2012 annual report

a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

Table of contents

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Part I

a.s.r. at a glance

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Striking the right balance

We are a robust and independent insurance company. We believe helping people is the core of insurance, which forms the basis of our mindset and positioning. For us, this means that we take a modest approach that corresponds with our role in society. In view of this and other considerations, we further refined our marketing strategy, our branding and our distribution strategy in the second half of 2012. We are continually seeking to strike the right balance between cost, premium income, return and solvency.

Our stable profit growth and strong solvency ratio in 2012 underline the importance that a.s.r. attaches to continuity and certainty for our customers. At the same time, we have made progress in creating a customer-oriented organization and in cutting costs. Improving our service and increasing efficiency featured strongly in 2012.

In 2012, a.s.r. succeeded in serving its customers better. We have, for instance, restructured and improved our complaints handling procedures. As part of the campaign to put customers interests first, a.s.r. also managed to achieve the highest score among insurers for information offered to customers. Furthermore, the Ardanta, De Amersfoortse, Ditzo and Europeesche Verzekeringen brands all retained their Customer-Oriented Insurance Quality Mark (Dutch acronym: KKV).

We also managed to conclude the giant task of providing compensation for individual unit-linked policy holders. All eligible customers have now been contacted personally. Compensation payments were deposited directly into the policies where appropriate, alternative products were suggested and customers were offered independent advice free of charge.

The figures for 2012 show a mixed picture. All in all, we succeeded in maintaining our solvency at an undiminished high level, yet falling premium income and rising claims do give us cause for concern. In 2012, a.s.r. reported a net result of € 255 million, a 20% increase compared to 2011. a.s.r. will pay € 88 million in dividend to the shareholder. As in 2011, this will be 40% of the net result attributable to the shareholder.

The claims ratio in the Non-Life segment deteriorated in 2012. Targeted controls and further cost savings helped to improve this ratio in the second half of the year, compared to the first half.

In a market characterized by tough competition, we maintained our leading position in occupational disability insurance. Adequate action on prevention and reintegration proved to be trump cards. The health insurance business experienced a considerable increase in the number of customers in the past year.

On closer examination of the a.s.r. divisions in 2012, it is clear that the market for individual life insurance continues to stagnate. For this reason, we have introduced a bank savings product in our asset-building offering, among other alternatives. In the mortgage market, we regained ground in 2012 thanks to the success of the WelThuis mortgage.

Partly as a result of interest rates, which continue to be low, our focus in the Pensions segment in the past year was primarily on retaining existing business and further organizing and streamlining our processes.

In 2012 we have had to make several far-reaching decisions for the organization, which led to a further reduction in the amount of employees. For us, it is vital that the colleagues that leave a.s.r. are counselled to the best of our ability. Our Redundancy Plan provides intensive counsel during the redundancy process and, amongst others, offers the right to priority for internal job openings. Even so, we are fully aware of the impact of job loss for anyone experiencing it. Reduction in the number of FTE's is a necessary part of making our organization more efficient and agile, which, aside from our efforts to offer customers better service, will be our biggest challenge in the time to come.

In the context of efficiency and cost savings, a start was also made this past year with the large-scale renovation of the a.s.r. office at the Archimedeslaan in Utrecht. The challenge is to create a much more sustainable workplace that fully integrates the principles of the New World of Work (NWW). It is the largest renovation project of an office building in the Netherlands, whereby the building remains in use throughout. Renovating our Utrecht office, in a sustainable way, enables us to reduce the number of office locations and to permanently lower our accommodation costs.

Finally, our positioning took shape in the final quarter of 2012, with the launch of a.s.r.'s proposition as 'the Dutch insurance company for all your insurance needs'. We aim to be a socially desirable insurer that helps people by taking action and eliminating waste.

We are a business in transition in a market in transition. We have every confidence that we are on the right track.

Jos Baeten LL.M.
a.s.r. Chief Executive Officer

1 About a.s.r.

Offering people certainty in uncertain situations, is a.s.r.'s reason for being. a.s.r. does this by providing financial continuity in people's lives and enabling customers to take calculated risks in achieving their ambitions. Everyone at a.s.r. works according to the guiding principle that the insurance industry can improve and must improve. a.s.r. is different. Different in terms of business models and in mentality. a.s.r. goes back to the roots of insurance: helping people. The cooperative philosophy, that working together provides certainty to all, is embraced. Insurance is the essence, and providing certainty is a.s.r.'s reason for being. Helping people by taking action.

The legal predecessors of a.s.r. put insurance, as a service, on the map in the Netherlands. a.s.r.'s history dates back to 1720, when sharing risk was the founding principle. It still is for a.s.r. today.

a.s.r. is confident that its right to exist is justified by thinking in terms of customer interests and perception. Products and services need to reflect these principles. Clarity and simplicity combined with efficient business processes and a robust financial position are essential in this regard. Customers can rest assured that their risks are covered by an insurer that operates responsibly and avoids waste. That listens to them and is available across a variety of channels.

All employees are responsible for meeting customers' demands, and customer trust is an important part of this. Trust goes further than the customer alone. It applies equally to the successful cooperation with distribution partners by offering employees an inspiring and interesting working environment, and by giving the shareholder the prospect of attractive returns based on responsible risk.

Customers tell a.s.r. that they want transparent products, clear communication and personal services. Meeting these needs is a.s.r.'s number one priority and this means that activities and targets are assessed against customer interests. New products are presented to customer panels and their feedback is incorporated into the product development process. Ultimately, this is reflected in the appreciation rating that customers give a.s.r. in terms of the Net Promoter Score (NPS).

