing costs to a lower required level.

7.2.2. Risk Strategy

VIVAT has derived a Risk Strategy, a supporting set of objectives following from the VIVAT vision and mission to achieve the strategic goals. VIVAT 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. VIVAT offers competitively priced products by utilising economies of scale in its organisation. The Risk Strategy is expressed in the Risk Appetite.

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

VIVAT provides guarantees for future payments to its customer and therefore VIVAT needs a strong capital position. The Executive Board would like to hold a buffer above regulatory requirement to absorb temporary volatility and 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 (RC) of the Supervisory Board. This is limited by the risk capacity, which indicates the maximum amount of risk VIVAT can accept at consolidated level, 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 14: Risk Appetite framework

Risk Appetite is defined at VIVAT level. Subsequently it is developed in more detail on the individual legal entity level or specific Product or Functional Lines 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 Executive Board gives guidelines to the Product Lines for establishing Operational plans, taking into account the set Risk Appetite and corresponding limits. With those objectives and constraints as starting point, the Product Lines optimize risk and return by developing the best possible products and services.

The Risk Appetite evaluation, 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 steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. VIVAT 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. VIVAT has five core behaviours: Client Focus, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

VIVAT realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. VIVAT 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 VIVAT. Decision making is clear, explicit, and in line with the Risk Policy and Risk Appetite of VIVAT. The management teams of the Product Lines and Functional Lines promote awareness of risks and are supported by the second line departments of the Risk organisation. 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, VIVAT ensures that senior management and employees on key functions are fit and proper to fulfill their job. Finally, VIVAT's Remuneration Policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5. 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.

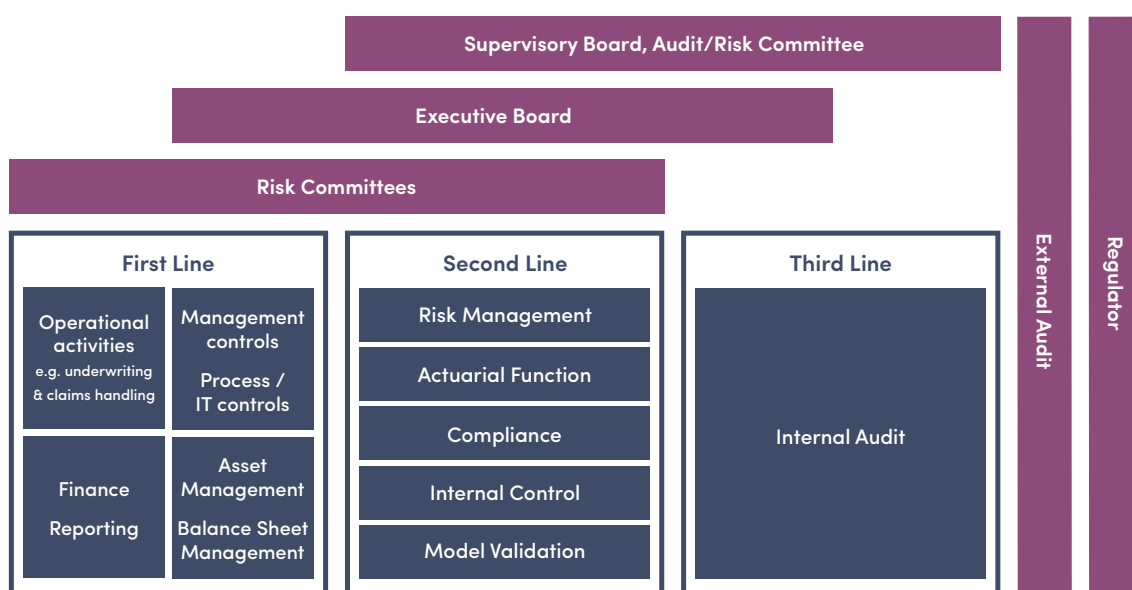


Figure 15: Three Lines of Defence

First line: risk taker

Business plans are prepared in the first line. With this preparation, the first line operationalises 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 risk/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.

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 and the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically.

The second line risk management organisation of VIVAT is part of the Risk department, resorting under the Chief Risk Officer (CRO). This department includes the second line Financial and Non-Financial Risk departments. The CRO is member of the Executive Board.

Third line: internal audit

Audit VIVAT is the independently operating 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 VIVAT complies with laws and regulations and if assets (e.g. physical, intellectual, policy & company data) are safeguarded adequately. The agenda of Audit VIVAT is determined by the Audit Committee.

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 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 entities 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 Audit Function Holder.

The Enterprise Risk Management Report (ERM Report) is an integrated comprehensive report on the major financial and non-financial risks within VIVAT. It consists of reports from the three second line Key Functions (Risk Management Function, Actuarial Function and Compliance Function) and shows both the development and the outlook with regard to actuarial, financial, model and non-financial risks, and in addition strategic developments. The ERM Report presents both new and progress on existing high risk findings

and/or issues compiled on the basis of the information obtained from monitoring reports, risk dashboards, RAS, Internal Control Statements, reports by internal and external regulators, incidents and issues reported, and own assessments & perceptions. It contains a second line opinion on the development of the various risks, the dependency, and the impact on OP, solvency and strategy. The Risk opinion is discussed in the risk committees and in EB, VRC and the Risk Committee of the SB.

The Actuarial Function opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore assesses the reliability and adequacy of Underwriting and Reinsurance programs. The Actuarial Function Report (AFR) is submitted to the VRC and the Audit Committee of the Supervisory Board. Regularly the AF submits an update based on the findings in the AFR, supplemented with recent findings and advices. This update is part of the ERM Report.

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators. The Compliance Function provides regularly, as part of the ERM Report, a report on the most important Compliance Risks of VIVAT to the VRC and the Risk Committee of the Supervisory Board.

7.2.6. Risk Policy

VIVAT has an integrated risk management policy structure. 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

VIVAT provides insight into the risks for the business itself and for its stakeholders 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 VIVAT is exposed or could be exposed to.

VIVAT 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 VIVAT's risk profile. As part of its strategy, VIVAT deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Counterparty risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed at a minimal level.

Strategic developments (governance, positioning, external developments) relate to future business developments and may eventually emerge as one of the main or sub risk types and are monitored in the ERM Report. In the risk assessment on the Operational Plans several internal and external strategic development scenarios are taken into account.

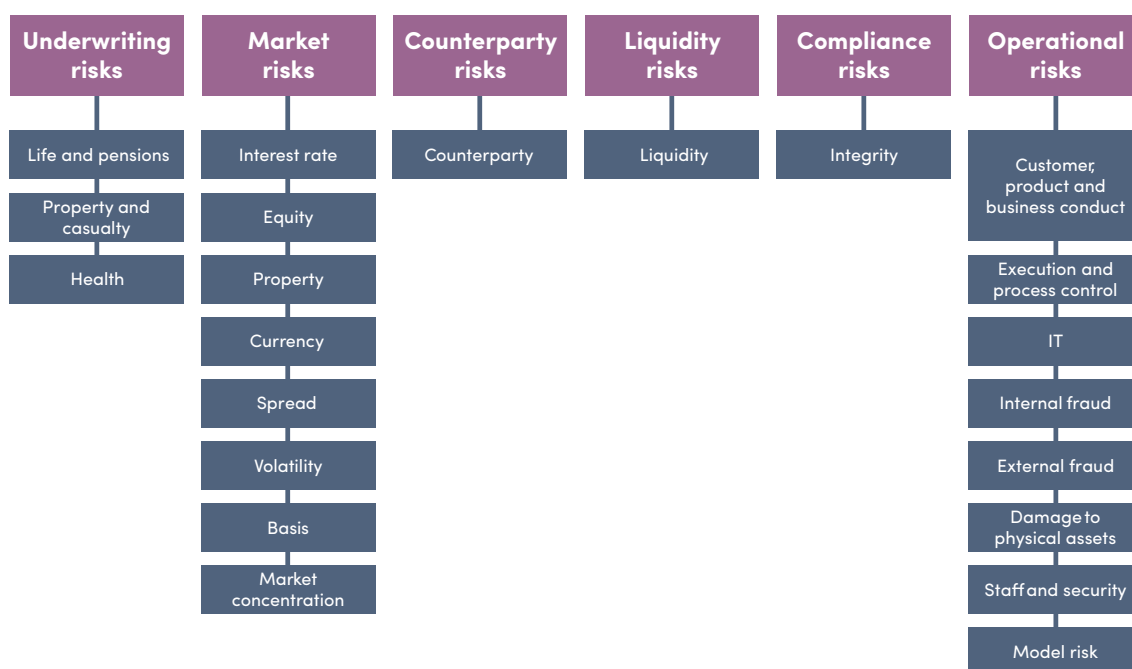


Figure 16: Risk classification

Not all of the risk categories are part of the Solvency Capital (SCR) Requirement calculation. The SCR calculation does not contain Liquidity and Compliance Risk.

The risk categories will be explained in the more detail in the next paragraphs.

To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks in paragraph 7.5 and further. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risk after shock.

7.3. Risk Control

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

7.3.1. Integrated Control Framework

The Integrated Control Framework (ICF) contains a set of (management and process) controls and an analysis on operating effectiveness enabling management to adequately manage risks, following (strategic) objectives and VIVAT's risk appetite. This enables the identification of gaps in the control framework and monitoring on follow-up using an standardized approach.

The ICF forms the basis for sound and controlled operations within VIVAT and monitors Process Controls and Management Controls.

7.3.2. Process Controls and Management Controls

The effectiveness of Process (key) Controls within VIVAT is scheduled each quarter for independent testing by first line management. The second line (internal control) subsequently performs reviews or reperformance.

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.

In 2017 Integrated Risk Management was further optimized by implementation of special tooling and further alignment / development of policies and procedures regarding Process Management, Action monitoring and the Loss Database. Reports from the tooling will be used to further analyse and improve the completeness and quality of design for both management and process controls based on all risk categories as described in the risk classification.

During 2017 VIVAT has performed a self-assessment on management controls (or Entity level Controls). Based on this assessment it was found that the overall maturity level improved significantly in comparison to last year due to:

- Formalised Strategy setting & embedding in performance management
- Reinforcement first line Risk Management
- Expansion of Integrated Risk Management

The self-assessment also identified improvements that will be implemented in 2018.

7.4. Capital Management

7.4.1. Definition

Capitalisation refers to the extent to which VIVAT and its underlying legal entities have capital to cover unforeseen losses and to achieve the strategic objectives of the company. The required capital of VIVAT 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

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 VIVAT'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 VIVAT in its current

form. In its Risk Appetite Statements, VIVAT 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. VIVAT's Capital Policy forms the basis for lower level policies, process descriptions and procedures.

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 activities 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.

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 capital 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 of 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 the ORSA, the process under which VIVAT has to evaluate its capitalisation periodically. A mandatory part of the ORSA involves determining whether the SCR is an appropriate measure for VIVAT's risk profile.

The way in which VIVAT has to report its exposure and capital adequacy to the market (disclosure) is laid down in the third pillar. VIVAT 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 the supervised insurance entities and also to the consolidated activities of VIVAT.

7.4.4. ORSA

As part of its risk-management system VIVAT conducts its own risk and solvency assessment (ORSA). That assessment includes:

- the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of VIVAT;
- the significance in which the risk profile of VIVAT deviates from the assumptions underlying the SCR calculated with the standard formula.

The ORSA is an integral part of VIVAT's management control cycle and is filed with the regulator. VIVAT has performed a 'single' ORSA for VIVAT and its underlying legal entities, as approved by the regulator.

7.4.4.1. ORSA Process

The ORSA considers external factors, the business strategy, future developments, the risk profile and risk appetite to assess the amount and quality of capital. An overview is shown in the figure below.

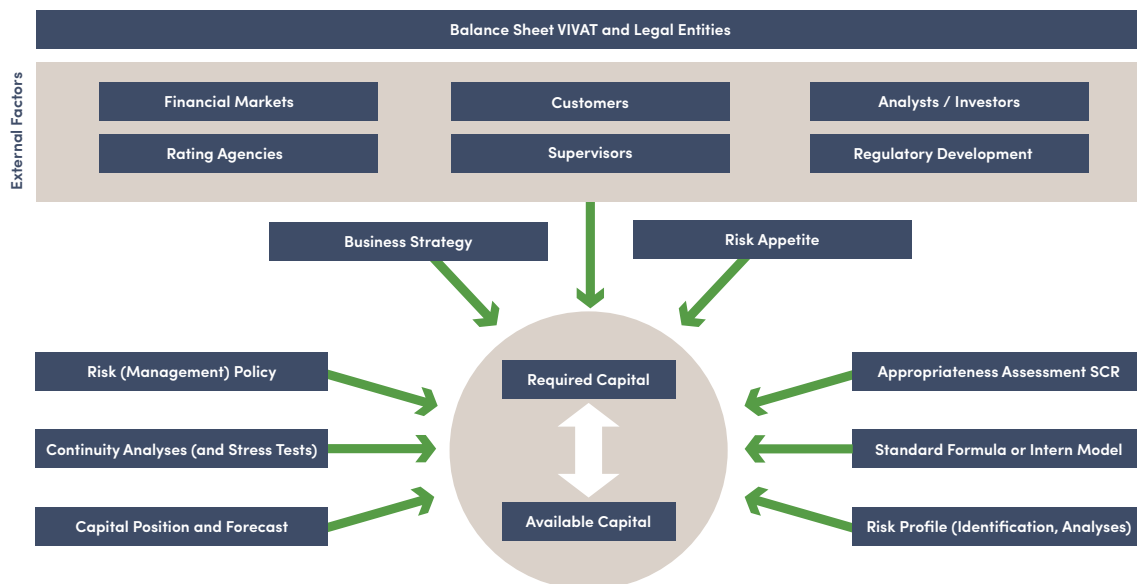


Figure 17: ORSA Process

VIVAT performs the ORSA annually and if any significant change in its risk profile occurs. The Executive Board is owner of the ORSA and actively involved. Adequacy of capital is tested against a range of stressed scenarios thereby considering the possible effect of management actions.

7.4.4.2. Scenario Tests and Mitigating Action

Every year an extensive risk identification process takes place. The identified risks are subject to a wide range of stress scenarios. The selected stress scenarios are severe but possible and used to test the financial position of VIVAT in case the risk occurs. This is in contrast to the Recovery Plan, where the scenarios should be severe enough to create a direct threat to the going concern of VIVAT in its current form.

For all scenarios in the ORSA mitigating management actions have been assessed.

7.4.4.3. Main Conclusions

The ORSA concludes that for VIVAT and its subsidiaries:

- the Solvency Capital Requirement (SCR) as calculated with the standard formula is appropriate;
- the Solvency is adequate on a forward looking medium term given the risk tolerance and the business strategy.

Based on the standard formula after diversification, the top 3 single risks of VIVAT are Longevity Risk, Expense Risk and Spread Risk. VIVAT is especially sensitive for longevity risk. When taking into account

mitigation actions VIVAT's solvency is adequate for all evaluated stresses, including stress scenarios related to aforementioned risks.

7.4.5. Recovery Plan

VIVAT is required to establish a recovery plan, which describes the procedures 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 VIVAT in its current form. The Recovery Plan is updated on an annual basis. The Recovery Plan includes early warning indicators for emerging crises, a crisis management governance framework and the management actions VIVAT has at its disposal in a crisis situation to maintain its core businesses viable for the future. The management actions are evaluated in a scenario analysis. The annual update of the Recovery Plan is performed in conjunction with the ORSA process and its results are shared with the regulator.

7.4.6. Capital Position

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

For internal purposes, VIVAT calculates the Solvency II position on a monthly basis. VIVAT 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. VIVAT 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 2017. The yield curve used as at 31 December 2017, 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 Capital Requirement (SCR). VIVAT 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. The Loss Absorbing Capacity of Deferred Taxes in the SCR is set at 0% for VIVAT and its legal entities, except for legal entities with a net Deferred Tax Liability (DTL). In these cases the Loss Absorbing Capacity of Deferred Taxes equals the net DTL-position. The net Deferred Tax Asset on the balance sheet of VIVAT as at 31 December 2017 is valued at 100% under IFRS.

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

The classification of the hybrid capital of VIVAT NV and SRLEV NV (outstanding on 31 December 2017) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

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

Breakdown Own Funds

In € millions	2017	2016
Shareholders' equity	3,547	3,698
Reconciliation IFRS-Solvency II	-395	-213
Subordinated liabilities	1,049	1,094
Other	-1	-1
Total available own funds	4,200	4,578
Tiering restriction	-428	-259
Total eligible own funds	3,772	4,319

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:

- Technical provisions - Under Solvency II the technical provisions (including provisions for saving mortgages) are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on the technical provision is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital.
- Deferred Tax Assets - Due to differences in the valuation of the technical provisions the resulting DTA position is different.

Subordinated Liabilities

Under Solvency II the available own funds include subordinated debt including accrued interest with regard to this debt.

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 cause a difference between the Available Own Funds and the Eligible Own Funds.

Breakdown tiering

In € millions	Tier 1		Tier 2	Tier 3	Total
	Unrestricted	Restricted			
Eligible own funds to meet the Group SCR 2017	2,530	91	958	193	3,772
Eligible own funds to meet the Group SCR 2016	2,985	100	995	239	4,319

The main changes in 2017 in respect to reconciliation and tiering restrictions relate to changes in the VA and the impact of the decreased SCR on the tiering restrictions.

Solvency Capital Requirement

In € millions	2017	2016
Life underwriting risk	1,520	1,630
Underwriting risk Non-Life	208	215
Underwriting risk Health	271	279
Market risk	836	822
Counterparty default risk	145	275
Diversification	-881	-970
Basic Solvency Capital Requirement	2,099	2,251
Operational risk	203	194
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirement	2,302	2,445
Capital requirements of other financial sectors	25	21
Consolidated group SCR	2,327	2,466

The main risk profile changes in 2017 relate to changes in life underwriting risk (lapse risk), market risk (currency risk) and counterparty default risk.

Changes in the item "Diversification" is the result of changes in the underlying risk modules. Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types. Interest rate shocks can also have an impact on the Loss-absorbing capacity of technical provisions (LAC TP). Article 83 of the Delegated Regulations requires to report this impact separately from the SCR Interest rate scenario. Therefore the SCR Interest rate scenario does not change the value.

The Loss Absorbing Capacity of Deferred Taxes in the SCR is set at 0% for VIVAT.

Capital Requirements of other financials sectors refer to holdings which are subject to a different regime than Solvency II.

