Solvency and Financial Condition Report 2017

Nederlandsche Algemeene Maatschappij van Levensverzekering

“Conservatrix” N.V.

Inhoudsopgave

SUMMARY

This Solvency and Financial Condition Report (SFCR) provides public quantitative and qualitative disclosures for Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix" N.V. (Conservatrix) on Solvency II as required by the Solvency II legislation. Conservatrix already discloses most of the information that is required to be included in the SFCR in its Annual Report 2017 (Annual Report). As required by the Delegated Regulation (EU) 2015/35/Annex XX 'Structure of the Solvency and Financial Condition Report and Regular Supervisory Report', this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 chapter XII Public Disclosures (articles 292-298). Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRTs). Conservatrix is required to submit the QRT to its supervisor Dutch Central Bank (DNB). A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at December 31 2017, are included in the appendix to this SFCR.
The amounts disclosed in this SFCR are, consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise.

Chapter A 'Business and performance' describes the overall business profile and structure of Conservatrix. It also provides insight into the underwriting and investment performance of Conservatrix. Chapter B 'Governance system' explains the organizational governance structure and looks into the role and execution of key Solvency II functions. Chapter C 'Risk profile' analyses Conservatrix's exposure to financial and non-financial risks and explains the risk mitigation techniques in place. Chapter D 'Valuation for solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and Dutch Generally Accepted Accounting Principles (DGAAP'). Chapter E 'Capital management' discusses the composition of available and Eligible Own Funds and the calculation of the Solvency Capital Requirement (SCR).

Material changes in 2017
On May 15, 2017 De Nederlandsche Bank (DNB) was granted permission by the Amsterdam District Court to transfer the shares of life insurer Conservatrix to a new owner, Trier Holding B.V. and its shareholders. The Amsterdam Court announced its public decision following a request by the Dutch supervisor.

As part of the agreement with DNB the company was recapitalized above the envisaged minimum Solvency II ratio of 135% by injecting € 18.4 million of capital directly and € 72.1 million via a reinsurance agreement with Colorado Bankers Life, an affiliate US company. The market value of the reinsurance agreement was assessed by KPMG Advisory N.V.. After the recapitalization DNB revoked the appointment of the trustee. The company is still under so-called intensified supervision by DNB. Due to the reinsurance agreement the duration of the asset mix changed and a careful process of rebalancing the duration of the asset mix in line with the liabilities on the balance sheet took place.

Eligible Own Funds
Solvency II requires to hold Eligible Own Funds for covering Solvency Capital Requirement. The Eligible Own Funds are classified in three tiering categories. The tiering classification is prescribed in the Solvency II Legislation, as not all own-fund items are considered to be able to fully absorb losses in the event of winding-up proceedings. Tier 1 own-fund items are the highest grade capital and Tier 3 items are the lowest grade capital.

Eligible Own Funds

(In thousands of euros)	2017	2016
Tier 1	43,897	-7,933
Tier 2	0	0
Tier 3	3,803	0
Total Eligible Own Funds	**47,700**	**-7,933**

Eligible Own Funds increased € 55.6 million to € 47.7 million in 2017 driven by a direct capital injection of € 18.4 million, the profit from a reinsurance agreement with Colorado Bankers Life that was valued at € 172,1 million while only € 100 million premium was paid, and the inclusion of Deferred Tax Assets as Tier 3 capital.

Solvency Capital Requirement

(In thousands of euros)	2017	2016
Market risk	10,116	7.300
Counterparty default risk	15,692	22.806
Life underwriting risk	11,767	32.774
Diversification	-10,775	-15.720
Basic Solvency Capital Requirement	26,800	47,160
Operational risk	3,029	3,056
LACDT	-4,474	0
Total Solvency Capital Requirement	**25,355**	**50,216**

The SCR decreased € 24.9 million to € 25.6 milion in 2017. This improvement was mainly due to the reduction of Life underwriting risk by the new reinsurance agreement, a lower Counterparty default risk as a result of the reduced exposure to mortgages and the use of the Loss Absorbing Capacity of Deferred Taxes (LACDT) since the second quarter of 2017.