The focus of a.s.r. is on private individuals and business owners with its three strong brands: a.s.r., Ditzo and De Amersfoortse. These brands have a number of common values that resonate with the a.s.r. organization. Each brand has its own unique role, and it is the interaction between these roles that make them strong.

a.s.r. is the label for private individuals. Its key values are: helping people, taking action and avoiding waste. These values have evolved from the values of its predecessors: the financially sound AMEV, the socially responsible ASR and the no-nonsense approach of Stad Rotterdam. Volume is important in the non-life and health insurance markets. That is why a.s.r. has defined a target group that is as broad as possible, with a focus on the middle segment, where it is already strongly represented. Its positioning in this broad target group sets a.s.r. apart as the Dutch insurance company for all insurance products.

Ditzo is the online provider of non-life and health insurance policies for people who like to manage their insurance online and are more price-conscious.

De Amersfoortse is the brand for business owners, transforming it from an income protection insurer to the insurer for Dutch businesses. In due course, the income protection and health insurance proposition will be expanded to include pensions and non-life business products. De Amersfoortse's products and services are sold only through intermediaries.

Products sold under the Ardanta label will eventually be sold as a.s.r. products.

Europeesche Verzekeringen will continue to be the insurer for the travel and leisure market.

Serving a.s.r.'s customer groups is based on three principles. First is the focus on key products: income protection, non-life and health insurance. This is the foundation. Second, advisors will continue to be the main distribution channel. They stand to benefit if customers can also contact a.s.r. in other ways, and for this reason a.s.r. will be going online with asr.nl for the first time in its 293-year history. Telephone services will be further streamlined and professionalized. Third, standardization will form the principle for servicing private individuals and business owners. This is in the interests of customers, because it will provide them the right service at the right price. Large corporate clients that are comfortable with this arrangement, are also welcome to avail themselves of a.s.r.'s services.

The focus is on working together with advisors who strike the right chord with the various customer groups. Account managers play a key role in this. Each advisor has an account manager, who will either visit in person or be office-based, depending on the type of relationship they have with a.s.r. Account managers work for both the a.s.r. and De Amersfoortse brands. They, for their part, are supported by a number of non-life, pension and income protection specialists.

a.s.r. has embraced the hybrid distribution model. This aims to cater to the needs of customers who alternate between managing their own affairs and needing advice. This means that customers can always contact a.s.r., for instance via the website or by phone. The development of insurance packages also centres around customers. They are based on customers' life events, such as buying a house or their children leaving home.

This puts a personal touch on insurance and lays the foundation for a different approach to pricing.

From 2013 on, income protection insurance will only be sold via De Amersfoortse on the basis of business owner profiles. Business owners will be made a competitive offer when they are accepted for occupational disability insurance. Pensions and non-life products will follow.

Part of a.s.r.'s strategy is to prevent waste by a continuous drive to improve efficiency and lower costs, in part by standardizing processes and products, and by increasing the degree of Straight Through Processing. One aspect of efficiency involves the outsourcing of work to specialist partners. a.s.r. has chosen to introduce outsourcing in controlled stages.

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Part II

Report of the Executive Board

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2.1 Financial results

2.1.1 ASR Nederland N.V.

- Gross premiums written decreased by 3% to € 4,290 million (2011: € 4,437 million)
  - Non-Life segment: 6% increase
  - Life segment: 13% decrease
- Operating expenses decreased 6% to € 585 million (2011: € 621 million)
- Increase in net result to € 255 million (2011: € 212 million)
- Cost-premium ratio insurance business stable at 10.2%
- Non-Life combined ratio at 99.2% (2011: 95.0%)
- DNB solvency including prescribed Ultimate Forward Rate (UFR) at 293%
- DNB solvency on comparable basis stable at 231% (2011: 230%).

Key figures (in millions of euros)	2012	2011
Gross premiums written, Non-Life segment	2,487	2,353
Gross premiums written, Life segment	1,891	2,166
Elimination own pension plan	-88	-82
Total gross premiums written	4,290	4,437
Operating expenses Life and Non-Life segments	-449	-502
Operating expenses Other segment	-136	-119
Total operating expenses	-585	-621
Provision restructuring expenses	-30	-12
Net result Non-Life segment	59	145
Net result Life segment	275	135
Net result Other segment	-79	-68
Net result	255	212
Cost-premium ratio of insurance business	10.2%	10.2%
Total equity (incl. revaluation of real estate)	3,809	3,228
Total equity	2,935	2,365
Return on equity	10%	9%
DNB solvency	293%	-
DNB solvency (exclusive of UFR)	231%	230%
Total number of internal FTE's	4,088	4,264

Notes to key figures

In 2012 the calculation of the cost-premium ratio and the combined ratio improved compared to 2011, and the provision for restructuring expenses is no longer included in the cost-premium ratio. On a comparable basis, the cost-premium ratio over 2011 was 10.2%, equal to the cost-premium ratio over 2012. The cost-premium ratio over 2011 reported earlier was 11.8%.

On a comparable basis, the combined ratio increased by 4.2 percentage points to 99.2% in 2012, which was attributable to the impact of the Resumption of Work (Partially Fit Persons) Regulation (Dutch acronym: WGA) in particular. The combined ratio for 2011 stood at 98.9%.

The return on Equity is calculated each year by dividing the net result attributable to shareholders by the average IFRS Equity attributable to shareholders (excluding the revaluation of real estate).

Developments 2012

The insurance market once again turned out to be a difficult market in 2012 with low consumer confidence. In the non-life market, the increase in claims expenses placed margins under pressure. This resulted in extra diligence when it comes to managing claims and the implementation of premium adjustments. The declining market for life insurance remains an area of focus. The choice for return over premium in this market affects sales volumes.

To remain competitive, it is essential for a.s.r. to focus on efficiency. In recent years, efforts in this respect have resulted in an annual decline in operating expenses. This is a trend that a.s.r. will continue in the years to come. But at the same time, a.s.r. is investing in systems to administer both new and existing products better and faster and a.s.r. is working on transparent products that meet the current wishes of customers more and more.

The economic situation remained uncertain in 2012; the global slowdown in economic growth continued. Under the influence of the persisting euro crisis, European interest rates continued to drop. Although the volatility of the stock and credit markets was high, the sentiment improved during the year and stock markets clearly finished the year at a higher level. Managing interest rate and investment risks continued to be vital. In this market, a.s.r. managed to maintain its solvency at a constant strong level. Under these economic conditions, a.s.r.'s investment policy is primarily focused on managing risks.