Solvency II Ratio

In € millions/percentage	2017 ¹	2016
Total eligible own funds	3,772	4,319
Consolidated group SCR	2,327	2,466
Solvency II ratio	162%	175%

¹ Regulatory Solvency II ratio is not final until filed with the regulator

Contingent liabilities - Under Solvency II, VIVAT has not measured the contingent liability relating to unit-linked policies in calculating the own funds as no reliable estimate can be made of the outcome. This is consistent with the measurement under IFRS.

7.4.7. Risk Profile

VIVAT is focusing on improving capital generation by re-risking, improving its combined ratio and value of new business, and further optimizing its risk profile taking into account its Risk Appetite. Optimizing will

also decrease the spread risk which originates from differences between the VIVAT asset portfolio and the reference portfolio of the Volatility Adjustment (VA).

The process of reducing the spread mismatch between assets (mainly German and Dutch government bonds) and liabilities (mainly swap plus Volatility Adjustment) started in 2016. The basis risk was further mitigated during 2017 by replacing long duration German and Dutch government bonds by swaps combined with short duration government bonds.

VIVAT successfully issued € 650 million senior notes to institutional investors. € 250 million of the proceeds were provided to SRLEV NV as restricted Tier 1 loan in June 2017. In November 2017 VIVAT issued \$ 575 million of subordinated notes to institutional investors. The proceeds of the issuance were used to redeem the subordinated loans issued by Anbang to par. This transaction results in substantially lower interest costs, but leads to an increase in the SCR due to an increased currency risk.

The capital charge for underwriting risk decreased due to the successful implementation of the mass lapse reinsurance contract. The contract was signed and in force as of December 31, 2016 and included in the SCR calculations as of June 30, 2017.

Counterparty Default Risk decreased mainly due to ending the security lending program, a substantial drop in receivables older than 3 months from intermediaries and policyholders and from contractually securing the savings amount of Savings Mortgages.

Development Solvency Ratio

The development in 2017 of the solvency ratio is explained by the analysis of change as presented in the graph below. The movement consists of the categories Capital Generation, Market Impacts, One-off items and Other.

The methodology for deriving the analysis of change is still under investigation and may be subject to change in 2018 and onward.

Capital Generation is the change of eligible own funds caused by realised organic capital generation due to expected asset return, release of risk margin, unwinding of the UFR and insurance results.

In market impacts the impact of economic variance to the asset return is taken into account (i.e. spread and interest rate movement). Next to these movements, also the change caused by volatility and symmetric adjustments is taken into account.

One-time items show the impact of events like mass lapse reinsurance contract, tier 1 and tier 2 capital changes and the corresponding impact on currency risk, ending of the security lending program and re-balancing the interest rate risk.

Other consists mainly of changes in models, insurance parameters, impact of tiering restrictions, as well as other business developments.

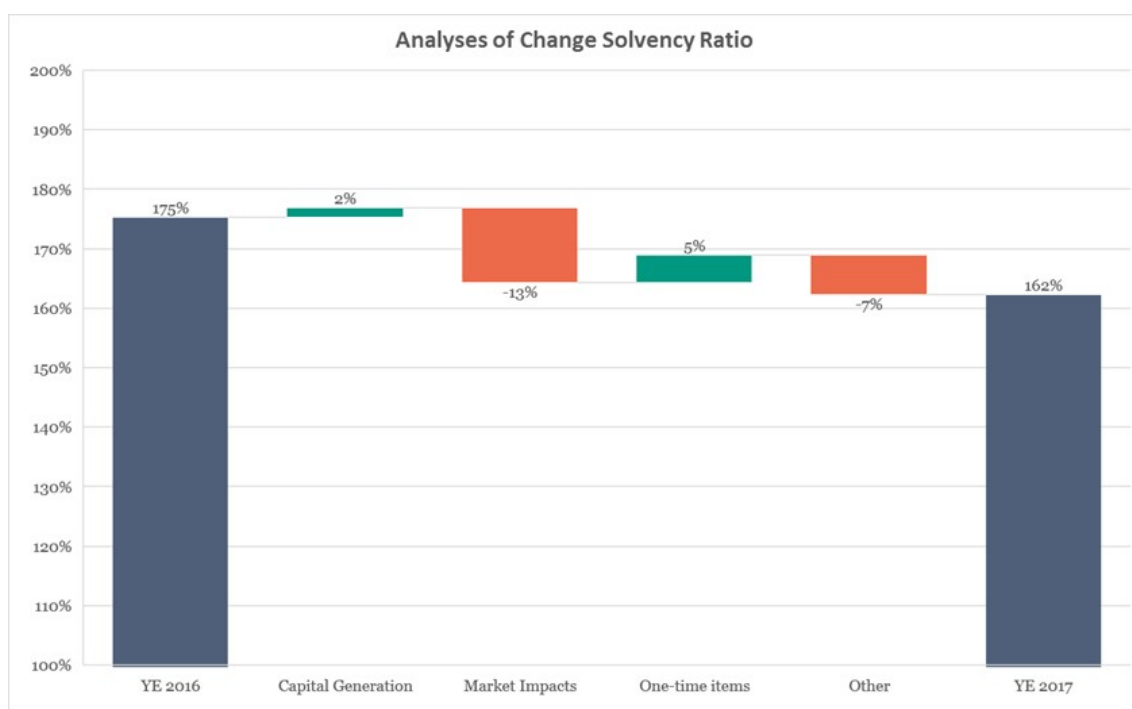


Figure 18: AoC Solvency Ratio

The Solvency II ratio of VIVAT NV decreased from 175% to 162%. The main drivers of this movement are:

Capital Generation (+/+2%)

The increase of the Solvency II ratio of 2% is explained by an increase in eligible own funds due to expected asset returns and release of risk margin. This movement is partly offset by the unwinding of the UFR.

Market Impacts (-/-13%)

The decrease in Solvency II ratio of 13% is mainly due to the change in VA. 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 remains because the VA is based on a reference portfolio instead of VIVAT's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. VIVAT is overweight in AAA rated European government bonds compared to the VA reference portfolio. The decrease of the Volatility Adjustment from 13 bp to 4 bp led to an increase of the value of the technical provisions (negatively impacting the S2 ratio by approximately 15%), that is only slightly offset by an increase of the value of the spread sensitive assets, leading to a significant decrease of the Solvency II ratio.

One-time Items (+/+5%)

One-time Items increased the Solvency II ratio with 5%, mainly by decreasing the risk profile. Most important movement in the risk profile is an decrease of underwriting risk, an decrease of counterparty default risk and an increase of currency risk.

- The mass lapse re-insurance contract improved our risk profile and is the main driver for the decrease in life underwriting risk, leading to a reduction in the Solvency Capital Requirement for underwriting risk, which in turn leads to an increase of the Solvency II ratio of 5%.

- The decrease of the counterparty default risk due to ending the security lending program and contractually securing the savings amount of Savings Mortgages leads to an increase of the Solvency II ratio of 6%.
- The increase of the currency risk, negatively impacting the Solvency II ratio with approximately 6%, was mainly due to the different treatment of previous issued subordinated debt in foreign currency and the new issuance of \$ 575 million of subordinated notes to institutional investors.

Other (-/-7%)

The most important drivers for the decrease in Solvency II ratio of 7% in this category, consist of changes in tiering restrictions and updating the underwriting risk parameters.

- The loss of eligible own funds due to the increase of the tiering restriction, caused by the decrease of the SCR, led to a decrease of the Solvency II ratio of approximate 4%.
- Updated expense- and other underwriting risk parameters account for an approximate 3% reduction of the Solvency II ratio.

7.5. Underwriting Risk

7.5.1. Risks – General

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, claims, policy holders' behaviour, 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 Non-Life (Property&Casualty and Disability). The interest rate risk related to insurance products forms part of the market risk.

7.5.2. Risk Management Process

VIVAT assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio.

Operational Plan

Derived from the VIVAT strategy, the Operational Plan (OP) describes the planned development of the insurance portfolio together with the related capital requirement for the next three years, based on expected new business and the existing portfolio. The OP sets out in broad terms whether VIVAT wants to enter new markets, which forms of distribution will be used, whether new (forms of) insurance 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 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 of new products, including the pricing. A selling product review is performed regularly, existing products follow a risk based product review calendar.

Technical Provisions

At the Non-Life Insurance businesses, all relevant information on portfolio and claims developments is used for the calculation of the Technical Provision and the SCR on a quarterly basis. At Life, the provision is calculated monthly. A liability adequacy test on the (IFRS) premium and claims reserves is performed once a quarter (at the Life and Pensions businesses) or once every six months (at the Non-Life Insurance businesses), or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insight with respect to parameters are involved here. The Actuarial Function assesses the Solvency II Technical Provision and expresses an opinion on its reliability and adequacy at least once a year.

Parameter Study

For long-term policies (Life, Disability) evaluation of the underwriting parameters (e.g. mortality, lapses, disability, recovery) takes place by a parameter study. The aim of this study is to value the existing insurance portfolio and set the cost price of new Life insurance policies. For short-term policies the Non-Life underwriting parameters are evaluated every quarter, other parameters (like lapse) at least once a year. Thereby relevant information on portfolio developments is taken into account. At the Non-Life business, the tariff structure of each product is regularly assessed by means of analysis. Monitoring takes place on the basis of the combined ratio of each branch and distribution.

Portfolio Analysis

Portfolio analysis is aimed at optimising risks and returns within the risk policy structure. This can lead to new strategic insights in areas such as entering new markets or terminating products. The analysis is based on the impact of underwriting risks following from various measures: IFRS-based liability adequacy test (LAT), long term profitability, SCR and VNB. Based on the risk appetite, VIVAT mitigates underwriting risks primarily by means of diversification and reinsurance.

7.5.3. Life

Life includes SRLEV and Proteq Levensverzekeringen.

7.5.3.1. Risk Categories

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, lapse risk, catastrophe risk and expense risk. It can also include disability and recovery risk to a limited degree. VIVAT is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II.

Mortality Risk and Longevity 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 mortality risk for VIVAT is that the policyholder lives longer than expected (longevity risk). The financial impact of the difference between the date the policyholder is expected to die and the actual date of death can be substantial, particularly in the case of longevity risk.

To forecast the survival probabilities of the entire population, VIVAT 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 reviewed at least once a year and updated if necessary to include the most recent observations. Once a year VIVAT also reviews and if required updates the empirical figures for portfolio mortality on the basis of research into observed mortality within the Life portfolio. The use of the existing AG2016 table was confirmed for 2017.

Disability-morbidity Risk

Other underwriting risks that affect the Life insurance portfolio is the risk of being (partly) incapacitated for work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policy holder.

Lapse Risk

Other underwriting risks that affect the Life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender (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).

Life Expense Risk

VIVAT 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 or reinsurance contracts.

VIVAT uses 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. This assumption is reflected in the projection parameters for the technical provision.

Life Catastrophe Risk

With respect to Life insurance, in the event of a catastrophe the risks will be concentrated primarily in the group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risk. Such concentrations of risks have been partly offset through the use of reinsurance.

Interest Rate Guarantee Risk

In the case of traditional insurance policies, VIVAT 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, VIVAT pays the policy holder a predetermined nominal amount. In contrast, VIVAT does not run any interest rate risk on pure unit-linked contracts. However, VIVAT has issued interest rate guarantees for some unit-linked insurance policies, as a result of which it is exposed to an interest rate risk in respect of products of this type. A guaranteed minimum return on maturity applies in the case of unit-linked investment policies with an interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the policyholder that, in principle, bears the market risk. The policyholder is the institution that concluded the contract to insure the pension commitments for its employees with VIVAT. VIVAT guarantees the payment of the insured pension rights. The value of the investments has to be at least sufficient to cover the provision for accrued pension rights that

are guaranteed. Additional measures may also have been agreed contractually to compensate for investment losses up to a certain amount (e.g. the creation of an additional provision/buffer in the investment account). VIVAT is entitled to reduce the market risk if the additional provisions/buffers are insufficient. If the value of the investments (including any contractually agreed additional measures) turns out to be insufficient, the remaining deficit is for the risk of VIVAT.

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

Products in the Life insurance portfolio (Solvency II)

Product	Product features		Risks per product					
	Guarantee	Profit-Sharing	Mortality	Longevity	Catastrophe	Lapse	Expense	Disability
Savings-based mortgage	Mortgage interest		√		√	√	√	
Life annuity	Regular payment			√			√	
Term insurance	Insured capital	¹	√		√	√	√	
Traditional savings	Insured capital	√	√	√	√	√	√	
Funeral insurance	Insured capital	√	√		√	√	√	
Individual insurance policies in investment units	²		√	√	√	√	√	
Group insurance policies in cash	Regular payment / Insured capital	√	√	√	√	√	√	√
Group insurance policies in investment units	³			√	√	√	√	√
Group insurance policies with separate accounts	Regular payment / Insured capital ⁴			√		√	√	√

¹ Partly company profit-sharing

² In some insurance guaranteed minimum yield applies at maturity

³ In some insurance guaranteed minimum yield applies at maturity

⁴ End of contract date contract contributory is not mandatory

7.5.3.2. Life Insurance Portfolio

The Life insurance portfolio contains individual (Individual Life) and Group insurance (Life Corporate) policies.

Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit-linked and universal life insurance). The traditional products were sold without or with profit sharing. The unit linked policies are without or with guarantees.

The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings mortgage policies, endowments and other savings policies, term life policies, funeral policies and Life annuity insurance policies providing regular payments for a fixed period or for the remainder of the holder's life.

The Life Corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit linked and universal life) and separate accounts, where the investment risk is borne by the customer. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer.

The total portfolio is spread over policies with mortality risk and policies with longevity risk.

VIVAT sells individual Life insurance policies and annuities in the retail and SME markets in the Netherlands. With respect to new business, the focus is primarily on term Life insurance. These are sold via the labels Reaal and Zwitterleven by intermediaries and through direct channels. Furthermore, mortgage-related capital insurance is sold. The individual life insurance is aimed at private households.

VIVAT's corporate Life insurance portfolio focuses on the entire corporate market in the Netherlands.

The next table provides an overview of the product portfolio.

Scope of various insurance categories

	Gross premium income		Sum insured		Technical provision for insurance contracts ¹	
	2017	2016	2017	2016	2017	2016
In € millions						
Traditional insurance policies	646	615	70,942	73,544	11,764	12,334
Individual insurance policies in investment units	240	273	84,522	89,412	4,937	5,223
Total Individual Life	886	888	155,464	162,956	16,701	17,557
Traditional insurance policies	321	183	2,582	2,539	3,357	3,294
Group insurance policies	591	298	15,987	19,244	11,349	9,894
Group insurance policies in investment units	454	473	38,968	37,969	8,640	9,419
Total Life Corporate	1,366	954	57,537	59,752	23,346	22,607
Total	2,252	1,842	213,001	222,708	40,047	40,164

¹ The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives and LAT deficit.

Breakdown of various insurance policies

In € millions	Gross premium income		Sum insured		Technical provision for insurance contracts ¹	
	2017	2016	2017	2016	2017	2016
Term insurance	184	189	65,758	69,052	563	539
Pure endowment	80	53	2,567	2,817	1,495	1,733
Endowment	437	443	19,058	21,283	9,429	10,004
Funeral insurance	28	31	2,119	2,169	1,132	1,121
Deferred annuities and survivor annuities	502	205	9	6	6,891	5,386
Annuity payments	304	153	-	-	6,820	6,590
Supplementary coverage	23	22	-	-	140	149
Traditional insurance policies	1,558	1,096	89,511	95,327	26,470	25,522
Individual insurance policies in investment units	240	273	84,521	89,413	4,937	5,223
Group pure endowments	355	340	5,677	5,159	5,724	5,172
Group endowments	5	15	1,944	2,927	553	680
Group deferred annuities and survivor annuities	41	65	0	0	1,579	2,586
Group annuity payments	5	5	0	0	703	888
Other group insurance policies	48	48	31,348	29,882	81	93
Insurance policies in investment units	694	746	123,490	127,381	13,577	14,642
Total	2,252	1,842	213,001	222,708	40,047	40,164

¹ The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives and LAT deficit.

Co-insurance Life

VIVAT has concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the case of co-insurance, each co-insurer is liable for its own part of the insurance. Every year, the leader of the contract draws up a report that VIVAT uses to monitor the development of the portfolio and determine the provisions.

7.5.3.3. Life Reinsurance

The insurance business has a largely integrated reinsurance programme for the life and disability portfolio. As in previous years, separate reinsurance contracts for life and disability have been in force for the individual and group portfolios. The catastrophe reinsurance contract was concluded as an umbrella cover for the different sub portfolios together.

In 2017, the retention of life and disability for individual risks corresponded to € 1.5 million sum at risk per insured, for group risks the retention corresponded to € 1.0 million sum at risk per insured. The retention of the catastrophe cover amounts from € 15 million up to 90 million. For 2018, the appropriateness of the current structure of the reinsurance program will be assessed with the aim to align this conservative structure with the risk management principles as described in the Reinsurance Policy.

To protect VIVAT for the risk of a mass lapse event, VIVAT has placed a non-proportional mass lapse stop loss reinsurance contract (indemnity based) with an effective date of December 31, 2016. The impact has been reflected in the 2017 SCR calculations.

7.5.3.4. Sensitivities and SCR

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. The most material items have been disclosed.

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.

The important sensitivities of Solvency II ratio to changes in the underwriting parameters are the sensitivities to longevity risk and expenses.

The Solvency II ratio sensitivities for underwriting parameters are based on the estimated impact on own funds without recalculating the SCR after shock.

Sensitivity as a result of changes in underwriting parameters

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	2017	2016	2017	2016
10% increase in surrender rates (including non-contributory continuation)	4	-11	4	-11	1%	0%
10% lower mortality rates for all policies (longevity risk)	-251	-256	-251	-256	-14%	-14%
10% increase in expenses assumptions + 1% increase in inflation	-434	-469	-434	-469	-25%	-25%

Mortality risk

The capital requirement for life mortality risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the technical provisions. The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Longevity Risk

The capital requirement for life longevity risk is equal to the loss in basic own funds resulting from an instantaneous permanent decrease of 20% in the mortality rates used for the calculation of the technical provisions. The conditions for the calculation are exactly the same as those specified in relation to life mortality risk, although in this case it concerns an increase in the best estimate provision in the event of a falling mortality rate. The groups whom this concerns will generally be those that are not affected by the life mortality risk.

Disability-morbidity risk

Please refer to section 7.5.4 Non-life.