Solvency II Capital ratio

(In thousands of euros)	2017	2016
Eligible Own Funds (EOF)	47,700	-7,933
Minimum Capital Requirement (MCR)	11,410	21,213
Solvency Capital Requirement (SCR)	25,355	50,216
Solvency II ratio (EOF/SCR)	188%	-16%

Conservatrix was adequately capitalized at year-end 2017 with a Solvency II ratio of 188% based on the standard formula.

A. BUSINESS AND PERFORMANCE

A.1 Business

Conservatrix is a life insurer specialized in life insurances and mortgages with a history that dates back to 1872. Since May 15, 2017 Conservatrix is owned by Trier Holding B.V. As part of the agreement with DNB the new shareholder recapitalized the company above the envisaged minimum Solvency II ratio of 135% by injecting € 18.4 million capital directly and € 72.1 million indirectly via a reinsurance agreement with Colorado Bankers Life, an affiliate company. Conservatrix currently has a headcount of 48 employees and is based in Utrecht. The premium income came entirely from insurance contracts concluded in the Netherlands.

The Conservatrix' strategy is to turn the company around into a sustainable, well-organized, flexible and cost-efficient operation and to achieve growth in assets under management by acquiring companies or life insurance portfolios.

Conservatrix constructed a responsible investment policy that complies with the standards for the sustainable Investment Code ('Code Duurzaam Beleggen') of the Dutch Association of Insurers ('Verbond van Verzekeraars'). Conservatrix subscribes to this Code, in which the UN Principles for Responsible Investments are incorporated.

During the transformation of the company, daily business was performed and necessary improvements were undertaken at the same time. In 2017, Conservatrix activated the remaining policyholders as part of the total program on investment linked insurance policies.

In general, 2017 was a year of change and reorganization for the company and its employees. This year progress was made in order to enable Conservatrix to become in control about the processes again and compliant with the regulation.

The supervisory authority responsible for financial supervision of Conservatrix:

Dutch Central Bank
Westeinde 1
1017 ZN Amsterdam
The Netherlands

The contact details of Conservatrix' external auditor are:

W.J.P. Hoeve RA
BDO Audit & Assurance B.V.
Van Deventerlaan 101
3528 AG Utrecht
The Netherlands

A.2 Underwriting Performance

In thousands of euros	2017		2016	
Insurance premiums earned				
Gross premiums	29,448		32,384	
Outgoing reinsurance premiums	-101,247		-1,464	
Net premiums earned		-71,799		30,920
Claims and benefits paid				
Gross claims and benefits paid	39,183		33,335	
Reinsurers' share	-1,812		-1,553	
Net claims and benefits paid		37,371		31,782
Change in technical provisions				
Gross change in technical provision	-19,931		41,912	
Reinsurers' share	-150,109		-761	
Net change in technical provision		-170,040		41,151
Change in other provisions		-1,654		3,112
Operating expenses				
Staff, overhead and depreciation costs	10,859		9,071	
Acquisition costs	508		496	
Total operating expenses		11,367		9,567

A.3 Investment Performance

Investment income (In thousands of euros)	2017		2016	
Investment income				
Investment property	252		371	
Other investments	14,669		15,590	
Realized gains on investments	18,964		10,105	
Total investment income		33,885		26,066
Unrealized gains on investments		464		10,949
Investment management expenses		553		376
Investment income attributable to non-technical account		-1,232		-229

	2017	2016
Mortgage loans	12,788	12,854
Equity securities	424	686
Bonds	1,574	1,548
Other loans	171	465
Policy loans	5	7
Interest on bank accounts	36	30
Paid interest	-329	0
Income from other investments	**14,669**	**15,590**

	2017	2016
Own risk	14,245	15,180
Policy holder	424	410
Income from other investments	**14,669**	**15,590**

	2017	2016
Own risk	18,942	10,126
Policy holder	22	-21
Realized gains on investments	**18,964**	**10,105**

Investment income attributed to non technical account concerns the result of the technical investment income related to the average Shareholders' funds.