Financial results 2012

Gross premiums written

Compared to 2011, the gross premiums written in 2012 decreased by 3% to € 4,290 million (2011: € 4,437 million). In the Non-life segment, the gross premiums written rose from € 2,353 million to € 2,487 million (+6%). This increase can to a large extent be attributed to the introduction of Ditzo's health insurance. The revenue within the Life segment decreased from € 2,166 million to € 1,891 million; a decrease of 13% which can be explained by the decline in regularly written premiums (-9%) and in single premiums (-28%). This is a consequence of the choice for return over premium. In addition, the decision by customers to terminate their individual unit-linked insurance influenced the decline of revenue in the Life segment.

Operating expenses

Operating expenses decreased by € 36 million from € 621 million to € 585 million (-6%) in comparison to 2011. This decline is the result of the continuous focus on efficiency, austerity in operations and eliminating waste. Besides cutting costs, an important step was taken towards making costs more flexible by outsourcing the back office operations of a Life portfolio, agreeing on a Software as a Service (SaaS) contract for the Health business IT-platform and outsourcing a.s.r.'s mainframe. Furthermore, savings were realized by reducing accommodation costs due to the closing of the offices in Rotterdam and Woudsend. This move is part of the policy to accommodate all employees in the renovated a.s.r. office in Utrecht by 2015.

Net Result

The net result in 2012 is € 255 million (2011: € 212 million). The net result of the Non-life segment decreased from € 145 million to € 59 million. On a comparable basis, the combined ratio increased by 4.2 percentage points from 95.0% to 99.2%, primarily due to a higher cost of claims. This is particularly evident in the Occupational Disability portfolio, primarily due to the impact of the WGA regulation. Compared to the first half of 2012, the combined ration improved by 2.0 percentage points, thanks to measures regarding acceptance of policyholders, terms and conditions, and pricing.

In the Life segment, the net result rose from € 135 million to € 275 million in 2012. This was attributable to a higher return on investment on the one hand and a drop in expenses on the other thanks to the finalization of the compensation process for unit-linked policyholders, among other factors.

Despite the one-off release of a provision for tax purposes of € 90 million, the net result of the Other segment grew from € -68 million to € -79 million. The risks of property developments and land banking in the property development portfolio were further scaled back. Aside from this, the drop was also attributable to higher operating expenses and one-off investment income in 2011.

Number of employees

The number of internal FTE's decreased from 4,264 FTE's to 4,088 FTE's in 2012. The largest group of employees who were let go (120) came under the scope of the Redundancy Plan. Another 89 employees left a.s.r. at their own request, 37 employees reached the end of their temporary contracts and 74 employees agreed to consensual termination of their employment contracts. On average, employees stay with a.s.r. for 14.5 years.

Breakdown of employee base	Men	Women
31/12/11	2,714	1,655
31/12/12	2,610	1,607

Investments

In view of developments in the market, such as the euro crisis and the debt crisis, a.s.r. persisted in its investment policy of risk reduction in 2012. This policy was mainly designed to preserve the solvency level; as a result, the solvency position has been robust for years. In line with this risk reduction, reinvestments in the government bond portfolio were made, in German government bonds in particular. To further spread risks, a.s.r. slightly increased its exposure to government bonds issued by emerging countries. a.s.r. had already started to drastically scale back its exposures to government bonds issued by peripheral eurozone countries since 2009; these exposures were virtually brought down to nil in 2012 (remaining exposure: € 1 million). a.s.r. also reduced its exposures to bonds issued by financial institutions in its investment portfolio, by scaling back exposures to senior and subordinated bonds via swaps and sales. This reduction in bonds issued by financial institutions is counteracted by a rise, thanks to massive upgrades and an increase in covered bonds (+48%). Disregarding the increase in covered bonds, the share of bonds issued by financial institutions fell by 7%, dropping to € 4.7 billion. In addition, there were rises in the share of residential mortgages (+24%) and corporate bonds (+19%) in the portfolio.

The value of the fixed-income portfolio was up mainly thanks to lower interest rates. a.s.r. also continued to restructure the interest rate risk in 2012. In doing so, it reduced its sensitivity to interest rate volatility and released the cash that was received as collateral, while preserving the effectiveness of the interest rate hedges. The year under review also saw limited growth in the equity portfolio in accordance with the investment policy thanks to the purchase of equities in the Netherlands and Europe, the United States and emerging markets. The steps that have been taken over the past few years have clearly benefited the robust solvency position and reduced the sensitivity of the balance sheet to market risks.

Real estate management

The mission of a.s.r. Vastgoed Vermogensbeheer, a.s.r.'s real estate management business, is to invest in relatively low-risk real estate in the Netherlands under the adage "investing in eternal real estate".
a.s.r. seeks to increase the flexibility of its real estate portfolio by creating property funds. The ASR Dutch Prime Retail Fund, which was established in 2011, had sold € 380 million worth of participations to third parties (i.e. institutional investors) by the end of 2011. In 2012, all the necessary preparations were made to establish the ASR Dutch Core Residential Fund. All residential properties owned by a.s.r. were transferred to this fund.

a.s.r. Vastgoed Vermogensbeheer was awarded ISAE 3402 Type II certification in 2012 for its Commercial Real Estate and Residential Real Estate divisions. The division Rural Real Estate was awarded the ISAE-2402 Type I certificate. Now that it has these certificates, a.s.r. Vastgoed Vermogensbeheer has demonstrated that, in the period under review, it had adequate procedures in place for its business processes and related risks, risk-mitigating measures and evidence, and that all these procedures were executed and documented promptly, correctly and in full.