Lapse risk

The capital requirement for life lapse risk is equal to the largest of the following capital requirements:

- The capital requirement for the risk of a permanent increase in lapse rates.
This is equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50%.
- The capital requirement for the risk of a permanent decrease in lapse rates.
This is equal to the loss in basic own funds of insurers and re-insurers that would result from an instantaneous permanent decrease of 50%.
- The capital requirement for mass lapse risk.
This is equal to the loss in basic own funds that would result from a discontinuance of 40% of the policies.
- The mass lapse shock is the dominant shock for VIVAT and its subsidiaries

Life expense risk

The capital requirement for life-expense risk is equal to the loss in basic own funds that would result from the following combination of instantaneous changes:

- an increase of 10% in the amount of expenses taken into account in the calculation of the technical provisions;
- an increase of 1 percentage point in the cost-push inflation rate (expressed as a percentage) used for the calculation of the technical provision.

The above shock is applied to all VIVAT's continuing operating expenses. Only the 10% increase is applied on the management fee of the investment portfolio, because these expenses are not sensitive to inflation.

Revision risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life catastrophe risk

The capital requirement for life catastrophe risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 0.15 percentage points to the mortality rates in the following 12 months.

The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Diversification

Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

The table below shows the SCR of the underwriting risk Life. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

SCR Life underwriting risk

In € millions	2017	2016
Mortality risk	262	250
Longevity risk	1,071	1,023
Disability-morbidity risk	22	13
Lapse risk	223	404
Life expense risk	604	653
Revision risk	-	-
Life catastrophe risk	193	214
Diversification	-855	-927
SCR Life underwriting risk	1,520	1,630

The Solvency Capital Requirement for life underwriting risk decreased mainly due to a decrease of the lapse risk due to the implementation of the mass lapse reinsurance contract. Other relevant drivers are an increase of interest rates, updated parameters and portfolio developments. Portfolio developments are taken into account for the calculation, but also in the future parameters for calculating the risks by insurance parameter studies. The updated parameters lead to an increase of longevity risk (and decrease of mortality risk and life catastrophe risk) and a decrease of expense risk. Disability/ Morbidity risk has increased.

7.5.4. Non-life

For the division of risks into sub-risks in the Non-life insurance portfolios, VIVAT makes a distinction between Health underwriting risk and Non-Life underwriting risk.

The emphasis of this portfolio is on three segments: Fire, Motor and Disability. The insurance policies are mostly sold through authorized agents and distribution partners to retail and SME customers. In addition, sales are also effected via direct channels. The disability insurance products in the portfolio include both individual coverage (for self-employed persons) and group coverage for employees. Only individual insurance contracts are currently sold.

The health underwriting risk module consists of the following three submodules:

- SCR for the Health Non-SLT underwriting risk
- SCR for the Health SLT risk
- SCR for the Health catastrophe risk

The Health catastrophe sub-module relates to all health insurance policies (i.e. both SLT and Non-SLT). In the following two subparagraphs the Non-Life underwriting risk and the health underwriting risks are assessed. In the third subparagraph the important role reinsurance has on the risk profile of VIVAT Schadeverzekeringen NV is mentioned.

7.5.4.1. Disability

The classification of Life insurance risks also applies to these insurance policies, although the materiality of these risks is different. The Non-life insurer pays disability benefits that stem from the individual and group portfolios. The Life insurer pays disability benefits that relate to the cover that forms part of a Life insurance contract.

Disability risk, recovery risk and lapse risk

In the case of disability insurance, the main risks are the disability risk, recovery risk and lapse risk. The disability risk and recovery risk are risks that appear when a policyholder becomes unfit for work and receives benefits during the period this situation remains to exist. The risks relate to the amount, duration and timing of the payment of the insured cash flows. The disability risk is the risk that more policyholders than expected become disabled, or that policyholders become more severely disabled than expected. The recovery risk is the risk that fewer policyholders recover or that the policyholder recovers to a lesser extent than expected. The lapse risk is the risk associated with the consequences of cancellation by the policyholder before the envisioned end date of the policy.

VIVAT manages this risk by continuously monitoring the inflow, outflow and by promoting/offering reintegration pathways.

7.5.4.2. Property & Casualty

The risks of Property & Casualty (P&C) can be divided into risks related to claims, whether reported or not, that have already occurred (reserve risk), and risks related to future claims arising from current contracts (premium risk and catastrophe risk).

Reserve risk

Reserve risk is the risk that the accrued claims reserves are insufficient to settle all claims already incurred. VIVAT manages this risk by means of monitoring best estimate trends in the claims development based on claim year on a regular basis. VIVAT has assigned specialised departments for the handling and run-off of claims (including bodily injury claims). Experts in these departments handle claims on an item-by-item basis, make estimates of the size of the claim, and monitor the progress of claims settlement. The long-tailed claim areas at VIVAT are disability claims, bodily injury claims and liability claims.

A liability adequacy test on the (IFRS) premium and claims reserves is performed once every six months, or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved here.

For short-term policies (P&C), the Non-life underwriting parameters are evaluated every quarter, other parameters (like lapse) at least once a year. In these evaluations relevant information on portfolio developments is taken into account. The tariff structure of each product is regularly assessed by means of analysis. Monitoring takes place on the basis of the combined ratio of each branch and distribution channel.

Premium risk

Premium risk is the risk that premiums pertaining to future exposure are insufficient to meet all corresponding claims and costs. VIVAT manages this risk by means of the product development, pricing and acceptance procedures as described in Section 7.5.2, Risk Management Process.

Catastrophe risk

Catastrophe risk is the risk of losses due to extreme or exceptional events. This includes both natural disasters and events caused by human actions. Geographically, the risk in the Non-life portfolio of VIVAT is almost entirely concentrated in the Netherlands. There is concentration of underwriting risks in the Fire segment, where storm risk is an important factor. In addition, the concentration of risks can occur in apartment buildings, city blocks and office buildings. The concentration of risks also occurs in the group accident

portfolio and the group disability schemes. VIVAT reinsures catastrophe risks due to perils of nature (such as storms) or terrorism. Catastrophes resulting from acts of violence, nuclear incidents or floods are excluded under the standard policy conditions. Through participation in the nuclear insurance pool and the environmental insurance pool, specifically insured risks are shared with other insurers.

Co-Insurance

VIVAT Schadeverzekeringen NV is represented at the Rotterdam Insurance Exchange through its co-insurance unit. Risks in the Fire, Transport and Liability segments are underwritten. The focus is on the medium-sized and large business segments of the corporate insurance market.

7.5.4.3. Non-life Reinsurance

The use of reinsurance is an important role in managing the net risk profile of the Non-Life portfolio. The reinsurance program consists of reinsurance contracts per line of business and makes no specific distinction between the various distribution channels. In addition to the regular protection for the portfolios, VIVAT Schadeverzekeringen NV has concluded a catastrophe contract for covered natural perils (storm, hail) and the accumulation of losses due to one event (e.g. conflagration) within the fire portfolio.

The 2017 reinsurance program was largely a continuation of the program for 2016. From risk management and capital management considerations, the capacity of the catastrophe programme is aligned with the Risk Appetite of VIVAT.

Non-life insurance retention

In € thousands		2018	2017	2016
Coverage:				
Fire	per risk	2,000	2,000	2,000
Motor third-party liability	per risk	2,500	2,500	2,500
General liability	per risk	1,500	1,500	1,000
Accidents	per risk	1,000	750	750
Transport	per risk	1,000	1,000	1,000
Disability (risk capital)	per risk	1,500	1,500	1,500
Catastrophe	per event	20,000	20,000	20,000

The level of retention of the VIVAT Non-life reinsurance contracts is in line with the size of the underwriting portfolios and the principles of the Reinsurance Policy. The reinsurance programme consists of reinsurance contracts per line of business and makes no specific distinction between the various distribution channels.

7.5.4.4. Sensitivities and SCR Non-life

The own funds of P&C Insurance are sensitive to results in the Non-life claims, disability and loss ratio's. The impact of these results on the own funds of VIVAT is very limited. The IFRS net result sensitivity for an increase of claims of 10% is equal to the impact on IFRS shareholder equity and decreased from minus 32 million to minus 29 million.

Non-Life premium and reserve risk

The capital requirement for the premium and reserve underwriting risk is dependent on the standard deviation and volume of the premiums and outstanding reserves.

Non-Life Lapse risk

The capital requirement for the lapse risk is equal to the loss in basic own funds as a consequence of an instantaneous discontinuance of 40% of the insurance policies for which discontinuance would result in an increase of the best estimate provision. Compared to premium & reserve risk and the catastrophe risk this risk is limited.

Non-Life catastrophe risk

In calculating the SCR for the Non-Life portfolio the following main drivers are identified: premium & reserve risk, cat risk and lapse risk. Due to risk diversification between the risks the total risk is less than the aggregated results and thus a diversification effect originates. In the following table the net SCR outcome for each risk is given.

SCR underwriting risk Non-Life

In € millions	2017	2016
Non-Life premium and reserve risk	183	190
Non-Life lapse risk	4	4
Non-Life catastrophe risk	63	63
Diversification	-42	-42
SCR Non-Life underwriting risk	208	215

The movement in the SCR underwriting risk is limited and can be explained by regular portfolio development.

7.5.4.5. Sensitivities and SCR Health

The health underwriting risk relates to occupational disability policies and the casualty, sickness benefits and pet care portfolio. As the risk profiles of these insurance policies differ, a distinction is made in risks between:

- health insurance policies which provide for long-term benefits and thus resemble Life policies (Health SLT);
- health insurance policies which provide for short-term benefits and thus resemble Non-Life insurance (Health Non-SLT);
- risks relating to a mass accident, an accident concentration risk and a pandemic. This results in a third main risk module within Health and is the Health catastrophe risk (Health Cat).

SLT Mortality risk

This risk applies to the Health SLT active portfolio for which mortality rates may have a negative impact on the best estimate. For the Health SLT Inactive portfolio a shorter life will mean less future payments. The impact is marginal because the end date of the contract limits the mortality risk.

SLT Longevity risk

This risk only applies to Health SLT Inactive portfolio. The impact is marginal because the end date of the contract limits the longevity risk.

SLT Disability-morbidity risk

The capital requirement for morbidity risk (or incapacity for work risk) is equal to the loss in basic own funds that would result from the following combination of instantaneous permanent changes:

- an increase of 35% in the disability rates which are used in the calculation of technical provisions in the following 12 months;
- an increase of 25% in the disability rates which are used in the calculation of technical provisions in all months thereafter;
- a decrease of 20% in the rehabilitation rates for the calculation of the technical provision for all years.

The shock on disability applies to both the first year as well as risk after the first year and has major impact on both the Health SLT active portfolio as well as the Health SLT inactive portfolio. The parameters in the shock are at the core of the product and given the duration of the controls the impact of this shock is very significant in the Non-Life portfolio.

SLT Lapse risk

The high exposure to lapse is mostly driven by the expected future profits contained in the disability portfolio. The lapse risk is based on a formula of different type of shocks (see Life portfolio). The impact is mainly seen at the health SLT active portfolio. There is a (marginal) impact on the inactive portfolio, because disabled policy holders can rehabilitate.

SLT Expense risk

The impact of the expense risk shock is relatively limited for the disability portfolio.

SLT Revision risk

The capital requirement for revision risk is equal to the loss in basic own funds that would result from an instantaneous permanent increase of 3% in the amount of annuity benefits only on annuity insurance and reinsurance obligations where the benefits payable under the underlying policies could increase as a result of changes in the legal environment or in the state of health of the insured person. Due to the fact that disability claims are paid out in the form of an annuity, there is a sensitivity to this shock. However, it is limited.

The health SLT underwriting risk applies to occupational disability policies. Virtually the same sub-modules as defined for the Life underwriting risk (see Chapter 7.5.3.4) apply to the SLT health underwriting risk. Also virtually the same are the extent of shocks and the correlation assumptions between the shocks.

SCR Health SLT underwriting risk

In € millions	2017	2016
SLT Longevity risk	3	4
SLT Disability-morbidity risk	233	245
SLT Lapse risk	79	77
SLT Expense risk	22	20
SLT Revision risk	15	16
Diversification	-90	-91
SCR Health SLT underwriting risk	262	271

The parameter update for the disability portfolio resulted in lower disability rates and higher rehabilitation rates used for calculating the value of the liabilities, resulting in a lower disability-morbidity risk and a lower SCR.

SCR Health underwriting risk

In € millions	2017	2016
SCR Health SLT underwriting risk	262	271
Non-SLT premium reserve risk	15	14
Non-SLT lapse risk	3	3
Diversification	-3	-3
SCR Health Non-SLT underwriting risk	15	14
Health catastrophe risk	3	3
Diversification	-9	-9
Total health underwriting risk	271	279

Non-SLT SCR

Due to the limited size of the portfolio, the sensitivity is limited.

7.6. Market Risk

7.6.1. Risks – General

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavourable changes in market conditions have an impact on VIVAT'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 VIVAT'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 VIVAT. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, with respect to the duration thereof.

The following eight sub-market risks have been defined: interest rate risk, equity risk, property risk, spread risk, basis risk, market risk concentrations, currency risk and volatility risk. VIVAT 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.

VIVAT monitors and mitigates market risk in close cooperation with ACTIAM, the asset manager of VIVAT. For mitigation, instruments such as interest rate swaps, futures, FX forwards, 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, counterparty 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. 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 ratio, the tax position and the long-term risk exposure. In order to spread the risk, the risk is spread across a range of risk drivers, asset classes and sectors. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital.

Investments are made in accordance with the prudent person principle and in the interest 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 other market risk. These risks are quantified (and monitored) on a regular basis.

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.

These market risk scenarios are monitored and reported on a regular basis, and if deemed necessary adjustments are made to existing risk exposures based on overlay hedging tools. This evaluation is supported by metrics for yield curve risk and non-linear interest rate risk. In this manner, VIVAT manages market risk from a holistic balance sheet perspective.

This 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. SCR Market Risk

Exposure to market risk is measured under the Solvency II regime using adverse movements in financial variables. The main driver of market risk is the Solvency Capital Requirement for spread risk and to lesser extent the Solvency Capital Requirements for equity and interest rate risk.

The relevant types of market risk in Solvency II are displayed in the table below:

SCR Market risk

In € millions	2017	2016
Interest rate risk	224	257
Equity risk	196	242
Property risk	117	103
Spread risk	489	509
Concentration risk	-	-
Currency risk	175	11
Diversification	-365	-300
SCR market risk	836	822

The main drivers for the SCR market risk increase are an increase in the currency risk and a decrease in the equity risk. In the Solvency II regime the capital requirement for currency risk is determined on the assets over the liabilities, not taken into account the issued subordinated notes in foreign currency. This leads to

an exposure of the currency risk in the standard formula. The equity risk decreased mainly due to a tactical adjustment in the asset portfolio.

7.6.3.1. Interest Rate Risk

Interest rate risk is a key component of VIVAT's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not equal and it is expressed as movements in the capital position if market rates change. Moreover, the expected fixed cash flows from technical provisions are matched with fixed-income investments as much as possible. The profit-sharing and return guarantees to policyholders are an additional source of interest rate risk. Due to the long term nature of the Life and Pension insurance portfolio it is very sensitive to interest rate movements. This sensitivity is partly mitigated by the use of interest rate derivatives to hedge the guarantees and profit-sharing in the Life insurance portfolio.

VIVAT uses a scenario based approach to control the sensitivity of solvency to market conditions, such as interest rates and spreads. The key solvency metric to express the risk is based on the regulatory solvency reported to the Dutch Central Bank (DNB). This method is chosen because VIVAT has decided to use regulatory solvency as the principle factor in managing market risks.

From this perspective also the UFR of 4.2% prescribed by EIOPA 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. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency.

The tables below show the sensitivity of the IFRS result, IFRS equity and Solvency II ratio to changes in interest rates as a result of a decrease or an increase by 0.5% of the interest rates (maintaining the UFR at 4.2%), decreases in the UFR of 0.15% and 0.5% and the impact of the VA on the Solvency II ratio.

Under IFRS the impact of different UFR is slightly different than under Solvency II due to tiering and the VA (not applicable under IFRS).

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	2017	2016	2017	2016
Interest +50 bps	-41	-129	-41	-129	6%	-1%
Interest -50 bps	69	166	69	166	-9%	1%
UFR -15 bps	-58	-74	-58	-74	-7%	-4%
UFR -50 bps	-198	-245	-198	-245	-15%	-13%
Excluding VA	-	-	-	-	-11%	-23%

Nominal Insurance Liabilities by buckets

The table below presents nominal cash flows arising from insurance liabilities, net of reinsurance (liabilities) by maturity segment.

Cash flows from insurance business 2017

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities – Life	1,261	4,437	5,468	4,983	4,426	14,141	34,716
Insurance liabilities – Non-life	122	380	158	111	84	93	949
Total	1,383	4,817	5,626	5,094	4,510	14,234	35,665

Cash flows from insurance business 2016

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities – Life	1,173	4,294	5,177	4,703	4,118	13,526	32,991
Insurance liabilities – Non-life	131	340	159	122	91	94	937
Total	1,304	4,634	5,336	4,825	4,209	13,620	33,928

The table excludes the portfolio on account of policyholders. The portfolio on account of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are offset. 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. Also the Ultimate Forward Rate of 4.2% (UFR) prescribed by EIOPA also introduces a risk. It limits the interest rate sensitivity of value of the cash flows of the liabilities included in the table above. Over the course of time, this downward pressure of the UFR on the interest rate sensitivity of the in-force liabilities will disappear.

VIVAT'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 receive a reasonable return (in terms of market value) that is in line with VIVAT's risk exposure and to stabilise the solvency capital. VIVAT manages its interest rate risk by stabilising the Solvency II ratio after an up or down interest rate shock, taking the UFR of 4.2% into account. This generally results in a negative own funds impact for interest rate up movements and a positive own funds impact for interest down movements.

The capital requirement for interest rate risk is determined on the basis of two scenarios in which the risk free yield curve is exposed to shocks affecting both assets and liabilities. The first scenario is 'interest rate up' and the second 'interest rate down'. The capital requirement for interest rate risk is defined by the scenario which has the most negative impact on basic own funds. The sign of the SCR interest rate shock (up or down) has to be determined based on the net SCR interest rate risk in accordance with SII legislation. However, the gross SCR interest rate risk determines the size of SCR interest rate risk. The interest rate scenario used for the up and down Solvency II shocks are prescribed; being in effect a parallel up shock of 100 bps and a non-parallel down shock increasing from 0 to minus 71 bps, both without re-applying the UFR.

SCR Interest rate risk

In € millions	2017	2016
SCR interest up shock	-224	-257
SCR interest down shock	-246	-235
SCR interest rate risk	224	257

Per year end 2017 the sign of the net shock differs from the sign of the gross shock, resulting in the up shock to be leading for SCR interest rate risk. The interest rate risk for VIVAT mainly changed due to market and portfolio developments.