In thousands of euros	2017		2016	
Net result		95,161		-14,874
Change revaluation reserve investment property	1,207		0	
Change revaluation reserve other investments	-24,214		6,227	
Change revaluation reserve loans	-20,293		-2,842	
Total amount recognized directly in equity		-43,300		3,385
Total comprehensive income		51,861		-11,489
Share premium contribution		18,426		0
Movement shareholders’ funds		**70,287**		**-11,489**

A.4 Performance of other activities

Until 2016 the collateral with Heco Reassurantie S.A. was presented on the Balance Sheet. As this is effectively presented at the Balance Sheet of Heco Reassurantie it was decided to remove this from the Balance Sheet. For comparing purposes this was also corrected in the 2016 Balance Sheet.

A.5 Any other information

No other information is applicable.

B. SYSTEM OF GOVERNANCE

Introduction
This chapter of the SFCR contains information on the system of governance of Conservatrix, including relevant committees within the Management Board, a description of the main roles and responsibilities of key functions and Conservatrix' approach to the 'fit and proper' requirements and to the Own Risk and Solvency Assessment.

B.1 General information on the system of governance

Risk management system
The Conservatrix' risk management system is in accordance with Solvency II requirements and covers the following areas:

a) underwriting and reserving
b) asset-and liability management
c) investment, in particular derivatives and similar commitments
d) liquidity and concentration risk management
e) operational risk management, including integrity and compliance risks
f) reinsurance and other risk-mitigation techniques

Conservatrix seeks an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies.

B.2 Fit and proper requirements

The management and key functions of Conservatrix should be 'fit and proper' according to the requirements of DNB, based on the Policy Rule on fitness 2012. To fulfill these requirements Conservatrix has an internal process to secure that candidates for the relevant positions meets the professional qualifications, has sufficient relevant knowledge, skills and experience required for sound and prudent management ('fit'), are of good reputation an d have the right integrity attitude ('proper'). All candidates are selected on their skills and knowledge required for their position inside Conservatrix, amongst others they are tested on management, organization, communication, the products, services and markets of Conservatrix, sound and ethical business operations and balanced and consistent decision making. Only candidates that meet the required level are to the opinion of Conservatrix fit for the job.

B.3 Risk management system including the own risk and solvency assessment

Description of Conservatrix' risk management system.
Reference is made to Note 'Risk management' in the Annual Report 2017 of Conservatrix for a description of the risk management system comprising of strategies, processes and reporting procedures, and how Conservatrix is able to effectively identify, measure, monitor, manage and report, on a continuous basis, the risks on an individual and aggregated level, to which Conservatrix is or could be exposed. In the same note, a description is included of how the risk management system including the risk management function are implemented and integrated into the organizational structure and balanced decision-making processes of Conservatrix' Own Risk and Solvency Assessment ('ORSA').

Business strategy and objectives, key risk appetite statements, risk and capital management are aligned in the ORSA in synchronization with the yearly medium term business plan. The ORSA report supports the Management Board in assessing the overall risk and capital profile of the business under several scenarios.

B.4 The Internal control system

The Supervisory Board is responsible for supervising the Executive Board and the general course of affairs of the company and the business with it. The Supervisory Board has two committees, i.e., the Audit and Risk committee, and the Remuneration and Nomination Committee that inform the Supervisory Board of any major development in the area of its responsibility. The Executive Board is responsible for the day-to-day management and the overall strategic direction of the company. In the design of its operations Conservatrix uses the “three lines of defense” model.

The three lines of defense model consist of three defense lines with different responsibilities with respect to the ownership of controlling risks. The first line comprises business managers, including IT, Finance & Control, and Human Resource Management. The first line of defense lies with the managers whose activities create and manage the risks that can facilitate or prevent company objectives from being achieved. This includes taking the right risks. The first line owns the risk, and the design and execution of the organization’s controls to respond to those risks.

B.5 Internal audit function

Internal audit, as the third line, controls the first and second line in order to provide assurance to the Board of Directors and the Supervisory Board. At the end of 2017 a broad skills set has been made available to Conservatrix by means of outsourcing. Internal audit evaluates the adequacy and effectiveness of the internal control system -including outsourced activities- and other elements of the system of governance. Furthermore, the internal audit function is objective and independent from the operational functions. There are meetings on a regular basis with the Executive Board, Chairman of the Audit and Risk Committee or the Chairman of the Supervisory Board.