Outlook

The Dutch State has been the sole shareholder of a.s.r. since October 2008. In September 2011, all shares in a.s.r. were transferred to Stichting Administratiekantoor Beheer Financiële Instellingen (NL Financial Investments or NLFI), a trust office. a.s.r. has the ambition to become a private company again at some point in time. a.s.r. is large and robust enough to operate as an independent insurer in the Dutch market. The Dutch insurance market is contracting, which is why a.s.r. is constantly looking for consolidation opportunities in the market. The shareholder will decide in this regard.

2.1.2 Non-Life segment

- Net result at € 59 million (2011: € 145 million) due to increase in claims expenses
- Gross premiums written increased by 6% to € 2,487 million (2011: € 2,353 million)
- Operating expenses decreased by 8% to € 226 million (2011: € 245 million)
- New production amounting to € 303 million is 33% higher than in 2011
- Combined ratio increased to 99.2% (2011: 95.0%).

Key figures of Non-Life segment (in millions of euros)	2012	2011
Gross premiums written	2,487	2,353
Operating expenses	-226	-245
Provision restructuring expenses	-18	-6
Profit before tax	72	193
Taxes	-13	-48
Net result for the year	59	145
Net result attributable to minority interests	-	-
Net result attributable to holders of equity instruments	59	145
New production	303	227
Claims ratio	73.4%	68.3%
Commission ratio	16.7%	17.1%
Expense ratio	9.1%	9.6%
Combined ratio	99.2%	95.0%

Notes to key figures of Non-Life segment
The calculation of the ratio's improved in 2012 compared to 2011. The combined ratio over 2011 as reported earlier amounted to 98.9%, and the cost-premium ratio was 11.0%. On a comparable basis, the combined ratio increased by 4.2 percentage points in 2012, to 99.2%, particularly due to the impact of WGA. Exclusive of the impact of WGA regulation, the increase amounts to 2.8 percentage points.

Profile

The Non-Life segment comprises all types of non-life insurance policies that a.s.r. offers to consumers and business owners. These policies insure risks related to motor vehicles, fire, travel and leisure, liability, legal assistance, occupational disability and medical expenses. The policies are offered under the following labels: a.s.r., De Amersfoortse, Europeesche Verzekeringen and Ditzo, both via the intermediary and the direct channels.

Market developments

Competition on pricing in the non-life market continued to be fierce in 2012. The Non-Life business is also suffering the effects of the economic crisis. Customer claims increased in 2012.

The occupational disability insurance market has been highly competitive for a number of years now; new contracts sold mostly involve policy renewals on different conditions. As a result, pricing and margins were weighed down in 2012 as well. During the course of 2012, the first premium increases in the market were seen for individual occupational disability insurance policies and for group illness-related absenteeism insurance and WGA policy excess insurance. The economic crisis led to an increase in the number of bankruptcies and reduced the financial scope of businesses. The overall occupational disability market is contracting slightly as a result. At the same time, insurers are experiencing (sharp) increases in claims in nearly all areas of their occupational disability business, particularly when it comes to WGA policy excess insurance.

The market for traditional non-life insurance (motor, fire, liability, etc.) was also under pressure in 2012. Competition on pricing remains tough, although there were also significant price hikes because of the structural increase in claims. Claims under home content and hazard policies were high in 2012 due to such causes as flooding and more reports of theft.

At Health insurance, early 2012 again revealed great mobility. Nearly one million consumers switched health insurers. Relatively inexpensive online labels such as Ditzo saw the highest level of growth. Plans to transfer the administration of exceptional medical expenses (Dutch acronym: AWBZ) to health insurers were put on hold because of the fall of the Dutch Cabinet. In 2012, steps were taken to increase policy excess and assign more responsibilities to health insurers. Basic coverage is increasingly being stripped down and many customers are raising their policy excess.

In 2012, the crisis caused people to take fewer and shorter holidays to less far away and less luxurious destinations. In addition, they waited longer to replace recreational items and put off new purchases. Similar to 2011, consumers spent more time using their own boats, caravans and other recreational items, which increased the chance of claims.

Financial performance

Gross premiums written

The gross premiums written increased by 6% to € 2,487 million (2011: € 2,353 million). This increase is primarily due to the number of customers that took out health insurance with Ditzo. The consequences of the difficult market conditions are evident in the individual occupational disability segment and in the motor, fire and other non-life segment. For example, car insurance policies show a decrease in revenue due to more stringent acceptance criteria that were implemented during the course of 2012, in order to control the claims expense, and due to a decrease in the number of new cars sold in 2012.

Operating expenses

Operating expenses amounted to at € 226 million (2011: € 245 million). The decline was caused, in part, by a reduction in internal FTE's and the implementation of more efficient business processes. On a comparable basis, the expense ratio was down 0.5 percentage points, dropping from 9.6% in 2011 to 9.1% in 2012. Although the combined ratio rose to 99.2% due to higher claims expenses, it stayed below 100%.

Net result

The net result of the Non-life segment decreased from € 145 million to € 59 million in 2012. This is primarily due to increased claims expenses. For example, the occupational disability insurance segment shows a trend of higher inflow and a later outflow, primarily due to economic conditions. Also, investment returns are lower due to changes in the combination of investments.

Achievement of strategic targets in 2012

a.s.r. attaches great value to treating customers fairly. Major improvements were implemented in the complaints management process, a.s.r.-wide, but in the Non-Life segment in particular. Complaints handling was sped up and customer feedback was used to make structural improvements to the process.

The Occupational Disability Insurance business managed to limit its WGA claims because, based on its expertise, a.s.r. charged more realistic prices than its competitors. Although market share was lost,a.s.r.'s position as market leader became stronger. This confirms that a.s.r.'s products were priced right.

The fact that the Occupational Disability Insurance business is committed to treating customers fairly is demonstrated by its meeting the quality mark requirements of the Dutch Insurance Review Agency (Dutch: Stichting toetsing verzekeraars).