7.6.3.2. Equity Risk

The IFRS-based equities classification also includes participations in funds that invest in other types of securities like money market funds and other (non-investment grade) fixed income funds. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS for a more economic approach (“look through”), including the impact of the shock on the liabilities. VIVAT periodically examines the impact of changes in the equity markets on the result and on own funds. Scenario analysis are used for this purpose, in line with the situation applying in the case of interest rate risk.

The tables below show the results of this analysis at the reporting date net of taxation. Upward effects on equity are processed in the revaluation reserve and do not impact earnings. A downward effect on equity does impact the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 in the Annual Report for Accounting policies regarding the statement of financial position).

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	2017	2016 ¹	2017	2016
Equities +10%	21	23	37	55	1%	2%
Equities -10%	-32	-31	-37	-55	-1%	-2%

¹ Compared to the Annual Report 2016 the sensitivity of IFRS shareholders' equity and P&L now include the impact on liabilities and are calculated applying the lookthrough principle.

The SCR for equity risk is equal to the loss in market value of the basic own funds in the event of a sudden shock to equities including a so-called symmetric adjustment. This adjustment corrects the equity shock for the difference between the current level of global equity prices and a long-term average and can vary between a minus 10% adjustment and a plus 10% adjustment.

SCR for equity risk consists of type 1 and type 2 equities. Type 1 equities are equities listed in regulated markets which are members of the EEA or OECD. Type 2 equities are equities listed in countries other than members of the EEA and/or OECD, non-listed equities, private equities, hedge funds, commodities and other alternative investments.

The SCR for equity risk is defined as the aggregation of the capital requirement for type 1 equities and the capital requirement for type 2 equities, allowing a correlation of 0.75 between types 1 and 2.

A transitional arrangement can be applied to type 1 equities in order to reduce the standard capital charge. VIVAT does not apply this transitional arrangement.

The table below shows the SCR for equity risk.

SCR Equity risk

In € millions	2017	2016
Type 1 equities	143	136
Type 2 equities	65	123
Diversification	-12	-17
Equity risk	196	242

The equity risk of VIVAT and SRLEV decreased mainly due to a tactical adjustment in the asset portfolio.

The SCR for type 1 originates for a great part from contracts where the investment risk is born by the policyholder (unit linked and collective investment undertakings).

7.6.3.3. 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.

The IFRS-based equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS based on an economic approach ("look through"). VIVAT periodically examines the potential impact of changes in the property markets on the net result and on shareholders' equity based on scenario analysis in line with the situation applying in the case of interest rate risk. The table below shows the indicative results of this analysis at the reporting date net of taxation.

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	2017	2016 ¹	2017	2016
Property +10%	33	28	35	31	1%	1%
Property -10%	-33	-29	-35	-31	-1%	-1%

¹ The sensitivity of IFRS shareholders' equity and P&L differ from 2016 due to including the impact of property for own use and applying the lookthrough principle.

The SCR for property risk is equal to the loss in the basic own funds that would result from an instantaneous decrease of 25% in the value of property. Property consists of direct property (e.g. buildings and investments in owner-occupied properties) and indirect interests in property (through investment funds). VIVAT applies the look-through approach in determining the SCR for property risk also taking the effect of any leverage on the Net Asset Value of property funds into account.

The table below shows the SCR for property risk:

SCR Property risk

In € millions	2017	2016
Property risk	117	103

Property risk of VIVAT increased due to the acquisition of property which increased our rental income.

7.6.3.4. Spread 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 securitizations, loans, corporate and government bonds that are sensitive to changes in credit risk surcharges. Increasing 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 in line 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 VIVAT'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.

While interest rate risk regarding the Solvency II ratio sheet is well matched, there remains significant volatility as the credit risk profile of VIVAT differs from the profile implied by the Volatility Adjustment (VA). The basis risk was further mitigated during 2017 by replacing long German and Dutch government bonds by swaps combined with short government bonds. The basis risk is still material, in case of higher rates (spreads) for bonds, IFRS equity is affected.

An increase of credit spreads will directly have a negative short-term effect on IFRS equity and net result, in the long run, spreads are expected to be realised, mitigating this short term negative effect. Under Solvency II an increase of credit spreads also leads to an increase of the Volatility Adjustment impacting the value of the liabilities. VIVAT assumes that an increase of all credit spreads of 50 bps leads to an increase of the VA of 23 bps, an increase of 50 bps on corporates to an increase of the VA of 14 bps and an increase of 50 bps on government bonds to an increase of the VA of 9 bps. The change of the VA has no impact on the value of the liabilities under IFRS.

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio ¹	
	2017	2016	2017	2016 ²	2017	2016
Credit spreads Government Bonds +50 bps	-506	-753	-506	-753	-18%	-29%
Credit spreads Corporates/Mortgages +50 bps	-111	-117	-111	-117	13%	9%
All Credit spreads +50 bps	-617	-870	-617	-870	-5%	-20%

¹ An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

² Compared to the Annual Report 2016 the figure is now including a net spread shock on mortgages of 40 mln

The replacement of the long term government bonds by swaps combined with short term government bonds led to a lower IFRS sensitivity for credit spreads (especially for government bonds). This also led to a lower sensitivity of the Solvency II ratio for credit spreads (especially for government bonds).

Solvency Capital Requirement for spread risk

The SCR for spread risk is determined by calculating the impact on the eligible own funds due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, loans and structured products. The capital requirement takes into account the market value, the modified duration and the credit quality category.

SCR Spread risk

In € millions	2017	2016
Bonds and loans	441	447
Securitisation positions	48	62
Spread risk	489	509

The SCR for spread risk of VIVAT decreased mainly due to normal market and portfolio developments. European sovereigns and sub-sovereigns are excluded from spread risk.

7.6.3.5. 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.

A concentration risk charge is prescribed under Solvency II when the issuer exposure exceeds a certain percentage threshold of the asset base depending on the credit rating of the issuer and the type of investment. The SCR for concentration risk is calculated on the basis of single name exposure. This means that undertakings which belong to the same corporate Group are treated as a single name exposure.

VIVAT and its insurance entities still hold substantial investments in German and Dutch government bonds and supranational issuers which are excluded from (the Solvency II scope of) concentration risk. As of 31 December 2017, the applicable Solvency II thresholds have not been exceeded and as a result no concentration risk charge was applicable to VIVAT or its insurance entities.

7.6.3.6. 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. The currency risk of VIVAT is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, VIVAT's policy is to permit only a very limited currency risk. Given this, the currency risk on fixed-income investments denominated in foreign currency is, in principle, hedged with currency swaps.

Currency risk also arises in relation to the equity investments of VIVAT. This currency risk, after netting the currency risk in other non-fixed-income investments and liabilities, is structurally hedged using forward currency contracts or currency swaps if the net exposure without applying look through principle exceeds € 10 million.

The effects of changes in foreign exchange markets on the net result, own funds and solvency are measured periodically using scenario analysis. The Solvency II currency exposure is determined using the look through principle regarding investment funds. This results in slightly higher currency exposure.

The table below provides an indication of VIVAT's foreign exchange exposure excluding loans.

Currency exposure excluding loans (net exposure)

In € millions	Net balance exposure		Hedge derivatives	
	2017	2016	2017	2016
US Dollar	149	131	-142	-134
Pound Sterling	61	64	-46	-64
Japanese Yen	482	-	-482	-
Australian Dollar	1	2	-	-
Total	693	197	-670	-198

The table below provides an indication of VIVAT's foreign exposure on subordinated loans (nominal value).

Currency exposure loans (net exposure)

In € millions	Nominal balance		Hedge derivatives	
	2017	2016	2017	2016
US Dollar	-476	-180	479	-180
Swiss Franc	9	-98	-	-98
Total	-467	-278	479	-278

The SCR for currency risk is equal to the loss in the basic own funds that would result from an instantaneous change in the value of the foreign currency against the local currency. For each foreign currency this involves taking the maximum of the impact on the basic own funds of a 25% increase or 25% decrease in the value of the currency. The total SCR for currency risk is then obtained by the sum of the 'individual' currencies.

SCR Currency risk

In € millions	2017	2016
Currency risk	175	11

In November 2017 VIVAT issued \$ 575 Million of subordinated notes to institutional investors. The proceeds of the issuance were used to redeem the subordinated loans issued by Anbang. This transaction results in a substantial smaller interest rate burden. The resulting currency exposure is fully hedged on a P&L basis, but impacts the Solvency Capital Requirement. In the Solvency II regime the capital requirement for currency risk is determined on the assets over the liabilities, not taken into account the subordinated notes in foreign currency.

7.6.3.7. 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. VIVAT 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.

7.6.3.8. Diversification

Not all risks will materialise at the same time and at their full magnitude, resulting in diversification between different risk types. Solvency II prescribes a correlation matrix for the diversification effect in the SCR Market Risk module in order to aggregate the results of the types of market risks. This leads to a lower amount of total Market Risk compared to the sum of the individual market risk types. Solvency II furthermore prescribes that a downward SCR interest rate shock will be more correlated with an equity, spread and property shock compared to an upward interest rate shock. At 31 December 2017, VIVAT had a net balance sheet exposure to an upward interest rate shock.

7.7. Counterparty Default Risk

7.7.1. Risks – General

VIVAT defines counterparty 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 SCR Counterparty Default Risk covers risk-mitigating contracts, such as reinsurance arrangements, insurance securitisations, repos, (unsecured) savings parts, derivatives, retail mortgages and receivables from intermediaries, as well as any other credit exposures not covered by the definition of SCR Spread Risk.

For each counterparty, the overall credit default risk exposure of the insurance or reinsurance undertaking concerned to that counterparty is measured, irrespective of the legal form of its contractual obligations to that undertaking. Its calculation also takes into account collateral or other security held by or for the account of the insurance or reinsurance undertaking and the risks associated therewith.

Besides the calculation of SCR Counterparty Default Risk, VIVAT has developed a complementary Counterparty Risk Policy for internal use. This risk is measured as Loss At Default (LAD) and Stress Loss (SL) and combines instruments/exposures that are in scope for both SCR Concentration Risk and SCR Counterparty

Default Risk. Appropriate internal LAD and SL limits have been incorporated in the ALM policy and must be adhered to.

VIVAT uses this methodology to aggregate and monitor all types of exposures to various types of individual counterparties, such as (sub)sovereigns, financials and corporates. The periodic Counterparty Risk reports are discussed by the Investment Committee, and appropriate measures are taken when limits are exceeded.

7.7.2. Risk Management Process

The VIVAT manages and verifies counterparty 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 counterparty default risk at VIVAT 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 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 counterparty default risk within the interest-bearing investment portfolios of VIVAT 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 counterparty default risk related to the market value of the derivatives held by VIVAT 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 counterparty default risk.

Reinsurance

VIVAT pursues an active policy with respect to the placement of reinsurance contracts, using a panel consisting of reinsurers with solid ratings. The general policy is that reinsurers should have a minimum rating of A-. However, given the long-term nature of the underlying business, the current casualty panel consists of reinsurers with at least an A- rating, while the panel for life and disability reinsurance contracts consists of reinsurers with at least an AA- rating. Continuity and diversification within the panels of reinsurers is an important principle.

Mortgage portfolio

VIVAT is exposed to counterparty default risk on its mortgage portfolio. Part of this portfolio is guaranteed by the National Mortgage Guarantee Fund (NHG). The average Loan to Value ratio has improved due to amortisation of the outstanding mortgage balance and an increase in Dutch housing prices in 2014-2017. The market value of the portfolio has decreased due to scheduled amortisation and prepayments. In the course of 2017, VIVAT started the origination of new mortgages.

Overview Mortgages

In € millions ¹	2017	2016
Mortgages < 75% of foreclosure value	547	569
Mortgages 75% < > 100% of foreclosure value	421	492
Mortgages > 100% of foreclosure value	354	430
Mortgages with National Mortgage Guarantee	1,021	1,157
Residential property in the Netherlands	2,343	2,648
Specific provision for bad debts	-5	-13
Total (carrying amount)	2,338	2,635
Fair value adjustment	166	229
Total	2,504	2,864

¹ Mortgages are recognised in the statement of financial position under Investments.

7.7.3. SCR Counterparty Default Risk

The counterparty default risk module reflects the possible loss as a consequence of bankruptcies or a reduction in the credit standing of counterparties over a 12-month period. The SCR for the counterparty default risk is determined by aggregating the capital requirements related to type 1 and type 2 exposures.

Counterparty default risk

In € millions	2017	2016
Type 1 exposures	39	94
Type 2 exposures	114	197
Diversification	-8	-16
SCR counterparty default risk	145	275

In 2017 Counterparty Default Risk decreased mainly due to ending the security lending program, a substantial drop in receivables older than 3 months from intermediaries and policyholders and from contractually securing the saving amount of Savings Mortgages.

Type 1 exposures are exposures that are expected to involve low diversification effects and for which the counterparty is likely to have an external rating. Solvency II treats the following as type 1 exposures:

- risk-mitigation contracts, including reinsurance arrangements, special purpose vehicles (SPVs), insurance securitisations and derivatives;
- cash at bank;
- deposits with ceding undertakings;
- commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid;
- legally binding commitments which the insurer has provided or arranged and which may create payment obligations depending on the credit standing of a counterparty.

The capital requirement for counterparty default risk on type 1 exposures is a percentage of the total losses given-default on all type 1 exposures, the percentage is dependent on the variance between the type 1 exposures, the higher the variance the lower the percentage.

The loss-given default (LGD) on a single-name exposure is equal to the sum of the LGDs on each of the underlying exposures to counterparties belonging to the relevant single-name exposure.

Type 2 exposures consist of all exposures to which the capital requirement for spread risk is not applicable and which are not of type 1. In general, these are diversified exposures which do not have an external rating. Solvency II explicitly mentions the following exposures in the context of type 2:

- > receivables from intermediaries;
- > policyholder debtors;
- > mortgage loans which meet a set of requirements

The capital requirement for credit risk on type 2 exposures is equal to the loss in the basic own fund as defined by EIOPA.

Diversification

Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

7.8. Liquidity Risk

7.8.1. Risks – General

Liquidity risk is defined as the risk that VIVAT 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 both at consolidated level and at legal entity level.

7.8.2. Risk Management Process

The policy of VIVAT 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 VIVAT is able to fulfill its 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).

VIVAT 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 a good indicator for the overall liquidity position of VIVAT and takes into account all available assets and the impact of prescribed shocks in a stress situation. Monitoring of this buffer accounts for an important part of the daily activities of VIVAT.

Liquidity 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, VIVAT 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 (Life insurance), storm-/hail damage (Non-life insurance) and interest rate movements. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

7.8.4. Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives and liabilities from investments for account of third parties, by contract maturity date.

Liquidity calendar financial liabilities 2017

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	-52	-964	-1,016
Liabilities investments for account of third parties	-630	-	-	-	-	-630
Loans due to customers	-	-	-	-12	-129	-141
Amounts due to banks	-633	-307	-	-	-703	-1,643
Total	-1,263	-307	-	-64	-1,796	-3,430

Liabilities to third parties recognised in the statement of financial position as a result of the consolidation of non-controlling interest in the investment funds are classified as other liabilities falling due in less than one month. In 2017, this amounted to € 630 million. The share of non-controlling interests in investment funds in 2016 has also been included in the table below (€ 1,387 million).

Liquidity calendar financial liabilities 2016

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	-68	-978	-1,047
Liabilities investments for account of third parties	-1,387	-	-	-	-	-1,387
Loans due to customers	-	-	-	-12	-197	-209
Amounts due to banks	-628	-	-	-	-725	-1,353
Total	-2,015	-	-	-80	-1,900	-3,995

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

Liquidity calendar derivatives 2017

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	-	-30	-578	-608
Currency contracts	-	-	-	-28	-	-28
Total	-	-	-	-58	-578	-636

Liquidity calendar derivatives 2016

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	-	-30	-454	-484
Currency contracts	-	-1	-	-1	-	-2
Total	-	-1	-	-31	-454	-486

The table regarding the cash flows from insurance business can be found in chapter 7.6.3.1.

7.9. Non-financial Risk

7.9.1. Risks - General

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 organisation 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 VIVAT, for example fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope consist among others 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 unexpected direct or indirect losses due to inadequate or failed internal processes and systems, caused by inadequate setup or actions being taken, (deliberate) human error or external events. Operational Risk is overarching in nature and linked to all of VIVAT's activities. VIVAT recognises the following types of operational risk: Customer, Products and Business Conduct risk, Execution & Process Control risk, Model risk, IT risk, Fraud risk, Damage to physical assets risk and Staff & security risk.

7.9.2. Risk Management Process

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

Risk identification

VIVAT systematically analyses Compliance and Operational Risks based on risk assessment and risk analysis, and gives insights to and reports on them.

Risk measurement

In addition VIVAT initiates integrity-investigations, risk self-assessments and incident analysis. In cooperation with the business, NFR measures the level of risk maturity of the first line management of Non-Financial Risk by assessing the structure and effectiveness of management and process controls.

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. This includes an integrated incident overview, the Non-Financial Risk Appetite KRI scores, and the 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 Compliance and Operational Risks.

Risk monitoring and reporting

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

In line with the VRC frequency NFR draws up a Non-Financial Risk report, which provides a comprehensive overview of the major Non-Financial Risks and incidents within VIVAT. The Non-Financial Risk report is combined with the Financial Risk, Model Risk and Actuarial Function reports into the Enterprise Risk Management Key Take Aways.

7.9.3. Developments

In 2017 VIVAT has focused on new opportunities and sustainability towards our clients. The strategic ambition to become an innovative insurer has led to several initiatives in products, services, methodologies and processes. The continued focus on cost reduction and revenue models could influence operational and compliance risks. These risks are addressed, managed and monitored within the VIVAT risk framework to maintain a sound and controlled organisation.

7.9.4. Exposure to Non-financial Risks

During 2017 VIVAT finalised implementation of the Integrated Control Framework consisting of process and management controls. This enables the organisation to manage and monitor Compliance and Operational Risks in an efficient and effective manner. In this paragraph the main developments and risks are described. VIVAT's management is of the opinion that action plans and programs are in place to sufficiently address and mitigate these risks.

Compliance Risk

Risks (including reputational risk) are still evident in the non-accruing investment-linked policy file, owing to the combined effects of continuing media exposure, political opinion, court judgements, inaction on the part of customers, required recording and activation efforts and approaching deadlines. VIVAT still has some repair activities scheduled and expects to achieve, in line with instructions from the AFM, the set target dates for activation.

Owing to the great complexity of the legislation concerning Solvency II, IFRS, GDPR, ILM, IDD, PRIIPS 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 VIVAT would not be compliant and would inter alia suffer reputational damage as a result.