B.6 Actuarial function

The second line consists of compliance, actuarial function—by means of outsourcing—and risk management. The second line is put in place to give countervailing power to the first line and to support management by bringing expertise, process excellence, and management monitoring alongside the first line to help ensure that risk and control are effectively managed. Policies provide support in areas such as risk, compliance, and control. There are meetings on a regular basis with the Executive Board and the Audit and Risk Committee. Furthermore the second line functions have quarterly meetings with the Chairman of the Audit and Risk Committee or the Chairman of the Supervisory Board.

B.7 Outsourcing

Conservatrix has outsourced some of its activities despite this, Conservatrix remains fully responsible and accountable for these activities and the power of influence remains with Conservatrix. To manage the risks related to outsourcing, Conservatrix has drafted a policy to safeguard a controlled and sound business operations.

Conservatrix outsourced certain critical activities. Conservatrix outsourced the actuarial function and the internal audit function. Conservatrix outsourced the operational processes of its mortgages and the IT services were provided by a former group company.

B.8 Any other information

Other material information about the system of governance does not apply.

C. RISK PROFILE

Introduction
Solvency II categorizes types of risks in order to calculate the SCR. This calculation can be performed with the SCR standard formula. The standard formula is intended to reflect the risk profile of most insurance undertakings. Conservatrix uses the standard formula and has no indication the standard formula should not adequately reflect the risk profile of Conservatrix.

Conservatrix assesses its risks and classifies the risks in two categories. First, risks that directly link to a SCR standard formula, including its submodules, and second risks that can not directly be linked to a SCR standard formula. Risks that do not directly link to a SCR standard formula will be assessed during the own risk and solvency assessment (ORSA) process and systematic integrity risk analysis (SIRA).

The standard formula discriminates between financial and non-financial risks. Financial risks are risks that come with the insurance and investment activities of Conservatrix. Non-financial risks are operational risks. Integrity risks are not included in the standard formula of Solvency II.

The main risks for Conservatrix are currently related to counterparty default risk, insurance activities, and reinsurance. Colorado Bankers Life Insurance concentrates on the reinsurance, the counterparty default risk is mitigated by means of collateral in a trust account. Investments are at present relatively liquid and of high credit quality. This limits SCR, albeit it also limits yields. The Conservatrix risk profile could change due to external developments and changes in business activities. The risk profile is quantified by an SCR standard formula. If risks are not covered by the standard formula, they are assessed in the ORSA process.

Conservatrix uses the following risk categories:

a) underwriting risk
b) market risk
c) counterparty default risk
d) operational risk.

Up until May 15, 2017 Conservatrix N.V. was part of Conservatrix Groep S.à.r.l., so risk management was set up as part of the group’s risk management. As of the transfer of Conservatrix shares the business operations were run as a separate entity. The design of the governance was changed accordingly e.g., change of Articles of Association, charter of the Executive Board, charter of the Supervisory Board and its committees as well as the charters of the Investment Committee, compliance function, actuarial, risk management function and internal audit function.
The bid for the Conservatrix shares was carried out to restore a sound, controlled and ethical operating environment. During 2017 the governance and design of operations have been adjusted to the new ownership.

A significant change is the establishment of the reinsurance agreement with Colorado Bankers Life Insurance Company. Most of the Conservatrix life underwriting risk and a significant part of interest rate risk is now reinsured. The counterparty default risk is mitigated by means of collateral in a trust account.

The solvency ratio ultimo 2017 is stated on 188%. Ultimo 2016 the solvency ratio was minus 16%. This is due to an increase of the available solvency from minus € 7.9 million 2016 to € 47.7 2017 and a decrease of the required solvency. The effect of the reinsurance agreement with Colorado Bankers Life Insurance together with the increase of shareholders capital is by far the most important cause of the increase of the solvency ratio.