And by a clear improvement in the dashboard rating of individual policies by the Netherlands Authority for the Financial Markets (AFM) from 2.4 to 4.1 on a scale from 1 to 5. A lot of is being invested in the IT platform of the next generation of occupational disability insurance policies, allowing a.s.r. to improve its offering of online services to customers. The Group Occupational Disability Insurance business will migrate to this new platform in 2013; the Individual Occupational Disability Insurance business will follow suit in 2014.

Another area of focus for Non-Life in 2012 was increasing the expertise of our Non-Life account managers and front office staff. Initiatives such as Closed Loop Feedback, which uses customer feedback to respond quickly to complaints, questions and trends, and customer-oriented courses in the Health Insurance business are good examples of how a.s.r. seeks to achieve this.

The new platform for other non-life policies allows a.s.r. to offer more modern and standardized products. The new IT platforms are essential in streamlining our business processes, particularly because they increase the degree of Straight Through Processing.

The successful introduction of Ditzo health insurance has shown a.s.r. that customers are increasingly wanting to take out insurance via the direct channel.

Europeesche Verzekeringen discontinued its direct sales in 2012 and now focuses fully on intermediary distribution. Europeesche Verzekeringen continues to offer online policies, which can be purchased via online intermediaries. Customers rate these services highly, which was illustrated by the fact that they awarded Europeesche Verzekeringen the Travel Feather Award for being the best travel insurance company of 2012.

Outlook for 2013

Because of the weak economy, the non-life market is not expected to show growth in terms of volume in 2013. We do, however, predict a further shift towards products that can be purchased directly via online platforms.

The occupational disability market is under pressure due to unfavourable economic conditions. a.s.r.'s policy will generally focus on improving returns by being cost efficient, adjusting rates and controlling claims expenses.
De Amersfoortse's integrated product propositions will be broadened, linking them explicitly to health and pension insurance. a.s.r. is also committed to further improvements to its service offering in the areas of prevention and reintegration, which will bring out the full potential of De Amersfoortse's strengths and expertise.

Expectations for the health insurance market are that basic coverage will continue to be stripped down. The Dutch government is also considering introducing an income-related policy excess. Owing, in part, to the economic crisis, more customers will decide to lower their top-up coverage. Health insurers will increasingly take on a directing role and be instrumental in reducing the costs of the health insurance system by way of contracted care.

In the travel and leisure market, the drop in holiday bookings is expected to persist in 2013, which will have a direct effect on travel and leisure insurance. Consumers will keep putting off purchasing or replacing recreational items in 2013.

2.1.3 Life segment

- Net result at € 275 million (2011: € 135 million)
- Gross premiums written decreased by 13% to € 1,891 million (2011: € 2,166 million)
- Operating expenses decreased by 13% to € 223 million (2011: € 257 million)
- New production (APE) decreased 27% to € 87 million (2011: € 121 million).

Key figures of Life segment (in millions of euros)	2012	2011
Regularly written gross premiums	1,552	1,697
Single premiums	339	469
Total gross premiums written	1,891	2,166
Operating expenses	-223	-257
Provision restructuring expenses	-7	-5
Profit before tax	350	169
Taxes	-75	-34
Net result	275	135
Net result attributable to minority interests	-	-
Net result attributable to holders of equity instruments	275	135
Cost-premium ratio	12.0%	11.1%
New production (APE)	87	121

Notes to key figures of Life segment

Total gross premiums written include the premium for the company's own pension plan in the amount of € 88 million (2011: € 82 million).
The calculation method of the cost-premium ratio improved in 2012 compared to 2011. On a comparable basis, the cost-premium ratio increased by 0.9 percentage points in 2012 to 12.0%. The cost-premium ratio over 2011 as reported earlier stood at 12.8%.

Profile

The Life segment comprises all insurance policies that involve asset-building, asset reduction, asset protection, family income protection and funeral expenses for consumers and business owners. These operations are conducted by ASR Levensverzekering N.V. Products are offered under the De Amersfoortse, Ardanta and a.s.r. labels. The vast majority of these policies are distributed via the intermediary channel.

Market developments

The individual life insurance market is contracting. Consumers increasingly opt for bank savings rather than life insurance products to accumulate capital. Because of the ongoing stagnation of the housing market, fewer mortgages with life insurance are being sold.

The persistent economic crisis, low interest rates and the changes in the tax regime are weighing down the pension market. Overall, a.s.r. does not expect to see a recovery of new production in the pension market in the short term. In addition, the increase in life expectancy is putting greater pressure on the mortality margin. In response, the Pensions business adjusted its rates for renewals or new propositions.

Furthermore, the changes in laws and regulations made many pension advisors with relatively small portfolios, decide not to take the required courses as of 1 January 2012. As a result, they are no longer licensed to provide pension advice and to manage the existing pension portfolios. That is why pension advisory and management services will now be provided mostly by specialist consultancies.

There was a decline in the funeral insurance market in 2012. The Dutch market has a high penetration rate and is virtually saturated. More and more consumers are economizing on funeral insurance.

Financial performance

Gross premiums written

Revenue in the Life segment decreased by 13% in 2012, from € 2,166 million to € 1,891 million. Revenue from the Individual Life business is under pressure owing to the contracting market for asset-building by private individuals and a high level of lapses and early surrenders. The compensation process for unit-linked policyholders prompted some customers to convert their existing policies, which led to an increase in new production of the lijfrente opbouwrekening (annuity savings account). Sales of the WelThuis mortgage, in combination with the renewed savings-linked mortgage and a competitive rate for the term life insurance, were successful. The strong decrease in single premiums is due to the preference of return over premium, as a result of which a less competitive premium was utilized.

Low interest rates and the changes in the tax regime put the pension market under pressure. The number of new pension contracts signed in 2012 was limited. Limited recovery is expected for new pension contracts in this market too. Because of historically low interest rates in this market, a.s.r. is hesitant to give guarantees for new pension contracts.

Operating expenses

Operating expenses decreased by € 34 million to € 223 million in 2012 (2011: € 257 million). The cost-premium ratio rose by 0.9 percentage points owing to a drop in premium income that more than offset the decrease in expenses.