Due to new legislation both in the Netherlands and in the EU (General Data Protection Regulation) privacy risks should be taken into account. Special precautions are in order to avoid data breaches when personal data is transferred to third parties, especially to parties in countries outside the EU that do not provide an adequate level of protection. Therefore ITC has set up a broad privacy programme in order to pay full attention to VIVAT's compliance with the privacy regulation.

Operational Risk

Execution and process control risk

After the impactful reorganisation of 2016, including organisational changes and experienced staff leaving, there was an increased risk of operational incidents occurring in 2017. Although the number of incidents increased, the overall impact remained on the same scale as in 2016 and all incidents were addressed.

Process Key Control testing was transferred from the ICF program to the business, enhancing the control environment. Key Control testing, retesting by second line Risk and reporting on Key Control results is now supported by tooling in which the Management Key Controls are also incorporated.

A focused approach contributed to lowering the number of high risk issues reported in the Non-Financial Risk report. Nonetheless the remaining high risks, especially GDPR and Unit Linked Policies are receiving VIVAT's continued attention so they will be solved in 2018.

Model risk

In 2017 VIVAT has further reduced its number of models, as part of a strategic program of VIVAT that aims to rationalise the model landscape. This leads to reduction of model risk and contributes to a more efficient and reliable valuation of underwriting and market risks and the determination of the solvency ratio. By following a risk based model validation calendar, the validation of models in several segments confirmed that model improvements led to further reduction of model risk. Uncertainty resulting from remaining conversion projects has been mitigated by continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

Information Technology risk

In order to realise more efficiency, VIVAT defined the IT landscape and non-target systems are made redundant. This rationalisation will continue in 2018. Besides, the IT focus is on innovations like new and modern apps. The IT organisation has implemented the Agile way of working and Continuous Delivery, to improve on efficiency and to decrease time-to-market. The first synergy benefits of the IT cooperation of VIVAT with the other European Anbang companies like Fidea and Nagelmackers have been achieved. VIVAT 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.

VIVAT is aware of the increasing strategic importance of collecting, managing and use of data, taking into account relevant legislation, e.g. GDPR. VIVAT is currently implementing a sustainable design for Data Governance to manage and monitor the diverse data related initiatives.

Outsourcing / Cloud computing

VIVAT is shifting away from handling IT matters itself in favour of outsourcing in areas of the consumer value chain where VIVAT is less distinctive. VIVAT assesses how the required functionalities in that value chain can be purchased or outsourced as components. VIVAT 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 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 2017 no major incidents related to cybercrime occurred within VIVAT. Cybercrime will remain high on the agenda of the VIVAT management. Appropriate organisational and technological measures have been 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. Also in 2018 new measures will be implemented to stay in control over the cybercrime risk.

Staff and security risk

After the organisational changes and relatively high staff turnover in 2016, VIVAT still has been well aware of the associated risks (such as sick leave) and has continued the closely monitoring in 2017.

7.9.5. SCR Operational Risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. This takes into account legal

risks, but risks that are a consequence of strategic decisions or reputational risks are disregarded. The technical provision for own risk is part of the calculation of the SCR operational risk.

The basic capital requirement for operational risk is calculated by taking the maximum of (a) the capital requirement for operational risks on the basis of earned premiums and (b) the capital requirement for operational risks on the basis of technical provisions and adding 25% of the expenses incurred in respect of unit linked business.

SCR Operational risk

In € millions	2017	2016
VIVAT	203	194

The SCR operational risk increased due to the reclassification of Unit Linked policies with guarantees. These policies are now taken into account similar to traditional products.



8. Company Financial Statements

8.1. Company Statement of Financial Position

Before result appropriation and in € millions	Notes ¹	31 December 2017	31 December 2016
> Assets			
Property and equipment		12	16
Subsidiaries	1	3,695	3,530
Receivables from subsidiaries	2	754	879
Investments	3	616	318
Deferred tax	4	37	9
Corporate income tax		-	6
Other assets	5	5	2
Cash and cash equivalents	6	46	61
Total assets		5,165	4,821
> Equity and liabilities			
Issued share capital ²		-	-
Share premium reserve		4,309	4,309
Revaluation reserves and other legal reserves		168	193
Other reserves		-814	-971
Retained earnings		-116	168
Shareholders' equity	7	3,547	3,699
Subordinated debt	8	476	387
Borrowings		642	-
Capital base		4,665	4,086
Provision for employee benefits	9	375	370
Other provisions	10	9	110
Derivatives	11	16	-
Corporate income tax		24	-
Other liabilities	12	76	255
Total equity and liabilities		5,165	4,821

¹ The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.

² The issued and paid up share capital of VIVAT NV is € 238,500.

8.2. Company Statement of Profit or Loss

In € millions	Notes ¹	2017	2016
> Income			
Fee and commission income		-	-
Fee and commission expense		1	-
Net fee and commission income		-1	-
Share in result of subsidiaries	15	-85	188
Investment income		26	17
Result on derivatives		1	-
Total income		-59	205
> Expenses			
Staff costs	16	15	5
Other operating expenses		5	5
Impairment losses		-	17
Other interest expenses	17	48	11
Total expenses		68	38
Result before tax		-127	167
Tax expense	18	-11	-1
Net result continued operations for the period		-116	168
Attribution:			
Net result continued operations attributable to the shareholder		-116	168
Net result continued operations for the period		-116	168

¹ The references next to the income statement items relate to the notes to the company statement of profit or loss in Section 9.2.

8.3. Company Statement of Total Comprehensive Income

Company statement of other comprehensive income

In € millions	2017	2016
> Items that will not be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	-11	32
Total items never reclassified to profit or loss	-11	32
> Items that may be reclassified subsequently to profit or loss		
Unrealised revaluations from cash flow hedges	-27	28
Unrealised revaluations investments available for sale	-403	1,216
Impairments fair value reserve	-4	-4
Realised gains and losses fair value reserve through profit or loss	-297	-1,216
Results on allocated investments and interest derivatives	706	-16
Total items that may be reclassified to profit or loss subsequently	-25	8
Other comprehensive income (after tax)	-36	40

Company statement of total comprehensive income

In € millions	2017	2016
Net result for the period	-116	168
Other comprehensive income (after tax)	-36	40
Total comprehensive income	-152	208
> Attribution:		
Total comprehensive income attributable to the shareholder	-152	208
Total comprehensive income	-152	208

8.4. Company Statement of Changes in Equity

Company statement of changes in equity 2017

In € millions	Issued share capital ¹	Share premium reserve	Revaluation reserves and other legal reserves	Other reserves	Retained earnings	Equity attributable to shareholders
Balance as at 1 January 2017	-	4,309	193	-971	168	3,699
Transfer of 2016 net result	-	-	-	168	-168	-
Transfers 2017	-	-	-	168	-168	-
Other comprehensive income	-	-	-25	-11	-	-36
Net result 2017	-	-	-	-	-116	-116
Total comprehensive income 2017	-	-	-25	-11	-116	-152
Unrealised revaluations	-	-	13	-13	-	-
Realised gains and losses	-	-	-13	13	-	-
Other movements	-	-	-	-	-	-
Total changes in equity 2017	-	-	-25	157	-284	-152
Balance as at 31 December 2017	-	4,309	168	-814	-116	3,547

¹ The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2016, no dividends for 2017.

Statement of revaluation reserves and other legal reserves 2017

In € millions	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Other legal reserves	Revaluation reserves and other legal reserves
Balance as at 1 January 2017	69	-	120	4	193
Unrealised revaluations from cashflow hedges	-	-27	-	-	-27
Unrealised revaluations	13	-	-403	-	-390
Impairments and reversals	-	-	-4	-	-4
Realised gains and losses through profit or loss	-11	-	-296	-3	-310
Change in profit-sharing reserve and shadow accounting movement	-	27	679	-	706
Total changes in equity 2017	2	-	-24	-3	-25
Balance as at 31 December 2017	71	-	96	1	168

Company statement of changes in equity 2016

In € millions	Issued share capital ¹	Share premium reserve	Revaluation reserves and other legal reserves	Other reserves	Retained earnings	Equity attributable to shareholders
Balance as at 1 January 2016	-	4,261	120	-1,047	109	3,443
Adjustment presentation revaluation reserve investment property	-	-	59	-59	-	-
Adjusted balance as at 1 January 2016	-	4,261	179	-1,106	109	3,443
Transfer of 2015 net result	-	-	-	109	-109	-
Transfers 2016	-	-	-	109	-109	-
Other comprehensive income	-	-	8	32	-	40
Net result 2016	-	-	-	-	168	168
Total comprehensive income 2016	-	-	8	32	168	208
Capital issue	-	48	-	-	-	48
Transactions with shareholders	-	48	-	-	-	48
Unrealised revaluations	-	-	8	-8	-	-
Realised gains and losses	-	-	-2	2	-	-
Other movements	-	-	6	-6	-	-
Total changes in equity 2016	-	48	14	135	59	256
Balance as at 31 December 2016	-	4,309	193	-971	168	3,699

¹ The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

Statement of revaluation reserves and other legal reserves 2016

In € millions	Revaluation reserves	Cash flow hedge reserve	Fair value reserve	Other legal reserves	Revaluation reserves and other legal reserves
Balance as at 1 January 2016	4	-	112	4	120
Adjustment presentation revaluation reserve investment property	59	-	-	-	59
Adjusted balances at 1 January 2016	63	-	112	4	179
Unrealised revaluations from cashflow hedges	-	28	-	-	28
Unrealised revaluations	8	-	1,216	-	1,224
Impairments and reversals	-	-	-4	-	-4
Realised gains and losses through profit or loss	-2	-	-1,216	-	-1,218
Change in profit-sharing reserve and shadow accounting movement	-	-28	12	-	-16
Total changes in equity 2016	6	-	8	-	14
Balance as at 31 December 2016	69	-	120	4	193

8.5. Company Cash Flow Statement

In € millions	2017	2016
> Cash flow from operating activities		
Operating profit before tax	-127	167
> Adjustments for:		
Depreciation and amortisation of non-current assets	6	9
Changes in provisions	-96	98
Impairment charges / (reversals)	-4	13
Unrealised results on investments through profit or loss	15	-20
Retained share in the result of associates	89	-185
Taxes paid / received	41	-4
> Change in operating assets and liabilities:		
Change in other operating activities	-181	-59
Net cash flow from operating activities	-257	19
> Cash flow from investment activities		
Sale and redemption of investments and derivatives	883	89
Loans to related parties	-355	-250
Purchase of property and equipment	-2	-4
Purchase of investments and derivatives	-1,184	-277
Repayment of loans by related parties	180	-
Net cash flow from investment activities	-478	-442
> Cash flow from finance activities		
Issue of shares and share premium	-11	48
Issue of subordinated loans and borrowings	1,118	570
Redemption of subordinated loans and borrowings	-387	-207
Net cash flow from financing activities	720	411
Net increase/(decrease) in cash and cash equivalents	-15	-12
Cash and cash equivalents 1 January	61	73
Cash and cash equivalents as at 31 December	46	61
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	34	17
Interest paid	45	20

9. Notes to the Company Financial Statements

9.1. Accounting Policies to the Company Financial Statements

Change in Accounting Policies

First Time Adoption IFRS

As of the transition date (1 January 2016), VIVAT prepares its company financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union instead of earlier applied provisions of Book 2 of the Dutch Civil Code. Since VIVAT, according to the option offered in Article 362(8) of Book 2 of the Dutch Civil Code, was using the same accounting policies for measurement in its company financial statements as for its consolidated financial statements, it was effectively applying IFRS measurement principles in its previous company financial statements. The change of accounting policies results in a different measurement method only for investments in subsidiaries and associates in separate financial statements (the equity method). The (net) equity method required by Dutch Civil Code is different than under IFRS, as it requires goodwill to be presented separately from the investment in the group company in the parent's financial statements. However, as the amount of goodwill recognised by VIVAT as at 31 December 2016 and 31 December 2015 was not material, the change in accounting policies has no significant impact on the VIVAT's company financial statements.

In addition to the adoption of IFRS for the separate financial statements, VIVAT was required to present a full statement of profit or loss in its company financial statements since it is qualified as a public interest company (OOB) as of 2017. The comparative figures for the reporting period ending on 31 December 2016 have been adjusted accordingly. Since the amounts per 31 December 2015 disclosed in the financial statements of 2015 and 2016 do not vary significantly from the IFRS opening statement, no third statement of financial position is included in VIVAT's 2017 company financial statements.

Adjustment Revaluation Reserve

In accordance with Book 2 of the Dutch Civil Code, as of 2017 VIVAT has recognised, as part of the revaluation reserve, an amount that reflects the unrealised fair value changes on investment property after deduction of deferred taxes. This amount was transferred from the Other Reserves to the Revaluation Reserve and consequently the impact on shareholders' equity is nil. The comparative figures have been adjusted accordingly leading to a transfer of € 59 million per 1 January 2016 (31 December 2016: € 65 million) within shareholders' equity.

Applicable Accounting Policies

Where applicable, for items not described in this section, the accounting policies applied for the company financial statements are the same as those described in the section 6.1 Accounting policies for the consolidated financial statement. For the items not separately disclosed in the notes to the company financial statement, reference is made to the notes in the section 6.3 Notes to the consolidated financial statements.

Subsidiaries

Subsidiaries are companies and other entities in which VIVAT NV has existing rights to direct the relevant activities of the entity (see Section 6.3, note 42 List of principal subsidiaries). Subsidiaries are measured using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in shareholders' equity.

Movements in the carrying amounts arising from the share of result of subsidiaries are recognised in accordance with the accounting policies of VIVAT NV in profit or loss. The distributable reserves of subsidiaries are recognised in other reserves.

VIVAT NV has provided a perpetual Tier 1 Capital loan to its subsidiary SRLEV NV. Redemption of the loan is scheduled at specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's Solvency II regulations for Tier 1 Capital loans. These regulatory requirements imply that the borrower has a unilateral right not to pay interest or repay the principal to the investors. Based on these terms, the loan does not qualify as a liability at SRLEV and consequently it is recognised as an equity investment at VIVAT NV, increasing the carrying amount of the investments in subsidiaries. Interest payments are deducted from the net equity value of the investment.

Receivables from and Debts to Group Companies

Loans (including subordinated loans) to and from group companies are measured at amortised cost.

Revaluation Reserve

The revaluation reserve comprises the cumulative revaluations on investment property and revaluations of owner-occupied property of VIVAT's subsidiaries net of income tax. A cumulative loss on an investment property and owner-occupied property ((acquisition) costs exceed their fair value) is not recognised as part of the revaluation reserve.

9.2. Notes to the Company Financial Statements

1. Subsidiaries

Statement of Changes in Subsidiaries

In € millions	2017	2016
Balance as at 1 January	3,530	3,307
Provided Solvency II Tier 1 Capital subordinated loan SRLEV NV	250	-
Interest accrual Solvency II Tier 1 Capital subordinated loan SRLEV NV	10	-
Capital issue	11	-
Revaluations	-17	38
Result	-89	185
Balance as at 31 December	3,695	3,530

On 30 June 2017 VIVAT NV issued a Solvency II Tier1 Capital subordinated loan of € 250 million to SRLEV NV. This subordinated loan bears a fixed rate interest of 7.75% and its perpetual. SRLEV's management may decide to cancel interest payment at any time without a cause.

The capital issue consists of share premium payments to Fnidsen Beheer BV of € 5 million and to ACTIAM NV of € 6 million.

2. Receivables from Subsidiaries

Breakdown of Receivables from Subsidiaries

In € millions	2017	2016
Loans	385	470
Reimbursement right	320	343
Receivables	49	66
Total	754	879

Reference is made to Note 15 Related parties to the company financial statements for more details about the granted loans to SRLEV NV and VIVAT Schadeverzekeringen NV and the reimbursement right to SRLEV NV.

All personnel currently employed by VIVAT NV have a collective defined contribution pension scheme at Stichting Pensioenfonds SNS REAAL. A number of defined benefit schemes for (former) employees still exists. The majority of these schemes is insured at SRLEV NV. As a result VIVAT NV, as employer, has a receivable towards SRLEV NV for the amount that is insured at SRLEV NV. This receivable covers the pension commitments to VIVAT NV's (former) employees. This commitment is presented as a provision for employee benefits in VIVAT NV's company statement of financial position.

3. Investments

Breakdown of Investments

In € millions	2017	2016
Investments available for sale	616	318
Total	616	318

Investments Available for Sale

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2017	2016	2017	2016	2017	2016
Balance as at 1 January	318	130	-	-	318	130
Purchases and advances	553	277	631	-	1,184	277
Disposals and redemptions	-816	-89	-67	-	-883	-89
Revaluations	-	-	-1	-	-1	-
Amortisation	-	-	-6	-	-6	-
Other	-	-	4	-	4	-
Balance as at 31 December	55	318	561	-	616	318

The investments available for sale concern investments in unlisted shares and similar investments and listed fixed-income investments.

Available for Sale: Listed and Unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2017	2016	2017	2016	2017	2016
Listed	-	-	561	-	561	-
Unlisted	55	318	-	-	55	318
Total	55	318	561	-	616	318

Available for Sale: Measurement

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2017	2016	2017	2016	2017	2016
(Amortised) cost	55	318	555	-	610	318
Revaluation	-	-	1	-	1	-
Accrued interest	-	-	5	-	5	-
Balance as at 31 December	55	318	561	-	616	318

In 2016 liquidity was completely invested in money market funds. In 2017 there has been a shift from money market funds to short term sovereign bonds with maturity in 2018 and 2019. The increase of investments in 2017 is due to additional funding in 2017.

Investment Portfolio

Fixed-income Investment Portfolio

The fixed-income investments consist of sovereign bonds.

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

Breakdown of Interest-bearing Investment Profile (rating)

In € millions	2017	
AAA	408	73%
AA	153	27%
Total	561	100%

Of the interest-bearing investment portfolio, 100% of investments had an AA rating or higher.

The table below contains the breakdown of the interest bearing investment portfolio by geographic area.

Breakdown of Interest-bearing Investment Profile (geographic)

In € millions	2017	
Netherlands	207	37%
Germany	201	36%
France	102	18%
Ireland	51	9%
Total	561	100%

4. Deferred tax

Origin of Deferred Tax 2017

In € millions	1 January	Change through profit or loss	Change through equity	31 December
Investments	-	2	-	2
Derivatives	-	4	-	4
Provision for employee benefits	9	18	8	35
Other	-	-4	-	-4
Total	9	20	8	37

Origin of Deferred Tax 2016

In € millions	1 January	Change through profit or loss	Change through equity	31 December
Value of business acquired	1	-1	-	-
Provision for employee benefits	13	3	-7	9
Other	8	-8	-	-
Total	22	-6	-7	9

5. Other Assets

Breakdown of Other Assets

In € millions	2017	2016
Other accrued assets	4	1
Other	1	1
Total	5	2

6. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

In € millions	2017	2016
Short-term bank balances	46	61
Total	46	61

Short-term bank balances are at the company's free disposal.