Risk profile per risk category
The following risk categories have been disclosed:

C.1 Non-market risk (Underwriting risk)

Underwriting risk means the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
This risk, entailing mortality risk and lapse risk, is intrinsic to life insurance undertakings. The risks are monitored within the existing portfolio. For products both existing and envisioned, or product changes, the underwriting risk is assessed as part of the product approval and review process (PARP). The underwriting risk is mitigated with the use of reinsurance.

C.2 Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The Conservatrix investment portfolio leads to an exposure to market risks. Changes in the valuation of the mortgage loans drives market risk as well as underwriting risk, as the yield on the mortgage loans is linked to the claims of a substantial number of policyholders.

C.3 Counterparty default risk (Credit risk)

The counterparty default risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following twelve months. The counterparty default risk takes into account: risk-mitigating contracts such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit exposures that are not covered under market risk. Conservatrix takes appropriate account of collateral or other security and the risks associated therewith.

Counterparty default risk consists of type 1 and type 2 risks. Type 1 risk especially relates to cash at banks and reinsurance arrangements. The counterparty default risk for the reinsurers Heco Re and Colorado Bankers Life Insurance is nil due to the collateral provided and their adequate solvency ratios. Type 2 relates to the mortgage loan portfolio.

The value of the property is monitored at least once every three years by means of a third-party statistical method or a third-party revaluation. The monitoring may result in an identification of property that needs revaluation. In addition to the mortgage on the property, most mortgage loans also have a National Mortgage Guarantee—in Dutch: *Nationale Hypotheek Garantie* (NHG). NHG is a guarantee provided to the mortgage lender by a government-backed foundation, the Homeownership Guarantee Fund (*Waarborgfonds Eigen Woningen*). The guarantee decreases as if the mortgage loan is a level payment mortgage, even if the actual guaranteed loan would have another terms of redemption e.g., interest only. When calculating the SCR for counterparty default risk, Conservatrix does not take into account the NHG guarantee.

C.4 Liquidity risk

Cash is an allowed investment category. We do not regard cash as a source of return. Cash is held for working capital, therefore the purpose of this investment category is to provide liquidity.
Liquidity risk management is aimed to continuously maintain an ability to meet any foreseeable and, to an extant unforeseeable cash needs of Conservatrix. This includes cash needs that may arise from liabilities, from operating expenses and funding requirements and from assets.
Conservatrix invest part of its assets in cash, i. e. money market instruments with a short maturity. The allowed instruments are deposits and short term bonds, both denominated in Euro. In order to limit liquidity risk all funds held as cash must be available within two days (taking into account settlement periods).

C.5 Operational risk

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk includes legal risks, and exclude risks arising from strategic decisions, as well as reputation and integrity risks.

C.6 Other material risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against Conservatrix's actual solvency capital position. The most important risks to which Conservatrix's is exposed, including risks that are not incorporated into the standard formula, are identified through a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach. After assessment of the effectiveness of the mitigating measures, the risks with the highest 'Level of Concern' or 'LoC' are translated to the Conservatrix's risk priorities and relevant risk scenarios for the ORSA.

The following risks, outside the scope of the standard formula, are recognized by Conservatrix as being potentially material:

- Inflation risk
- Reputation risk
- Liquidity risk
- Legal environment risk
- Model risk
- Risks arising from non-insurance activities
- Strategic risk

As part of the appropriateness assessment of the standard formula mitigating measures regarding these risks are identified and evaluated.

Prior to the transfer of shares of Conservatrix to Trier Holding B.V. on May 15, 2017 analyses were undertaken to substantiate the bid. Via the order of the Amsterdam District Court it is public information that the basis of the bid was known by DNB and has led to specific conditions by DNB for the bid. Conservatrix is in the opinion these analysis and the process with the supervisor are comparable to an ORSA and SIRA, so during 2017 no formal ORSA or SIRA has been filed with the supervisor. During 2018 Conservatrix will perform an ORSA and SIRA as part of the normal business routine.

C.7 Any other information

Any other information does not apply.