Compensation process

All customers with individual unit-linked policies have now been compensated. The last group of the 900,000 policyholders in total received compensation in the first quarter of 2012. This project concerned a total expense of € 894 million up to the end of 2012.

Net result

The net result in 2012 stood at € 275 million (2011: € 135 million). The increase was mainly attributable to higher investment results. The 2011 net result was propelled by the introduction of the ASR Prime Retail Fund and disposal of real estate.

Achievement of strategic targets in 2012

Focus on return over growth continued to be the guiding principle for 2012. In the Individual Life business, this led to fewer new single premium policies being sold and a drop in immediate annuities. Securing a.s.r.'s profitability was a key priority.

In mid-2012, about 300 colleagues embraced the New World of Work (NWW); colleagues from different offices now work from a single location in Utrecht. A number of subprocesses were outsourced, thereby guaranteeing the continuity of a.s.r.'s service provision to customers. This marked an important step towards a further reduction in, and flexibility of, costs.

As in 2011, policy focused on reducing the number of product categories and offering transparent and modern products only. Further efficiencies will be implemented by the new Contact Center, for which Individual Life started a pilot late in 2012. The purpose of the pilot is to find out whether better and more efficient services can be provided to customers and advisors by creating a single Contact Center in which the services of the Life Front Office and the Life Customer Contact Center are integrated. This is in line with the restructuring that is meant to ensure that, in general, the first customer service representative that customers and intermediaries speak to, can answer their questions directly or take adequate action, so that the number of links in the chain are reduced, fewer resources are wasted and the process is sped up. The first results of the pilot were promising.

The sales organization was changed to be able to provide more efficient services at lower costs. At present, services to customers of the Life and Banking divisions are provided by desk account managers who work in close collaboration with the new Contact Center. The team supports about 3,000 Life and Banking advisors. They provide services to all private and corporate customers for a small group of about 750 advisors. Account managers will continue to be responsible for serving the other (larger) intermediaries.

The Pension business focused on retaining existing customers in 2012. This business not only developed a new DC proposition, but also worked on improvements for existing customers. Up-to-date product leaflets are available on the website and all messages are written in plain language. In 90% of cases, customers receive a response within the set deadline; in general, customers are happy about how their complaints are handled.

In 2012, Ardanta used the feedback from customer panels and intermediaries to create more transparent products. The complaints handling process was improved: customers are now informed about how their complaint is addressed. In addition, fees charged for products are fully transparent. At year-end, the rates were gender-neutral and did not include any commission. Acting ahead of the drop in sale of new insurance contracts, the tied-agents network was scaled back by 60%. This network also deals with customers who do not, or no longer, have an intermediary.

Outlook for 2013

The ongoing economic crisis will continue to affect all divisions of the Life segment in 2013. An important development is the introduction of the commission ban as of 1 January 2013, which is expected to impact sales of new insurance contracts.

One of the main priorities of the Individual Life business is to retain its customers in a contracting market and to strengthen its position in the term life insurance market where possible. Early in 2013, a.s.r. announced the acquisition of the entire funeral insurance portfolio from De Facultatieve Groep, which comprises about 70,000 policies representing € 100 million in insured capital. Expectations are that the market for funeral insurance will continue to contract in 2013.

The market for mortgage-linked asset-building products will keep shrinking as a result of a shift to other mortgage types, such as bank savings products, savings-linked mortgages and annuity mortgages.

In 2013, a next generation of relatively low-priced mixed funds (TER 0.35%) will be introduced for customers with Waerdye (HLSc porfolio), AMEV (NIP), De Amersfoortse (DAV), NGL and, possibly later, Falcon/Interlloyd policies. The structural reduction in future fees for existing customers is considered the most important criterion in this respect.
The Pension business will also focus on retaining customers. The pension insurance cost compensation process will be finalized in 2013, meaning that all customers will have been informed and that their compensation will have been calculated.

2.1.4 Other segment

Key figures of Other segment, inclusive of eliminations (in millions of euros)	2012	2011
Operating expenses	-136	-119
Provision restructuring expenses	-5	-1
Result before tax	-218	-110
Taxes	132	35
Net results for the year	-86	-75
Net result attributable to minority interests	7	7
Net result attributable to holders of equity instruments	-79	-68

Profile

The Other segment comprises the banking operations, Ditzo (distribution channel), ASR Vastgoed Ontwikkeling N.V., SOS International and the holding companies. The Banking business develops mortgages and savings-linked and unit-linked products that are administrated and managed by ASR Hypotheken N.V. and ASR Bank N.V.

In this segment, Ditzo operates as a distributor of insurance contracts via the direct online channel. Ditzo's underwriting income is recognized within the Non-Life segment. ASR Vastgoed Ontwikkeling N.V., which is one of the largest retail, residential and area developers in the Netherlands, focuses on developing combined-use residential and retail spaces in complex urban environments.

Financial performance

Operating expenses

In spite of the lower operating expenses in the Banking organization and Ditzo, operating expenses in the Other segment increased from € 119 million in 2011 to € 136 million in 2012. The increase was due to changes in the expense allocation method.

Net result

The net result of the Other segment decreased by € 11 million from € -68 million in 2011 to € -79 million in 2012, despite the one-off release of a prior-year provision for tax purposes of € 90 million. The decrease was mainly attributable to a strong decline in earnings at a.s.r. Vastgoed Ontwikkeling, higher operating expenses and one-off investment income in 2011.

Banking

The savings portfolio in the Banking business increased by more than 20%, reaching € 808 million. Deposits into lijfrente opbouw-rekening accounts by customers who converted their unit-linked policies more than outweighed the outflow of regular savings.

New mortgages sold stood at € 1,248 million (2011: € 1,259 million). The WelThuis savings-linked and annuity mortgages proved popular. The Dutch Consumers' Association (Consumentenbond) gave high ratings to the WelThuis mortgage and to Vermogen bij Overlijden, a family income protection policy. At year-end 2012, changes in the tax regime drove higher sales of mortgages; this will manifest itself, in part, in the figures for 2013.