7. Equity

Issued Share Capital

The issued share capital has been fully paid-up and consists of ordinary shares with a nominal value of € 500 each. 477 ordinary shares had been issued at 31 December 2017 (2016: 477).

Breakdown of Issued Share Capital

	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2017	2016	2017	2016
Authorised share capital	2,385	2,385	1,193	1,193
Share capital in portfolio	1,908	1,908	954	954
Issued share capital as at 31 December	477	477	239	239

8. Subordinated Debt

Breakdown of subordinated debt

In € millions	2017	2016
Bonds	476	-
Private loans	-	387
Total	476	387

In November 2017, VIVAT NV issued \$ 575 million (€ 476 million) in subordinated notes. The notes are first callable after 5 years and each fifth anniversary thereafter, subject to conditions to redemption. The coupon is fixed at 6.25% per annum until the first call date. The notes qualify as Tier 2 regulatory capital.

The net proceeds of the subordinated notes applied by VIVAT have been deployed to repay the subordinated private loans provided by Anbang Group Holdings Co. Limited. This will lower future interest expenses substantially.

9. Provision for Employee Benefits

Specification Provision for Employee Benefits

In € millions	2017	2016
Pension commitments	360	358
Other employee benefit commitments	15	12
Total	375	370

Pension Commitments

For the general disclosure of the Pension commitments reference is made to note 17, Section 6.3 Notes to the consolidated financial statements.

VIVAT's total contribution to these defined benefit schemes is expected to be approximately € 6 million in 2018 (2017: € 6 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

After offsetting the fair value of the investments, € 121 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2016: € 121 million). In 2018, VIVAT's contribution to these defined benefit schemes is expected to amount to € 2 million (2017: € 2 million).

The pension scheme of Zwitterleven is self-administered. For this pension scheme, the present value of the pension obligations of € 186 million (2016: € 181 million) has been included in the provision for employee benefits. There is no separate investment account. VIVAT's contribution to the defined benefit scheme of Zwitterleven is expected to amount to € 3 million in 2018 (2017: € 3 million).

After offsetting the fair value of the investments, € 52 million (2016: € 56 million) has been included in the provision for pensions for the pension schemes of former employees of Zürich, NHL, Helvetia and DBV built up in the past. In 2018, VIVAT's contribution to the other defined benefit schemes is expected to amount to € 1 million (2017: € 1 million).

Overview Pension Commitments Breakdown of Pension Commitments

In € millions	2017	2016
Present value of defined benefit obligations	405	400
Less: Fair value of plan assets	-46	-42
Effect of asset ceiling	1	-
Present value of the net liabilities	360	358

Change in Present Value of Defined Benefit Obligations

In € millions	2017	2016
Present value as at 1 January	400	370
Transfer from SRH NV	-	19
Increase and interest accrual through profit or loss	6	4
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	12	30
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	1	3
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	-3	-15
Benefits paid	-11	-11
Present value as at 31 December	405	400

Change in Fair Value of the Plan Assets

In € millions	2017	2016
Fair value as at 1 January	42	38
Transfer from SRH NV	-	2
Investment income through profit or loss	-	1
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	-	4
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	6	-1
Investment income	6	4
Premiums	9	9
Benefits paid	-11	-11
Fair value as at 31 December	46	42

The expected return on investments through profit or loss has been netted with the actuarial rate of interest (in accordance with IAS 19 Revised). The difference between the actual interest result and the actuarial rate of interest is recognised in Other Comprehensive Income.

Breakdown of Investments

In € millions	2017	2016
Cash and cash equivalents	-	-1
Equity instruments	-	7
Debt instruments	-	27
Insurance contract	46	9
Balance as at 31 December	46	42

Statement of Other Comprehensive Income

In € millions	2017	2016
Balance as at 1 January	22	2
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-11	-18
Actuarial gains or losses directly taken to Other Comprehensive Income other employee benefit commitments	-1	1
Investment income for the benefit or at the expense of Other Comprehensive Income	6	3
Additional transfer from technical provision	3	41
Deferred taxes	3	-7
Balance as at 31 December	22	22

The table below shows the actuarial gains and losses on pension commitments, that arise from experience adjustments, as a percentage of the pension commitments at year-end.

Experience Adjustment Arising on the Pension Commitments

In percentages	2017	2016
Experience adjustments as a % of defined benefit obligation	-1%	-4%
Experience adjustments as a % of investments	14%	-3%

The Main Actuarial Parameters at Year-end

In percentages	2017	2016
Discount rate	1.8%	1.7%
Expected salary increase	2.3%	1.8%
Price inflation	2.2%	1.8%

Sensitivity Present Value of Pension Obligations 2017

In € millions	31 December 2017	
	Change in € millions	Change in %
Discount rate 0.7% (-1.0%)	41	10%
Discount rate 2.7% (+1.0%)	-35	-9%

Sensitivity Present Value of Pension Obligations 2016

In € millions	31 December 2016	
	Change in € millions	Change in %
Discount rate 0.7% (-1.0%)	88	22%
Discount rate 2.7% (+1.0%)	-66	-17%

Other Employee Benefit Commitments

Change in Other Employee Benefit Commitments

In € millions	2017	2016
Balance as at 1 January	12	19
Additions	2	-
Release through Other Comprehensive Income	2	-2
Withdrawal	-1	-5
Balance as at 31 December	15	12

These refer to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement.

10. Other Provisions

Breakdown of Other Provisions

In € millions	2017	2016
Restructuring provision	9	110
Total	9	110

The restructuring provisions, formed in 2016, is used during 2017.

Statement of Changes in Other Provisions

	Restructuring provision	
In € millions	2017	2016
Balance as at 1 January	110	32
Additions	5	120
Withdrawal	-106	-42
Balance as at 31 December	9	110

11. Derivatives

The derivatives are held in the context of ALM to which no hedge accounting is applied.

Statement of Changes in Derivatives

In € millions	2017
Balance as at 1 January	-
Purchases	-3
Exchange rate differences	-14
Other	1
Balance as at 31 December	-16

12. Other Liabilities

Breakdown of Other Liabilities

In € millions	2017	2016
Debts to subsidiaries	1	183
Accrued interest	13	9
Other liabilities	62	63
Total	76	255

The decrease of debts to subsidiaries in 2017 is due to the repayment of the subordinated private loan of \$ 190 million provided by Anbang Group Holdings Co. Limited.

13. Guarantees and Commitments

VIVAT NV has provided a statement in accordance with section 2:403 of the Dutch Civil Code (Burgerlijk Wetboek) in relation to its (indirect) subsidiaries Bemiddelingskantoor Nederland BV and Volmachtkantoor Nederland BV, pursuant to which VIVAT NV declares itself to be jointly and severally liable for the legal acts performed by aforementioned entities.

The 403-statements provided in relation to the insurers Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV, has been revoked in January 2017. The 403-statement provided in relation to SRLEV NV has already been revoked in 2015.

14. Related Parties

Intra-group Balances between VIVAT NV and Subsidiaries

In € millions	2017	2016
> Positions		
Receivables	49	66
Reimbursement right	320	343
Loans (receivables from subsidiaries)	385	470
Accrued interest (other assets)	1	-
Other liabilities	1	183
> Transactions		
Movements receivables	-17	37
Movements reimbursement right	-23	39
Obtain loans (receivables from subsidiaries)	95	250
Redemption loans (receivables from subsidiaries)	-180	-
Movements accrued interest (other assets)	1	-
Movements other liabilities	-182	162
Interest income	32	17
Interest expense	-9	-
Other expenses	-228	-385

For details on VIVAT NV's related parties, see Note 22 Related parties of the consolidated financial statements.

Significant Intra-group Balances between VIVAT NV and its Subsidiaries

The following intra-group balances still exist at the end of year 2017:

- On 29 December 2015, VIVAT NV granted a loan to SRLEV NV in the amount of € 140 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears an interest fixed rate of 7.75% annually;
- On 29 December 2015, VIVAT NV granted a loan to VIVAT Schadeverzekeringen NV in the amount of € 80 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears an interest fixed rate of 7.75% annually;
- On 29 December 2016, VIVAT NV granted a loan to VIVAT Schadeverzekeringen NV in the amount of € 70 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears an interest rate of 6-months EURIBOR plus 5.545% annually;
- A reimbursement right exists of VIVAT NV at SRLEV NV in the amount of € 320 million (2016: € 343 million), as a result of VIVAT's defined benefit pension liabilities, largely reinsured at SRLEV NV.

New Intra-group Balances

- On 15 November 2017, VIVAT NV granted a loan to SRLEV NV in the amount of € 95 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan, first callable after 5 years, with the possibility of interest deferral, early repayment and variation. The loan bears an interest fixed rate of 3.78% annually.

15. Share in Result of Subsidiaries

Breakdown of Share in Result of Subsidiaries

In € millions	2017	2016
SRLEV NV	-55	252
VIVAT Schadeverzekeringen NV	2	-48
Proteq Levensverzekeringen NV	3	1
ACTIAM NV	1	-2
Zwitserleven PPI NV	-	-1
Fnidsen Beheer BV	-2	-4
Others (eliminations)	-34	-10
Total	-85	188

16. Staff costs

Staff costs are mainly related to incidental costs, among others an addition to the restructuring provision and costs related to Loopbaanplaza.

17. Other interest expenses

Breakdown of Other Interest Expenses

In € millions	2017	2016
Bonds	14	-
Private loans	34	11
Total	48	11

18. Income Tax

Breakdown of Tax Expense

In € millions	2017	2016
In financial year	9	-12
Corporate income tax due	9	-12
Due to temporary differences	-20	11
Deferred tax	-20	11
Total	-11	-1

Reconciliation between the Statutory and Effective Tax Rate

In € millions	2017	2016
Statutory income tax rate	25.0%	25.0%
Result before tax	-127	187
Statutory corporate income tax amount	-32	47
Effect of participation exemption	21	-48
Total	-11	-1
Effective tax rate	8.7%	26.7%

The effective tax rate of 8.7% is caused by the effect of the participation exemption.

19. Audit Fees

Ernst & Young Accountants LLP and other Ernst & Young lines of services charged the following fees pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code to VIVAT, its subsidiaries and other consolidated entities in 2017.

In € thousands	2017	2016
Audit of the financial statements, including the audit of the statutory financial statements and other statutory audits of subsidiaries and other consolidated companies	2,395	1,886
Other audit services	1,244	779
Total	3,639	2,665

20. Financial Instruments

Fair Value of Financial Assets and Liabilities

The table below shows the fair value of VIVAT's financial assets and liabilities. It only shows the financial assets and financial liabilities and does not 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. For the general disclosure of the Financial Instruments reference is made to note 40, Section 6.3 Notes to the consolidated financial statements.

Fair Value of Financial Assets and Liabilities

In € millions	Fair value 2017	Carrying amount 2017	Fair value 2016	Carrying amount 2016
Financial assets				
Investments				
- Available for sale	616	616	318	318
Other assets	5	5	2	2
Cash and cash equivalents	46	46	61	61
Total financial assets	667	667	381	381
Financial liabilities				
Subordinated debt	486	476	401	387
Borrowings	652	642	-	-
Derivatives	16	16	-	-
Other liabilities	108	108	364	364
Total financial liabilities	1,262	1,242	765	751

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.

Fair Value Hierarchy 2017

In € millions	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
> Financial assets measured at fair value					
Investments available for sale	616	616	-	-	616
Total	616	616	-	-	616
> Financial assets not measured at fair value					
Other assets	5	5	-	-	5
Cash and cash equivalents	46	46	-	-	46
> Financial liabilities measured at fair value					
Derivatives	16	-	16	-	16
> Financial liabilities not measured at fair value					
Subordinated debt	476	486	-	-	486
Borrowings	642	652	-	-	652
Other liabilities	108	108	-	-	108

Fair Value Hierarchy 2016

In € millions	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Investments available for sale	318	317	-	1	318
Total	318	317	-	1	318
> Financial assets not measured at fair value					
Other assets	2	2	-	-	2
Cash and cash equivalents	61	61	-	-	61
> Financial liabilities not measured at fair value					
Subordinated debt	387	-	401	-	401
Other liabilities	364	364	-	-	364

The table below shows the movements in financial instruments measured at fair value and classified in level 3.

Change in Level 3 Financial Instruments in 2017

	Available for sale	Total
Balance as at 1 January	1	1
Sale/settlements	-1	-1
Balance as at 31 December	-	-
Total gains and losses included in profit or loss	-	-

Breakdown of level 3 financial instruments

In € millions	2017	2016
Equities	-	1
Total	-	1

Reclassification between Levels 1, 2 and 3

In 2017, there were no reclassification of financial instruments between levels 1, 2 and 3.

Management of Past Due and Impaired Assets

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

Financial Instruments - Impairments 2017

In € millions	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	617	-	-	-	617
Other financial assets	759	-	-	-	759
Total	1,376	-	-	-	1,376

Financial Instruments – Impairments 2016

In € millions	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	318	4	-	-4	318
Other financial assets	881	-	-	-	881
Total	1,199	4	-	-4	1,199

21. Result Appropriation

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Additional information.

The Executive Board proposes to the General Meeting of Shareholders to deduct the negative result for 2017 of € 116 million from the other reserves of VIVAT NV.

In accordance with the resolution of the General Meeting of Shareholders held on 2 May 2017, the result for 2016 of € 168 million has been added to the other reserves of VIVAT NV.

Amstelveen, the Netherlands, 13 April 2018

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)

L. Tang

X.W. Wu

Y. Cao

W.M.A. de Ruiter-Lörx

J.C.A. Potjes

October

November

December



Innovation

VINCE

To drive and accelerate innovation continuously within the company VIVAT opened a new VIVAT Innovation Centre – simply VINCE. VINCE will facilitate VIVAT employees to develop new ideas and stimulate teams to work together with start-ups by means of co-creation. VINCE is deliberately based outside of the main offices of VIVAT, in start-up community B. Amsterdam. This allows our innovation teams to work full focus on their ideas in a stimulating and inspiring environment of start-ups.

New brand

nowGo

VIVAT launched a new digital brand: nowGo. A remarkable video for car insurance was the first in a series of online commercials that are all played in reverse. By choosing this effect nowGo emphasises that one can only enjoy something—a trip, a new car, a new home— if you have properly insured it. Closing an insurance however is not always as easy as it should be. With the wellbeing of the consumer in mind, nowGo wants to change this by giving all the information that will help you decide what suits you best. People can close their insurance instantly and always at a sharp premium.

Awards

International awards for collaboration in start-ups

Before year's end the Startup Europe Partnership (SEP) awarded VIVAT with two awards for its collaboration in start-ups. VIVAT has been recognised as an Open Innovation Challenger and as an Open Innovation Fast Mover. The prizes were presented to CEO Ron van Oijen in Brussels. VIVAT is the only Dutch insurer to receive an award. Ron van Oijen: "We are very proud of these awards. This is the professional, independent proof that VIVAT is making great strides in its ambition to become one of the most innovative insurers in the Netherlands."

VIVAT Amstelveen





Additional Information

1. Provisions in Articles of Association Governing the Appropriation of Profit or Loss

Article 41 Profit and Loss; general

1. The profits shall be at the free disposal of the general meeting.
2. The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent its equity exceeds the total amount of its issued share capital and the reserves which to be maintained pursuant to the law.
3. Distribution of profits shall take place following the adoption of the annual accounts from which it appears that such distribution is allowed.

Article 42 Profit and Loss; Distributions

1. Dividends shall be due and payable fourteen days after having been declared, unless upon the proposal of the management board the general meeting determines another date thereof.
2. Dividends that have not been collected within five years after they became due and payable shall revert to the company.
3. If the general meeting so determines on the proposal of the management board, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in Section 2:105, paragraph 4, of the Dutch Civil Code.
4. A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by the law.

Independent auditor's report

To: the shareholder and supervisory board of VIVAT N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements of VIVAT N.V. ('VIVAT' or 'the Company'), based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of VIVAT N.V. as at 31 December 2017, and of its result and its cash flows for 2017 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 accompanying company financial statements give a true and fair view of the financial position of VIVAT N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated statement of profit or loss, the consolidated statements of total comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2017
- The company statement of profit or loss for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

Materiality	EUR 70 million (2016: EUR 60 million)
Benchmark applied	2% of VIVAT's shareholder's equity
Explanation	VIVAT'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 VIVAT's shareholder's equity.

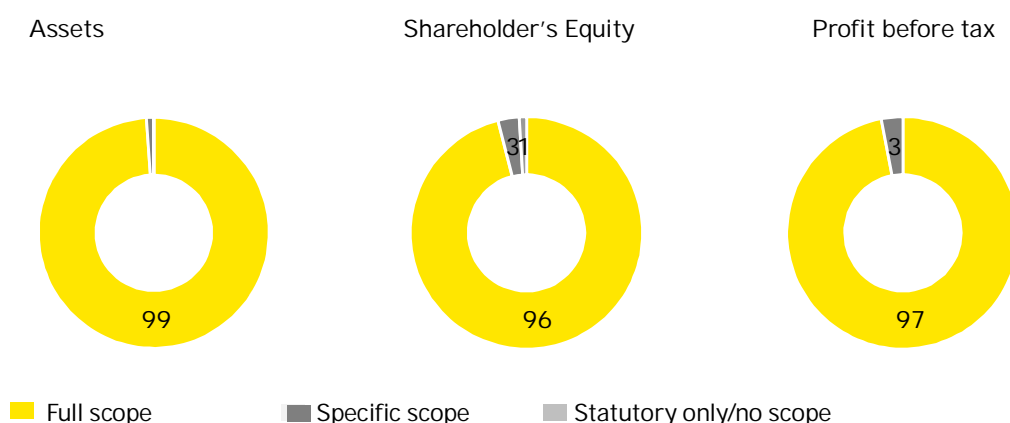
We have also taken misstatements into account and possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 3.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view should be reported on qualitative grounds.

Scope of the group audit

VIVAT is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of VIVAT.

We are responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for the reporting units based on their size and/or the risk profile. We included SRLEV, VIVAT Schade and Proteq in the audit scope for consolidation purposes, resulting in a coverage of 99% of total assets, 99% of shareholder's equity and 100% of profit before tax.



We have:

- Performed audit procedures ourselves at group entities SRLEV and VIVAT Schade
- Performed specific audit procedures ourselves at Proteq

Further, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement for the remaining entities.