D. VALUATION FOR SOLVENCY PURPOSES

Introduction

This chapter of the SFCR contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of Conservatrix. Both for the statutory accounts and for Solvency purposes the assets and liabilities are valued at fair value. Therefore all differences are presentation difference.

Reconciliation Statutory Balance sheet to Solvency II Balance sheet

In thousands of euros	**Statutory Accounts**		**Presentation difference**	**Valuation difference**	**Solvency II Accounts**	
Investments						
Investment property		9,300				9,300
Financial investments						
Bonds	214,939		-14,894		200,045	
Mortgages	300,222				300,222	
Other loans	4,841				4,841	
Total financial investments		520,002				505,108
Investments risk policyholders		14,514	-14,514			0
Assets held for unit linked			30,392			30,392
Reinsurance recoverables			186,758			186,758
Deferred tax assets		30,343				30,343
Short term receivables						
Reinsurers	1,819				1,819	
Policyholders	700				700	
Intermediaries	1				1	
Shareholder	2				2	
Group companies	0				0	
Other receivables	574		44		618	
Total short term receivables		3,096				3,140
Other assets						
Equipment	907				907	
Cash	23,653		-56		23,597	
Total other assets		24,560				24,504
Accrued income						
Accrued interest		1,027	-1,027			0
Total Assets		**602,842**	**186,703**	**0**		**789,545**

In thousands of euros	**Statutory Accounts**		**Presentation difference**	**Valuation difference**	**Solvency II Accounts**	
Total shareholders' funds / Excess Assets over Liabilities		74,240				74,240
Insurance liabilities						
At own risk	688,990		-19,806		669,184	
At policyholders' risk	14,132		19,806		33,938	
Gross insurance liabilities	703,122				703,122	
Reinsurers' share	-186,759		186,759		0	
Net insurance liabilities		516,363				703,122
Provisions						
Restructuring provisions	0				0	
Pension obligations	826				826	
Total provisions		826				826
Long-term liabilities						
Other long-term liabilities	34				34	
Total long-term liabilities		34				34
Short term liabilities						
Reinsurers	1,450				1,450	
Intermediaries	337				337	
Shareholders	0				0	
Tax and social security contributions	611				611	
Other liabilities	8,981		-56		8,925	
Total short term liabilities		11,379				11,323
Total Equity and Liabilities		**602,842**	**186,703**	**0**		**789,545**

D.1 Assets

Fair value hierarchy

Financial assets and liabilities are categorized into the following fair value hierarchy.

Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Conservatrix uses brokers' quotes.

Published prices in active markets ('Level 1')
Fair value measured at Level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs ('Level 2')
Fair value measured at Level 2 uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a Level 2 input variable must be observable for practically the full term of that asset or liability.
Level 2 involves the following input variables:

- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);

- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at Level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields, on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs ('Level 3')
Fair value measured at Level 3 significantly uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available, and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability.

Investment property
Investment property (including property under construction) is held for long-term rental yields and is not occupied by Conservatrix. Investment property is measured at fair value, which is supported by market evidence, as assessed by a qualified external appraiser. These appraiser quotes are challenged once a year by obtaining quotes from other appraisers as well. Changes in the fair value are recognized in the shareholders' funds within the other reserve. Investment property is presented under level 2.

Equipment
The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

Bonds
Bonds are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described above. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the share holder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement. When the fair value is below cost price the revaluation is accounted for in the income statement in the period in which the value change occurs. Quoted bonds in active markets are measured at fair value level 1, unquoted are measured at fair value level 2.

Private loans
Private Loans are measured at Fair Value whereas discounted cash flows are calculated against the interest rate associated with the duration of that cash flow. This includes the use of an index and credit profile of comparable investments for each individual loan. Changes in the fair value of investments are recorded in a specific investment revaluation reserve within the share holder's funds. When investments are sold or impaired the accumulated fair value adjustments are transferred out of the revaluation reserve into the income statement. When the fair value is below cost price the revaluation is accounted for in the income statement in the period in which the value change occurs. This method is measured at fair value level 3.