The Mortgage business took a number of steps to increase its efficiency. Not only did it reduce the number of FTE's, but it also opted to implement a single IT system for savings and investments instead of operating two. Although this will require additional efforts early on, the rewards in terms of lowering expenses will be significant in the future.

House prices are likely to continue to drop in 2013, but a.s.r. expects mortgage sales to show a limited increase on 2012 thanks to the WelThuis mortgage products that were introduced earlier and received a warm reception in the market. Despite low interest rates, the savings market will offer opportunities because many customers will be wanting to supplement their pension provisions.

Property development

The property development market was under pressure in 2012. A number of developments were terminated or scaled down in order to reduce risks. Impairment losses on, and reservations for, various land banking plots and future construction projects amounted to € 75 million in total on balance.

For the third year in a row, a.s.r. Vastgoed Ontwikkeling has made strides in its derisking strategy. In dialogue with local authorities and investors, property developments were built in stages and scaled back, and developments that were not in keeping with the new strategic priorities were cancelled. Due to derisking efforts, total assets of a.s.r. Vastgoed Ontwikkeling were reduced by about € 100 million in the year under review to reach € 258 million. While scaling back its exposure, a.s.r. also reduced internal financing by € 165 million. In line with the cutbacks in the portfolio, the organization was downsized as well.

Most of the IJDock development in Amsterdam was completed in 2012: the court buildings and the national police headquarters were delivered, and 90% of the residential properties have been sold; the hotel, the parking garage and most of the offices have been leased. A second important commercial success in 2012 was the preletting (>70%), sale and start of the construction of the city centre development in Waddinxveen.

Owing to the bleak outlook for the residential and retail markets in combination with the scaling down of exposures, a provision was formed for a number of land banking plots and future property developments.

The property development market for homes and retail locations will continue to suffer in 2013. Local authorities and investors will have limited scope for investments and housing associations are abandoning developments as a result of new government policy. In the year ahead, earnings from property development will continue to depend on new developments in the residential and retail markets, which makes them difficult to predict.

Expectations are that, in the future, many property developments will be concentrated in city centres. For this reason, a.s.r. Vastgoed Ontwikkeling will beef up its strategic focus and expertise in the area of complex urban developments, so as to create an edge as soon as the market improves.

2.2 Capital management

Capital policy

a.s.r. is committed to maintaining a robust capital base that forms a solid foundation for achieving corporate targets. This makes the effective execution of the capital policy a core task for risk management and one a.s.r.'s priorities. Capital management comprises all activities that focus on controlling, managing and monitoring any available and required solvency.

The a.s.r. capital policy ensures prudent monitoring and control of its solvency ratios, both at group and divisional level.

The capital position is governed by various rules and limits that were instituted to absorb losses and to guarantee financial robustness. Compliance with the rules is monitored and enforced by regulators as well as via internal management and control models. In doing do, a.s.r. seeks to optimize its capital position within the parameters set by regulators and stakeholders, actively monitor capital risks and meet the agreed limits. One of the priorities in this regard is satisfying the capital requirement that is needed to be awarded an A rating at group level.

The Solvency I rules that are enforced by the regulator form the current regulatory framework. In addition to supervision under Solvency I, a.s.r. is starting to see more and more of the outlines of the rules and regulations of the Solvency II regime. Although the effective date for Solvency II has been delayed, a.s.r. has nevertheless started to implement far-reaching measures to prepare its organization and processes for the Solvency II regime.

The steps taken are described below.

The Solvency II rules dictate a different method for measuring and managing available and required capital. a.s.r. incorporated this method into its management approach, and throughout this process, further refined its practical application. a.s.r. regularly measures and manages its available and required capital under Solvency II; this process is now an integral part of managing the capital position of a.s.r. as a whole.

In addition to capital management under Solvency II, which is the standard model for European insurers, a.s.r. has also developed its own methodology. This methodology quantifies the integral risk in terms of economic capital (ECAP).
The methodology is different from the Solvency II standard model in that it uses self-developed techniques for calculating a limited number of risks. These techniques are a better fit for the specific risks that a.s.r. incurs, and provide a more complete understanding of these risks and the capital that is required to mitigate them. Besides the models mentioned above, this method also forms part of overall capital management.

In addition to the Solvency II requirements, the self-developed ECAP method has now also been cascaded through the organization and integrated into the risk management structure. This system guarantees the transparency of the robust financial position that a.s.r. holds in terms of fair market value.

Treasury is responsible for capital management in the Financial Markets department. As part of capital management procedures, Treasury is accountable to the a.s.r. risk committee structure that was set up for this purpose. This guarantees its independent position and the segregation of duties, and is in keeping with the a.s.r. governance structure.

Capital and solvency

Including the revaluation of real estate, equity was up 18%, rising from € 3,228 million to € 3,809 million. This increase was mainly attributable to the net result and increases in gains on unrealized changes in the value of equities and fixed-income securities.
The fair market value of investment in real estate exceeded its carrying amount by € 874 million, an 11% rise on 2011. Disregarding these changes in value, equity increased by 24% to reach € 2,935 million.

At year-end 2012, the DNB solvency ratio (including the ultimate forward rate or UFR) stood at 293%, which demonstrates that a.s.r. has a stable financial base. In accordance with regulatory requirements, the UFR has been applied since June 2012. Disregarding the UFR, the solvency ratio was virtually stable at 231% (2011: 230%).

Reaching 90 percentage points, the sensitivity of solvency (exclusive of UFR) to the stress scenarios used by a.s.r. increased compared to 2011 (51 percentage points). The sensitivity to fluctuations in share prices grew, due to higher exposures to equities as a result of purchases and price increases. Although some financial bonds were sold, the sensitivity to changes in spreads increased because of a rise in the value of corporate bonds and improvements in the calculation method.
The sensitivity of the solvency ratio (exclusive of UFR) to a 1% drop in interest rates rose, because of a decrease in interest rates and changes in the slope of the yield curve. Inclusive of the UFR, the interest rate sensitivity is the exact opposite. A 1% increase in interest rates suppresses the solvency ratio by 18%.