By performing the procedures mentioned above at group entities, together with additional procedures at VIVAT level, we have been able to obtain sufficient and appropriate audit evidence about VIVAT's financial information to provide an opinion on the consolidated financial statements.

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.

Fair value measurement of investments and related disclosures	
Risk	VIVAT invests in various asset types, of which 82 % is carried at fair value in the balance sheet. Of the total assets, 6% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation or with weak liquidity. Valuation techniques for mortgages, real estate, private equity investments and for non-listed bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which significant unobservable inputs are used.
Our audit approach	We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional procedures, supported by our valuation specialists where necessary. This included, where relevant, comparison of judgments made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal and fair value information based on the Company's own purchase transactions. Finally, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy in note 40.
Key observations	Based on our procedures performed we consider the fair value of financial instruments to be within a reasonable range. The fair value disclosures of investments meet the requirements of IFRS-EU.
Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)	
Risk	VIVAT has insurance contract liabilities of EUR 47 billion representing 88% 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, including any guarantees provided to policyholders.

	<p>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. In the LAT, the excess of fair value over the carrying value of mortgages at amortized cost is taken into account.</p> <p>As at 31 December 2017, the LAT of SRLEV N.V. shows a significant deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT. Changes in estimates and assumptions used in the LAT therefore directly impact VIVAT's profit or loss. The setting of mortality, longevity, expense and lapse assumptions in the LAT, including the assumptions to determine the fair value of mortgages, require application of significant judgment.</p>
Our audit approach	<p>We involved our actuarial specialists to assist us in performing audit procedures in this area. This included among others consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of life insurance contract liabilities. Further, for non-life contracts, this included the assessment of the provision for claims incurred but not reported, and the appropriateness of the morbidity, recovery and mortality assumptions for bodily injury and disability products. As part of these procedures, we evaluated Company and industry data, and expectations of developments in this respect.</p> <p>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, longevity, expenses and lapses, and determination of fair value of the mortgage portfolio, based on Company's and industry experience data, expected market developments and trends.</p> <p>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.</p> <p>We considered whether VIVAT's disclosures in note 16 to the financial statements in relation to insurance contract liabilities and liability adequacy test results are compliant with IFRS-EU.</p>
Key observations	<p>We consider the estimates used to be within a reasonable range. The disclosures of insurance contract liabilities and liability adequacy test results meet the requirements of IFRS-EU.</p>
Unit-Linked Exposure	
Risk	<p>Holders of unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organizations on their behalf, have filed claims or initiated proceedings against the Company and may continue to do so. A negative outcome of</p>

	<p>such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for VIVAT relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated at this point. Refer to note 21 to the financial statements.</p>
Our audit approach	<p>We performed audit procedures in this area, which included:</p> <ul style="list-style-type: none"> • assessment of VIVAT's governance, processes and internal controls with respect to unit-linked exposures • review of the documentation and discussing the unit-linked exposures with management and the Company's internal legal advisors • obtaining a legal letter from VIVAT's external legal advisor • consideration of the recognition and measurement requirements for establishing provisions under IFRS-EU. <p>We also considered whether the Company's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in note 21 to the financial statements.</p>
Key observations	<p>Management's assessment that the financial consequences of the unit-linked exposure cannot be reliably estimated at this time and therefore no provision is recognized in the 2017 balance sheet, is adequately substantiated. The related disclosure meets the requirements of IFRS-EU.</p>
Reliability and continuity of the information technology and systems	
Risk	<p>VIVAT N.V. is highly dependent on its IT systems and IT infrastructure for the continuity of the operations. VIVAT continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements.</p> <p>VIVAT is continuously improving the efficiency and effectiveness of its IT systems and IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks.</p>
Our audit approach	<p>As part of our audit procedures we have assessed the changes in the IT systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included testing of controls with regards to IT systems and processes relevant for financial reporting.</p> <p>A particular area of attention related to logical access management, including access rights and segregation of duties within a system of VIVAT's subsidiary ACTIAM. We tested logical access rights to the extent relied upon for the audit of the consolidated financial statements. This resulted in the identification of certain control deficiencies with respect to access rights and segregation of duties. To mitigate the audit risk, we performed additional procedures over management's remediation activities and performed additional substantive procedures.</p>
Key observations	<p>The combination of the tests of controls and the substantive tests performed provided sufficient appropriate evidence for the purposes of our audit.</p>

In the 2016 auditor's report, 'Appropriateness of models and input data used in the measurement of technical provisions and LAT' and 'Solvency' were identified as key audit matters. Since we consider the risks around these matters lower compared to prior year, we have no longer included these items as key audit matter.

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 Executive Board's report
- Corporate Responsibility reporting
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is 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 Executive 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 engaged by the supervisory board as auditor of VIVAT N.V. on 29 October 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements of VIVAT and its subsidiaries, we provided the following services:

- We issued an auditor's report on VIVAT's group reporting package prepared for the purpose of consolidation by its ultimate parent company.
- We issued auditor's reports on selected regulatory reporting templates of VIVAT, and of its subsidiaries, to the Dutch Central Bank (DNB).
- We issued an assurance report on VIVAT's corporate responsibility reporting included in chapter 3 Strategy and Developments and the section Additional Information of the annual report.
- We issued comfort letters in relation to prospectuses prepared in connection with securities offerings of VIVAT and SRLEV.
- We issued assurance reports in respect of Zwitserleven's and Actiam's ISAE 3402 statements.
- We issued assurance reports on cost price models for financial products prepared by VIVAT's insurance subsidiaries.

- We issued assurance reports on statements of premium income and number of motor vehicles insured.
- We issued reports of factual findings on statements prepared by VIVAT to meet contractual obligations with its customers.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management 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, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management 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. Management 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 management'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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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, 13 April 2018

Ernst & Young Accountants LLP

Signed by J.G. Kolsters

3. GRI-table and Assurance Report

3.1. GRI-table

GRI Code	Disclosure	Cross reference / explanatory note
> GRI 102: GENERAL DISCLOSURES		
> 1. Organisational profile		
102-1	Name of the organisation	VIVAT NV
102-2	Activities, brands, products, and services	3.1 About VIVAT 3.2.3 Value Creation 3.3 Our Main Brands 3.4 Our Product Lines
102-3	Location of the organisation's headquarters	Amstelveen, The Netherlands
102-4	Number of countries operating	VIVAT only operates in the Netherlands. Taxes are therefore paid only in the Netherlands.
102-5	Nature of ownership and legal form	4. Corporate Governance, p.41
102-6	Markets served	3.3 Our Main Brands 3.4 Our Product Lines
102-7	Scale of the reporting organisation	Key Figures 3.5 Our People 5.1 Consolidated Statement of Financial Position 5.2 Consolidated Statement of Profit or Loss
102-8	Information on employees and other workers	3.5 Our People
102-9	Supply chain	3.2.3 Value Creation 3.3 Our Main Brands
102-10	Significant changes to the organisation and its supply chain	No significant changes have occurred in the reporting period.
102-11	Precautionary Principle or approach	3.4.4 Asset Management 7. Managing Risks
102-12	External initiatives	OECD guidelines - We undertake to encourage our suppliers and subcontractors to apply rules of conduct that are compatible with the guidelines which we endorse. We apply due diligence in the supply chain to combat corruption and anti-competitive practices in any form (including tax avoidance). In 2017 no significant incidences of corruption were reported. If a supplier violates the sustainability declaration, we enter into a dialogue and seek ways for improvement. If improvements are not made, we have the option to terminate the contract. International Labour Organisation (ILO) - By complying with these guidelines, we support effective measures to abolish child labour and eliminate any form of forced labour, we support the elimination of discrimination in employment and occupation and, within our sphere of influence, we support the freedom to join a trade union and effective recognition of the right to collective bargaining.
102-13	Memberships of associations	Here is a selection of the organisations of which we are members: Zwitserleven: PSI (UNEP Principles for Sustainable Insurance), VBDO (Association of Investors for Sustainable Investment), Verbond van Verzekeraars (Dutch Association of Insurers), MVO Nederland (CSR Netherlands),

GRI Code	Disclosure	Cross reference / explanatory note
		<p>Swiss Life Network (International network of insurers who service multinational customers across borders), Ondernemersvereniging Amstelveen</p> <p>Reaal: Keurmerk Klantgericht Verzekeren, Verbond van Verzekeraars (Dutch Association of Insurers)</p> <p>ACTIAM: Dutch Fund and Asset Management Association (DUFAS), Extractive Industries Transparency Initiative (EITI), Global Impact Investing Network (GIIN), VBDO (Association of Investors for Sustainable Investment), Eumedion, CDP, GRESB (Global Real Estate Sustainability Benchmark), Green Bond Principles (zitten we ook in de Executive Committee), Natural Capital Finance Alliance PRI (Principles for Responsible Investment), FSC Nederland</p> <p>Facility Management: VGP (Association of Volume Users of Postal Services)</p>
> 2. Strategy		
102-14	Statement from senior decision-maker	2. Message from the Executive Board of VIVAT NV
> 3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	3.2 Corporate Responsibility 4. Corporate Governance
> 4. Governance		
102-18	Governance structure	4. Corporate Governance Additional Information
> 5. Stakeholder Engagement		
102-40	List of stakeholder groups	Additional Information, 4.2 Determination of Materiality and Stakeholder Engagement Additional Information, 4.3 Stakeholder Engagement
102-41	Collective bargaining agreements	100% of the employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Additional Information, 4.2 Determination of Materiality and Stakeholder Engagement Additional Information, 4.3 Stakeholder Engagement
102-43	Approach to stakeholder engagement	Additional Information, 4.2 Determination of Materiality and Stakeholder Engagement Additional Information, 4.3 Stakeholder Engagement
102-44	Key topics and concerns raised	Additional Information, 4.2 Determination of Materiality and Stakeholder Engagement Additional Information, 4.3 Stakeholder Engagement
> 6. Reporting practice		
102-45	Entities included in the consolidated financial statements	Additional Information, 4.5 About this Report
102-46	Defining report content and topic Boundaries	Additional Information, 4.2 Determination of Materiality and Stakeholder Engagement Additional Information, 4.3 Stakeholder Engagement
102-47	List of material topics	Appendix 4. Principles of Non-financial Reporting, 4.2 Determination of Materiality and Stakeholder Engagement

GRI Code	Disclosure	Cross reference / explanatory note
102-48	Restatements of information	No significant restatements have been made with regard to the CR information and data in 2017 compared to previous years.
102-49	Changes in reporting	No significant changes have occurred in the reporting period.
102-50	Reporting period	January 1st - December 31st, 2017
102-51	Date of most recent report	April 5th, 2017
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	Additional Information, 4.4 About this Report
102-54	Claims of reporting in accordance with the GRI Standards	Additional Information, 4.4 About this Report
102-55	GRI content index	Additional Information, 3. GRI-tabel and Assurance Report
102-56	External assurance	Additional Information, 3. GRI-tabel and Assurance Report
> GRI 103: MANAGEMENT APPROACH 2017		
Topic Specific Standards		
> Solvency, Profitability & Pricing (GRI 201: Economic Performance)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report
201-1	Direct economic value generated or distributed	1. 2017 At a Glance Key Figures 5.1 Consolidated Statements of Financial Position 5.2 Consolidated Statement of Profit or Loss 5.3 Consolidated Statement of Total Comprehensive Income
Own indicator	Solvency II ratio	Key figures 6 Notes to the consolidated financial statements 7.4 Capital management, p. 157-160 Additional information: 4.4 Coherence & Connectivity CR Strategy
> Integrity (GRI 406: Non-Discrimination)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report
406-1	Incidents of discrimination and corrective actions taken	During the reporting period we had zero incidents related to discrimination
> Customer service (first time right) (GRI 417: Marketing and Labelling)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement
417-3	Incidents of non-compliance concerning marketing communications	Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report 3.4.3 Property & casualty 7.2.5. Risk management

GRI Code	Disclosure	Cross reference / explanatory note
		7.9.2 Risk management process During the reporting period VIVAT had zero incidents relating to non-compliance with regulations and voluntary codes concerning marketing communications.
> Insights in risks (own indicator)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report
Own indicator	Risk profile and risk management	7. Managing Risks
Own indicator	Insight in our risks	7. Managing Risks
> Customer satisfaction & simplicity (own indicator)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report
Own indicator	Treating customers fairly	3.2.4. Transparent Service
Own indicator	Clear and understandable products	3.2.4. Transparent Service
> Responsible investment (own indicator)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report
Own indicator	Policy and results of responsible investment	3.4.4. Asset management Additional information: 4.4 Coherence & Connectivity CR Strategy
> Digitisation (own indicator)		
DMA	Management approach disclosures	Additional information: 4.1 Organisation of Corporate Responsibility Additional information: 4.2 Determination of materiality and stakeholder engagement Additional information: 4.4 Coherence & Connectivity CR Strategy Additional information: 4.5 About this report
Own indicator	The reduction of paper use	2017 At a glance Additional information: 4.3 Stakeholder engagement

Annex

Material topic	Topic-specific Standards	Indicator
> Material topics which VIVAT report according to GRI Standards		
Customer service (First time right)	GRI 417 - product & service labelling	GRI 417-1: Requirements for products and service labelling GRI 417-2: Incidents of non-compliance concerning product and information labelling GRI 417 -3: Incidents of non-compliance concerning marketing communications
Integrity	GRI 406: Non-discrimination	GRI 406-1: Incidents of discrimination and corrective actions taken
> Material topics which VIVAT partially report according to GRI Standards		
Solvency, Profitability & Pricing	GRI 201 - Economic performance	GRI 201-1: Direct economic value generated and distributed
	Own indicator	Solvency II ratio
> Material topics which VIVAT report according to own indicators		
Insights in risks	Own indicator	Risk profile and risk management
		Insight in our risks
Customer satisfaction & simplicity	Own indicator	Treating customers fairly
		Clear and understandable products
Responsible investment	Own indicator	Policy and results of responsible investment
Digitisation	Own indicator	Are there any own indicators that can be included?
> Disclosure G4-PR5 has been discontinued		

Assurance report of the independent auditor

To: the shareholder and supervisory board of VIVAT N.V.

Our conclusion

We have reviewed the Corporate Responsibility Information in the annual report for the year 2017 of VIVAT N.V. at Utrecht, the Netherlands. A review engagement is aimed at obtaining limited assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the Corporate Responsibility Information does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility;
- the thereto related events and achievements for the year 2017.

in accordance with the Sustainability Reporting Standards (option Core) of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in the section 'Additional Information' of the annual report.

The Corporate Responsibility Information comprises of the Corporate Responsibility Information in chapter 2 "Message from the Executive Board of VIVAT NV," chapter 3 "Strategy and Developments" and the section "Additional Information" of the annual report.

Basis for our conclusion

We have performed our review engagement on the Corporate Responsibility Information in accordance with Dutch law, including Dutch Standard 3810N "Assurance engagements relating to sustainability reports", which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the Corporate Responsibility Information' of our report.

We are independent of VIVAT N.V. 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. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limitations to the scope of our review engagement

Unexamined prospective information

The Corporate Responsibility Information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherently, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Corporate Responsibility Information.

Responsibilities of the Executive Board and the Supervisory Board for the Corporate Responsibility Information

The Executive Board is responsible for the preparation of the Corporate Responsibility Information in accordance with the Sustainability Reporting Standards (option Core) of GRI and the applied supplemental reporting criteria as disclosed in the section 'Additional Information' of the annual report, including the identification of stakeholders and the definition of material matters. The choices made by

management regarding the scope of the Corporate Responsibility Information and the reporting policy are summarized in the section Additional Information, paragraph 4.5.

The Executive Board is also responsible for such internal control as management determines is necessary to enable the preparation of the Corporate Responsibility Information that are free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the reporting process of VIVAT N.V.

Our responsibilities for the review of the Corporate Responsibility Information

Our responsibility is to plan and perform the assurance engagement with a limited level of assurance in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

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 decisions of users taken on the basis of the Corporate Responsibility Information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review engagement performed by a multi-disciplinary team, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

The procedures of our review engagement consisted amongst others of:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues and the characteristics of the organization;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Corporate Responsibility Information, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management;
- Obtaining an understanding of the reporting processes for the Corporate Responsibility Information, including obtaining a general understanding of internal control relevant to our review engagement;
- Reconciling the relevant financial information with the financial statements;
- Identifying areas of the Corporate Responsibility Information where material misstatements, whether due to fraud or error, are likely to arise, and performing further procedures aimed at determining the plausibility of the Corporate Responsibility Information responsive to this risk analysis. These procedures consisted amongst others of:
 - Interviewing relevant staff at corporate and business level responsible for the Corporate Responsibility strategy, policy and results;
 - Interviewing relevant staff responsible for:
 - Providing the information for,
 - Carrying out internal control procedures on, and
 - Consolidating the data in the Corporate Responsibility Information;
 - Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Corporate Responsibility Information; and

- An analytical review of the data and trends submitted for consolidation at corporate level.
- Evaluating the presentation, structure and content of the Corporate Responsibility Information as a whole, including the disclosures, in relation to the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review engagement and significant findings that we identify during our review engagement.

The Hague, 13 April 2018

Ernst & Young Accountants LLP

signed by R.J. Bleijs

4. Principles of Non-financial Reporting

4.1. Organisation of Corporate Responsibility

The management of VIVAT has delegated the task of implementing CR to a CR core team. The core team is responsible for coordinating, developing and implementing an overarching CR policy for VIVAT and its brands. When necessary, the core team is assisted by a 'knowledge circle' which contributes specialist knowledge. The chairman of the core team is the linking pin between the core team and the Executive Board. The Executive Board has final responsibility with regard to the activities described above. The CEO of VIVAT is sponsor of Corporate Responsibility within the Executive Board. The Supervisory Board has an advisory and supervisory role.

The product lines responsible for each of the fields covered by CR are, first of all, our brands and, second, our corporate staff departments such as Risk, Finance, Facility Management and Human Resources. Within the product lines, VIVAT and the brands have established a network of experts. Together, they decide on how the key CR objectives are to be approached.

These experts support and monitor the process and achievement of the objectives. The responsibilities of the core team and the knowledge circle include the following:

- developing a framework for VIVAT's overarching CR policy and key objectives;
- developing strategies for the key objectives;
- coordinating the annual reporting process within CR;
- maintaining contacts with stakeholders;
- answering questions about CR.

4.2. Determination of Materiality and Stakeholder Engagement

In 2015 an extensive materiality assessment was conducted prioritising the topics and validating their relevance. Based on the prioritisation conducted for internal and external stakeholders a materiality matrix was created. The 2017 materiality analysis builds further on the outcomes of the 2015 analysis, but also reflects the changes that VIVAT has undergone over the last two years. As a starting point the short-list of 24 relevant topics was used. This list was both updated and prioritized based on the outcomes of a media-analysis, peers analysis and desk research.