Investments at policyholders' risk
Investments at policyholders' risk are equity securities and participations in investments institutes. For participations in these investment institutions these are required to be calculated against the last known price; these participations are listed on the stock exchange as common and preferred stocks. Changes in the fair value of investments at policyholders' risk are measured and classified at fair value through profit and loss.

Mortgages
Mortgages are recognized at fair value for which mortgages are divided between residential mortgages and commercial mortgages. The valuation of residential mortgages is currently undertaken by Dynamic Credit. Commercial mortgages are at nominal or lower value. The revaluation of the mortgages is recognized through share holder's funds within the other reserve.

Receivables and other financial assets
Receivables and other Financial assets initially are presented against amortized costs. A provision is created in case debtors have financial difficulties on an individual basis. Receivables related to reinsurance contracts are short and long term receivables on reinsurance companies. These receivables are depended on the expected claims from the reinsurance contracts. The valuation is based on the same assumptions as for the gross technical provisions it corresponds with the individual agreements with the reinsurance company.

Cash
Cash is directly available funds at banks. The carrying value of cash is regarded as a good approximation of the fair value, as these assets are of a short-term nature. Cash are measured against fair value Level 1.

Cash equivalents
Cash equivalents are measured at the nominal value including accrued interest. Types of Securities are Treasury bills; agency discount notes; insured certificates of deposit and money market funds. The carrying value of cash equivalents is regarded as a good approximation of the fair value, as these assets are of short-term nature. Cash equivalents are measured against fair value Level 1.

D.2 Technical Provisions ('Insurance contracts")

Provisions
Provisions are created for concrete or specific risks and obligations existing on the balance sheet date, whose magnitude is uncertain, but which can be reasonably estimated.

Insurance liabilities
The provision for insurance liabilities is calculated on the basis of the Solvency II principles.
The interest rate used for this purpose is based on the interest rate structure published by the regulatory authority, adjusted for volatility.
The provision is the sum of:

- the expected value equal to the present value of the future annual payments plus the future costs of the insurances minus the gross premiums on the basis of best estimate assumptions (the net present value is calculated on the basis of the interest rate structure prescribed and published by EIOPA, adjusted for volatility). This includes the expected time value for options and guarantees.)
- the required risk margin, given the calculated solvency capital requirement on the basis of the risks quantified for the company.

For the calculation of the market value of the technical provisions the risk free interest rate structure is used. This interest structure contains a Credit Risk Adjustment (CRA), a Volatility Adjustment (VA) and the Ultimate Forward Rate (UFR).

The tables hereunder show how the provisons are composed:

Technical provisions	2017	2016
At January 1	**723,053**	**681,141**
Addition	-19,931	41,912
Gross technical provisions	**703,122**	**723,053**
Reinsurers' share	-186,759	-36,650
At December 31	**516,363**	**686,403**

Technical provisions	2017	2016
Best Estimate	506,548	662,456
Risk margin	9,815	23,947
At December 31	**516,363**	**686,403**

The decrease of the risk margin is mainly due to the reinsurance agreement with CBL.

Provisions for insurance of investments at policyholders' risk
The provisions for insurance in investment units are valued based on the number of units assigned to the relevant policyholders at the price per unit as at the balance sheet date.

Technical provisions	2017	2016
At own risk	482,425	652,307
At policyholders risk	33,938	34,096
At December 31	**516,363**	**686,403**

D.3 Other Liabilities

Provisions for deferred taxes
Provisions for deferred taxes concern the tax claim that rests on all qualifying differences between commercial valuations and valuations for tax purposes of assets and liabilities, as well as the amount for which the reserves permitted for tax purposes have been created.
The provisions are created in relation to a lower valuation for tax purposes of equities, bonds, loans, and immovable property. The provision is calculated on the difference between the tax and commercial value of the asset multiplied by the current tax rate of 25%.

Long-term liabilities
Long-term liabilities include liabilities with a remaining term longer than one year. The long-term liabilities are initially valued at fair value and are subsequently valued at amortized cost.

Short-term liabilities
The short-term liabilities have an expected term of a maximum of one year.

D.4 Alternative methods for valuation
Conservatrix does not apply alternative methods for valuation.

D.5 Any other information
Other material information about valuation does not apply.

E. CAPITAL MANAGEMENT

Introduction
This chapter of the SFCR contains information on the capital management of Conservatrix, including Solvency II Own Funds and Conservatrix's Minimum Capital Requirement ('MCR').

E.1 Own funds

As of May 15, 2017 the internal minimum solvency ratio is 135% calculating the SCR according to the Solvency II standard formula. When acquiring the shares of Conservatrix on May 15, 2017 it was stated Conservatrix will refrain from declaring or paying out any dividend within a period of ten years. In addition to this there is a recapitalization commitment from direct and indirect shareholders to replenish any shortfall in the SCR ratio after six months if there is a viable business case.

As part of the agreement with DNB the new shareholder committed to recapitalize the company above the envisaged minimum Solvency II ratio of 135%. At December 31, 2017 eligible Own Funds were € 47.7 million and the required capital was € 25.4 million resulting in a Solvency ratio of 188%. The calculation of the solvency ratio is based on the standard formula.

The table hereunder shows that the own funds and the eligible own funds increased in 2017.

In thousands of euros	2017	2016
Own funds	74,240	3,953
Tier 1	43,897	-7,933
Tier 2	0	0
Tier 3	30,343	11,886
Total available own funds	**74,240**	**3,953**
Eligible own funds for SCR	**47,700**	**-7,933**

Tier 3 consists of the net deferred tax assets. The increase is due to parameter change and to realization of results on investment .

E.2 Solvency Capital Requirement and Minimum Capital Requirement

In thousands of euros	2017		2016	
Solvency capital required				
Market risk	10,116		7.300	
Counterparty risk	15,692		22.806	
Life underwriting risk	11,767		32.774	
Diversification	-10,775		-15.720	
BSCR		26,800		47,160
Operational risk		3,029		3,056
LACDT		-4,474		0
Total solvency capital required		**25,355**		**50,216**
Minimum capital required		11,410		21,213
Solvency II ratio		188%		-16%
MCR ratio		385%		-37%

E.3 Use of standard equity sub-module in calculation of Solvency Capital Requirement
Not applicable.

E.4 Differences between the standard formula and any internal model used
Not applicable. Conservatrix' SCR is calculated using the Standard Formula. Conservatrix does not use an internal model for the calculation of its solvency requirement.

E.5 Non-compliant with the Minimum Capital Requirements and non compliance with the Solvency Capital Requirement
In 2016 Conservatrix was non-compliant to both solvency and minimum capital requirement. With the acquisition by Trier Holding on 15 May 2017 and the capital injections both directly and via reinsurance the compliance was restored. Since then Conservatrix is compliant with the minimum capital requirement and the solvency capital requirement.

E.6 Any other information

Fiscal unity
In relation to the corporation tax, the Nederlandsche Algemeene Maatschappij van Levensverzekering N.V. "Conservatrix", from December 30, 2015 up to and including May 15, 2017, formed a fiscal unity with:

- Nederlandse Uitvaartverzekering Maatschappij Nuvema N.V. (group head)
- Bouw- en Exploitatie Maatschappij Nijzoon B.V.
- Hooghenraed Levensverzekeringen N.V.

Each company is independently liable for the corporation taxes owed by the fiscal entity.

Events after the balance sheet date
There were no significant events after the balance sheet date.

Off-balance sheet commitments
Guarantees have been issued for the total amount of € 411,593.

Independent banking liability
Conservatrix Groep S.à.r.l., N.V., Nederlandsche Algemeene Maatschappij van Levensverzekering "Conservatrix", Nederlandse Uitvaartverzekering Maatschappij Nuvema N.V., Hooghenraed Levensverzekeringen N.V., Nijzoon B.V., and Sean Europe N.V. jointly signed a banking agreement with Rabobank N.V. pursuant to which each account holder was jointly and severally liable for everything the bank was entitled to claim or receive from any other account holder in relation to the agreement. The maximum debit balance of the combined balance (the balance limit) was € 0.
On April 20, 2017, the Nederlandsche Algemeene Maatschappij van Levensverzekering N.V. "Conservatrix" withdrew from this agreement.