Figure 15 shows the corresponding materiality matrix. The horizontal axis represents the business impact of the topic whereas the vertical axis represents the perspective of external stakeholders. The topics in the upper right corner, the first ten, are most important as they are highly relevant to both VIVAT's business and its stakeholders. In comparison with the 2015 analysis, this withholds an addition of two different topics into the list of most material items, being: digitisation and profitability. This can be attributed to increasing importance of these topics to the corporate strategy of VIVAT. Subsequently, the following topics were assessed as less relevant and removed from the short list: risk profile, financial aid and pension.

We disclose our performance on our material topics in this report. The page references for each topic is included in the GRI table (Additional information, Section 3.1).

4.2.1. Boundaries of Material Aspects

All information about the policy, strategy and related indicators concerns our own organisation, unless indicated otherwise in the report. However, VIVAT and its brands and activities cannot be viewed separately from its environment and impact on third parties.

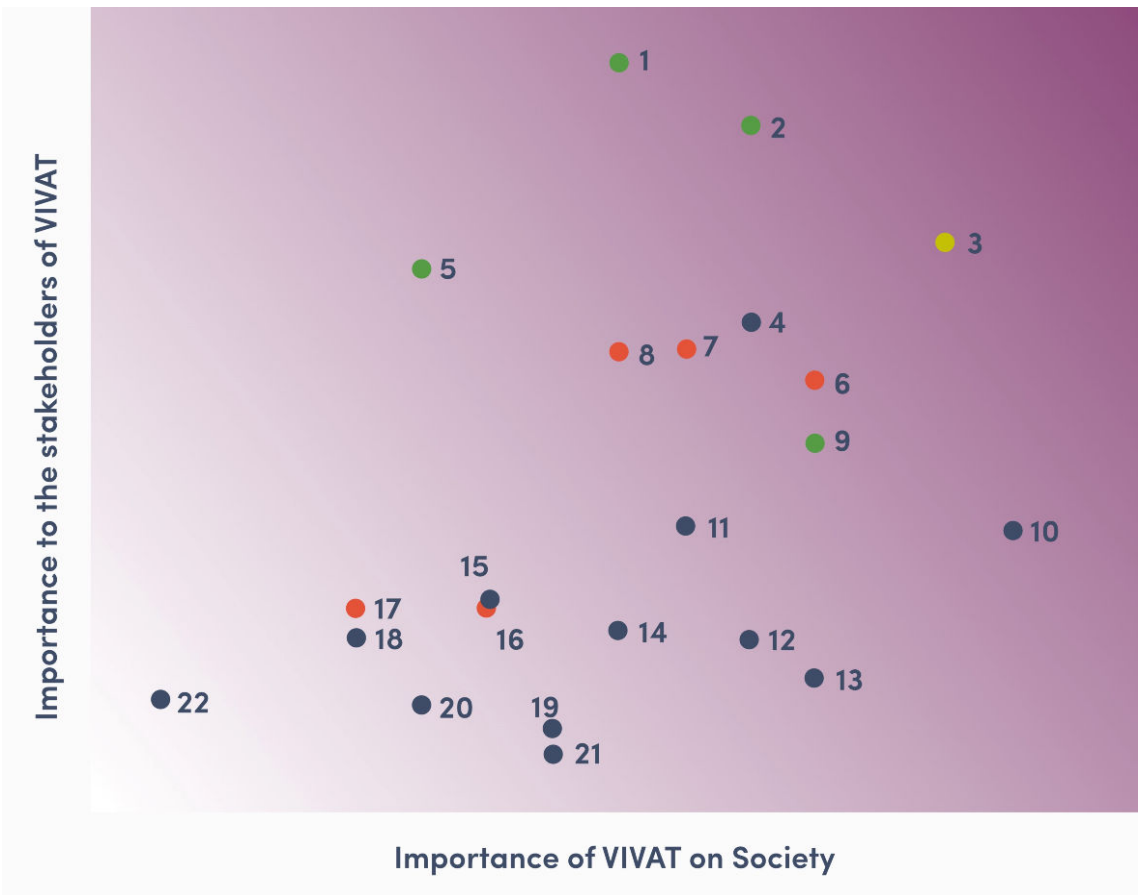


Figure 19: Determination of Materiality and Stakeholder Engagement

The Material Topics are Categorised Along the Updated CR Pillars:

Responsible Investments	Customer Centricity	Sustainable Operations	Sustainable Results
1. Customer service (first time right)		12. Energy & CO ₂ emissions own operations	
2. Customer satisfaction		13. Sustainable purchasing	
3. Responsible investments		14. Employee engagement	
4. Digitisation		15. Diversity & inclusion	
5. Simplicity		16. Financial resilience	
6. Solvency		17. Financial self-sufficiency	
7. Insights in risks		18. Vitality	
8. Profitability		19. Innovation	
9. Pricing		20. Waste	
10. Integrity		21. Cybercrime	
11. Personnel development		22. Paper	

4.3. Stakeholder Engagement

Stakeholders are essential for VIVAT, for the continued existence of the business and for the course we are following. Our stakeholders include customers, suppliers, civil society organisations, financial authorities, government bodies and our employees. Stakeholders are identified on the basis of an assessment of the reciprocal interest which the stakeholder and VIVAT have in each other. VIVAT is in regular contact with its main stakeholders. This enables us to keep abreast of their expectations and relevant developments. In the dialogue with our stakeholders, we seek to create a basis of trust and to develop an understanding of the aspects that are important to the different parties.

This helps us to set priorities and take the right decisions. In addition, stakeholder dialogues enable us to adjust our strategy where needed. For this reason, our Executive Board is involved in these dialogues. We keep in contact with our main stakeholders, albeit more intensively with some than with others. The following table summarises the main aspects discussed in 2017.

Stakeholder Dialogue

Group	Type of engagement	Main aspects discussed in 2017	Actions and reactions of VIVAT
Business partners	Events with intermediaries Innovation days for intermediaries	Innovation, digitisation	<ul style="list-style-type: none"> • VIVAT organised several events with and for intermediaries to discuss innovation and digitisation • Pension Day of Zwitserleven
Civil society organisations	Yearly ratings Verbond van Verzekeraars Week van het Geld	(Sustainable) investment policy	<ul style="list-style-type: none"> • Almost all investments are socially responsible and in line with our Fundamental Investment Principles • Focus on three key themes: climate, water and land
Customers	Continuous and structural customer feedback loops Customer interviews for customer journey and proposition development Customer group specific events, including our annual pension day	Continuous identification of improvement areas of our service delivery and customer interaction Thorough understanding of customer (group) needs in certain life events to add more value for our customers by a.o. developing innovative digital solutions	<ul style="list-style-type: none"> • Customer feedback is translated into actions in order to continuously improve our services • Concentrate on providing solutions for our customers based on their needs and pro-active relevant customer interaction • Organising various client events to offer them tailored information
Employees	Innovation Days Senior management debriefs and meetings Offsites (senior management) Innovation masterclasses Strategy webinar Work Council	Sustainable employability of our employees, personal development, customer centricity, innovation and digitisation	<ul style="list-style-type: none"> • Employees have access to a learning portal that includes a range of training courses as well as development tools. • VIVAT organised activities on innovation and digitisation to involve employees with VIVAT's strategy.
Regulators	Regular contact through formal meetings, e-mails and telephone contact with for example DNB and AFM	Risk Management, Treating customers Fairly, new initiatives, legislation, strategy and business updates, innovation	<ul style="list-style-type: none"> • VIVAT invited regulators to the Innovation Day • VIVAT filled out surveys of regulators and participated in sector broad research
Suppliers	Yearly contract negotiations, Daily e-mail and telephone contact	Sustainable purchasing, general purchasing conditions and pricing	<ul style="list-style-type: none"> • Implementing VIVAT's General Procurement Terms and Conditions (revised in 2016) • VIVAT is shifting away from handling IT matters itself in favour of outsourcing in areas of the consumer value chain where VIVAT is less distinctive

4.3.1. Dilemmas

A topic still highly relevant is **pensions**. We frequently discuss this topic with our stakeholder groups. As the market for financial services has been unstable for several years now, pensions do form a challenge. The continued low interest rate poses a problem for people trying to save money. This consequently has an impact on the insurance sector. Solvency requirement are getting stricter, consumers behaviour is changing and the Witteveen pension legislation results in a shrinking pension market. This leads to capital challenges

in the short-term due to limited returns on our investments. It also impacts our ability to help our customers creating a prosperous future.

Another theme we frequently discuss within the sector is **robotics**. The application of chatbots and robotics could save us costs. The question is how this will impact our customer service and the high standards we want to upkeep.

Innovations and their impact on the insurance sector are also high on VIVAT's agenda. Digital innovations including mobile, social, cloud and big data provide input for production innovation and affect our products. An example include a car insurance offering low premiums for drivers with low-risk driving styles.

Related to this is the **Internet of Things** and the relation with **privacy**. IoT allows for more intensive monitoring of the factual state of 'things' as well as the behaviour of the owners. The expectation is that this trend will become larger and lead to individualised premiums to be calculated for various insurance products. On the one hand it provides business opportunities. On the other hand privacy law- and legislation need to be taken into account as well as the ethical aspects of data and customer privacy. Groups of customers may be concerned about the level of knowledge a company would possess. Subsequently, we must exercise caution with respect to the use of digital and big data technology in our products and services. In this context, regulations including the AVG General Data Protection Regulation (GDPR), that will be enforced from 25 May 2018 onwards, are well taken into account by VIVAT.

4.4. Coherence & Connectivity CR Strategy

The updated CR strategy is aligned and integrated with the mission and core strategy of the company and comprise four main pillars:

- > Responsible investments
- > Customer centricity
- > Sustainable operations
- > Sustainable results

The table below visualises how these strategic pillars (the basis of our business model) are translated into CR focus areas and their link with our material topics. In addition, it shows the indicators that are used to control and monitor progress in the form of KPI targets and the achieved results in 2017 as well as the risks related to these indicators. A more elaborate explanation of our CR strategy, including our value creation model, is provided in Section 3.2.3.

Coherence table

Strategic pillars	Focus areas	(Material) topic	Target
Responsible investments	Impact of our assets on climate change, land and water	Responsible investments	40% reduction in 2040 CO2 emissions, targets for land and water to be determined
	Fair Insurance Guide		Top-3 positions for our brands
Customer centricity	Customer perception	Customer service and customer satisfaction	NPS > -24% for VIVAT
	Customer services		In the course of 2018
	Customer quality		In the course of 2018
Sustainable operations	Carbon emission own organisation	Energy and CO2 emissions own operations	At least 5% decrease
	Sustainable procurement	Sustainable purchasing	80% of our spend for facility and marketing, and > 50% of all other spend is sustainable
	Absenteeism	Vitality	4.5% or less
	Employee satisfaction	Employee engagement	In the course of 2018
	Workability of employees	Vitality	75% of employees do have strong workability
	Digitalisation work process and documents	Digitisation	In the course of 2018
Sustainable results	Risk profiles and insights in risk	Insights in risks and solvency	Solvency II ratio VIVAT > 150%
	Financial result	Profitability	Cost reduction of 5% a year

Reference Table EU Directive Non-financial and Diversity Information

The table below is in line with the new EU Directive (2014/95/EU) that has come into effect. This Directive was enshrined in Dutch legislation in the form of two separate regulations: disclosure of non-financial information and disclosure of diversity policy. In order to be fully compliant with the directive, we included the following reference table to disclose where in our integrated report we have provided the information required.

Topic	Subtopic	Chapter / Page reference
Business model	A description of business model	3.1., p.11, 3.2.3., p. 17-18
Relevant social and personnel matters (e.g. HR, Safety etc.)	A description of the policies pursued, including due diligence.	3.2.1, p.14, 3.5., p.25
	The outcome of those policies.	3.2.2, p.16
	Principle risks in own operations and within value chain.	7.9.4., p.186
	How risks are managed	3.2.4., p.18
	Non-financial key performance indicators.	3.2.3., p.17
Relevant Environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence.	3.2.1., p.14, 3.6., p.29
	The outcome of those policies.	3.2.1., p.14, 3.6., p.29
	Principle risks in own operations and within value chain.	3.2.1., p.15, 3.2.3., p.18
	How risks are managed.	3.2.3., p.17
	Non-financial key performance indicators.	3.2.3., p.18
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due diligence.	3.2.4., p.20
	The outcome of those policies.	3.2.4., p.20
	Principle risks in own operations and within value chain.	3.2.1, p.14
	How risks are managed.	3.2.1, p.14
	Non-financial key performance indicators.	3.2.3., p.18
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due diligence.	3.5.1., p.28
	The outcome of those policies.	3.5.1., p.28
	Principle risks in own operations and within value chain.	3.5.1., p.28
	How risks are managed.	3.5.1., p.28, 3.8., p.36
	Non-financial key performance indicators.	3.5.1., p.28
Diversity (Executive Board and Supervisory Board)	A description of the policies pursued.	3.5.2., p.28, 4.3., p.47
	Diversity targets	3.5.2., p.28
	Description of how the policy is implemented	3.5.2., p.28, 4.1., p.43, 4.2., p.45
	Results of the diversity policy	3.2.3., p.18, 3.5., p.26

4.5. About this Report

The 2017 Annual Report of VIVAT NV provides a combined account of our performance in the financial and CR fields. We regard CR not as a secondary activity performed alongside our core task but as a subject that forms an integral part of our entire business operations. This report reflects this approach. Drafts of this report were extensively reviewed by internal reading groups and subject matter experts. Our aim is to further integrate our financial & non-financial reporting.

Scope & Boundary

This report is targeted at stakeholders of VIVAT NV and other interested parties. The scope of this report comprises all entities for which VIVAT NV has management responsibility. The report relates to the full 2017 calendar year. New acquisitions are included in our CR reporting as of the first full year of ownership. Any disposals during the reporting year are excluded for the full year. In order to report the information and data most relevant to our stakeholders, reporting aspects have been selected by means of a materiality analysis. We have compared the importance attached to various aspects by VIVAT and by our external stakeholders. Our analysis and its results are explained under the Additional Information Section 4.3. The selection of disclosures in this report is based on the outcomes of the materiality analysis and on the availability of quantitative data.

Reporting guidelines

The criteria for reporting CR information on VIVAT NV are based on the guidelines of the Global Reporting Initiative (GRI), GRI Standards (core level). The GRI guidelines are the most generally accepted guidelines for preparing annual (social) reports and can be found on www.globalreporting.org. In its 2017 annual report, VIVAT NV reports on the basis of GRI Standards at 'core' application level. The full GRI table has been included in this report under Additional Information Section 3.1. In addition, we have developed a value creation model, including the main forms of capital input in line with the Integrated Reporting framework. This model and an explanation on how we create value is included in Section 3.2.3.

Measuring method

Data was provided by the various product lines and staff departments. Data concerning the workforce and financial results set out in this report was collected using our financial data management system. The remaining non-financial data set out in this report was collected using a standardised yearly questionnaire that was completed by the responsible entities. The product lines, HR, Finance, Risk and facility management each provided relevant data relating to their business. The collected data was consolidated and validated at HQ level by the CR core team. The CR core team and the CR sounding board group are responsible for collecting and validating the reported data. Data is validated by means of methods such as trend analyses. All data has been measured, unless stated otherwise. If no data was available, it was estimated by extrapolation of historical data. No uncertainties and inherent limitations have been found in the data as a consequence of their measurement, estimation and calculation.

External verification

We have asked Ernst & Young Accountants LLP to provide a limited degree of assurance about the information presented in Section 3 and Section Additional Information of this annual report. A summary of the activities and conclusions of Ernst & Young Accountants LLP can be found in the assurance statement issued with this report under the Additional Information Section 3.2.

Feedback

VIVAT NV welcomes feedback from stakeholders and other interested readers. We would be glad to receive any comments at info@vivat.nl.

5. Glossary

Active ownership, engagements	<p>We identify three different types of engagement:</p> <ol style="list-style-type: none"> 1) Responsive engagement: in response to controversies or violations of our Fundamental Investment Principles. 2) Proactive engagement: raising possibilities for improvement and potential risks. 3) Collective engagement: talking to companies along with other investors in order to have a greater impact.
CO₂ footprint	is a calculation that makes it clear how much CO ₂ emissions a company creates and which business activities created which quantities. This makes it easier to see where CO ₂ emissions can be reduced.
Customer satisfaction	is a measure of how our products and services meet or surpass customer (solely private clients) expectation following a survey in April and September. Customer satisfaction score (relation based) reflects our customers' satisfaction on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied).
Global Reporting Initiative	is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.
Insurance contract	a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium.
Net Promoter Score	outcome of Net Promoter Score ('NPS', relation based) survey with customers (solely private clients) in April and September of the reporting years. Stakeholders view this as a material indicator. The NPS methodology is a widely used methodology in which scores from 0 to 6 are classified as 'detractor', scores 7 or 8 are classified as 'passive' and only those scores that are 9 or 10 are classified as 'promoters'. The result is calculated by the percentage of promoters minus the percentage of detractors, giving the NPS. The NPS can therefore range from -100% to +100%.
Percentage of investments in line with ESG criteria	99.8% of the investments is in line with the ESG criteria.
Responsible investment	is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole.
Responsible investment, exclusions	<p>Compliance with our Fundamental Investment Principles will be assessed based on two main criteria:</p> <ol style="list-style-type: none"> 1) Repeated or systematic involvement in activities covered by our principles, as well as failure to sufficiently remedy such involvement. 2) Inadequate preparedness to prevent this involvement from occurring in the future – <i>companies only</i>
Scope 1	all direct GHG emissions.
Scope 2	indirect GHG emissions from consumption of purchased electricity, heat or steam.
Scope 3	other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc.
Solvency	is the ability to meet our long-term financial obligations.
Solvency II	is an EU Directive that collects and harmonises the EU insurance regulation. Its primary concern is the amount of capital that insurance companies must hold to reduce the risk of insolvency
Simplicity score	is a measure to which extent our customers (solely private clients) find our products are clear and understandable following a survey in April and September. Simplicity score (relation based) reflects our customers' perception on simplicity on a scale from 0% to 100% (1 = unclear and fully not understandable, 100% = clear and fully understandable).
TCF	Treating Customers Fairly is a principle that intends to raise the standards in the way company's carry on their business. The aim is to induce changes that will benefit consumers and increase their confidence in the financial services industry.
Transparency benchmark	annual recurring research on the content and quality of sustainability reporting by Dutch companies. This is an initiative of the Ministry of Economic Affairs.