Effect of market risk on solvency ratio:

Type of market risk	scenario	2012	2012	2011
		inclusive of UFR	exclusive of UFR	exclusive of UFR
Equity risk	-20%	-19%	-19%	-13%
Interest rate risk	+1%/-1%*	-18%	-32%	-7%
Credit risk	0.75%	-25%	-25%	-16%
Property risk	-10%	-15%	-15%	-15%
Total (undiversified)		-77%	-90%	-51%

* For the regulatory solvency ratio including UFR, the interest rate shock +1% has a negative impact.
For the regulatory solvency ratio excluding UFR the effect is adverse, the interest rate shock -1% has a negative impact.

The revised IAS 19 for accounting for employee pensions came into force on 1 January 2013. As a result of this standard, an amount of € 372 million has been added to the provision for employee pensions effective 1 January 2013. As of that date, equity dropped by € 279 million after tax to € 2,656 million. Where a.s.r. is concerned, the revised IAS 19 does not impact the DNB solvency ratio.

Funding

As an insurer, a.s.r. has a relatively limited need for funding. From this perspective and from the viewpoint of risk management, a.s.r. relies on the money and capital markets to a minimal extent. This is in keeping with the prudent policy and financial robustness that a.s.r. pursues.

As access to, and expenses associated with, funding channels can range over time, a.s.r. seeks to create a balanced spectrum of funding options. a.s.r. has currently achieved this by keeping its programms up-to-date both in terms of secured and unsecured financing, so as to ensure access to the money and capital markets, and minimize funding expenses.

a.s.r. has more than adequate scope for meeting its minimal funding requirements where appropriate and with the necessary flexibility.

a.s.r. did not raise any additional external financing in 2012. The available financing facilities had not been drawn at year-end 2012. The relatively limited funding needs, in combination with the option for raising secured financing, result in ample liquid assets for a.s.r. at this time to carry out its operations.

Dividend

The Executive Board plans to distribute € 88 million in dividend on ordinary shares. Similar to last year, this represents 40% of the net result attributable to shareholders.

Ratings

Besides the solvency position, it is also important to thoroughly map out the risks that affect solvency. a.s.r. wants to achieve a capital position that merits an A rating from Standard & Poor's. On 23 August 2012, Standard & Poor's confirmed the A rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. It changed its outlook from negative to stable.

Standard & Poor's ratings	Type	Rating	Outlook	Date
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	23 August 2012

At the request of a.s.r., Fitch Ratings withdrew its ratings for different a.s.r. divisions on 19 December 2012.

For Standard & Poor's rating, please log on to the a.s.r. website: www.asr.nl.

2.3 Risk management

a.s.r. uses an integrated approach to managing risk. It has robust risk management procedures (i.e. the Integrated Risk Management, or IRM, framework) in place for identifying and managing all risks. This framework provides a.s.r. with information regarding the integrated risk profile and enables it to take and manage risks responsibly. Information on the level of risk and the correlation between risks, allows a.s.r. to accept only those risks that are responsible and come with appropriate returns. In this way, IRM contributes to the financial robustness of a.s.r. and the improvement of its operational performance.

The notes to the financial statements contain a detailed description of risk governance, the risk profile and the related trends in 2012 (see page 81).

Risk management in 2012

In 2012, Standard & Poor's changed its outlook for a.s.r. from negative to stable. a.s.r. mainly has its integrated risk management framework and balance sheet management to thank for this improved rating.

The integrated risk profile for a.s.r. is defined every quarter, after which it is assessed against the chosen risk appetite. The risk appetite has been defined by the a.s.r. Risk Committee, which includes all members of the Executive Board. The risk appetite has been endorsed by the Supervisory Board. This allows the Executive Board to quickly take action when the risk profile is exceeded. The a.s.r. risk appetite describes the accepted level of risk for both financial and non-financial aspects, as well as the priorities that govern the chosen risk appetite pillars. To provide customers with certainty at all times, a.s.r. gives preference to solvency over profit, and to profit over premium.

In keeping with external regulations such as Solvency II, a.s.r. started to focus more intensively on market value in 2012. This is illustrated in a.s.r.'s dynamic investment policy, in which the appetite for market risk is dependent on developments in solvency. The dynamic investment policy is used to adjust market risk so as to secure financial robustness and to benefit where possible from higher returns on more high-risk portfolio investments such as equities, real estate and corporate bonds. The policy to further reduce interest rate risk over the years to come is also based on managing market value.

Another important development is the further organization-wide implementation of the internal control structure, which is referred to as the management in control framework. This framework, which has been developed from an integrated risk management perspective, periodically tests the controls that are in place in the core processes.

An Own Risk and [Solvency] Assessment (ORSA), which forms part of the Solvency II rules, is performed on an annual basis. The ORSA is an integrated risk management instrument that is designed to verify whether a.s.r. can maintain its solvency, even when times are tough. It assesses all material risks, whether they are financial or non-financial. As part of the ORSA, the impact of the risks identified in the Control Risk Self-Assessment (CRSA) on the capital requirement for the coming five years was estimated. The ORSA is also geared towards the future, allowing a.s.r. to take preventative action before imminent risks actually occur. As in 2011, a.s.r. also took part in the ORSA rehearsal of the Dutch Central Bank (DNB) in 2012.

Management of financial risks in 2012

A robust solvency position takes priority over profit, premium income and direct investment income.
The Financial Risk Committee assesses the solvency position and the financial risk profile on a monthly basis. Action is taken where appropriate to ensure that the financial risk profile stays within the parameters that have been defined in the a.s.r. risk appetite.

Similar to 2011, the euro crisis continued to dominate the financial markets in 2012. Exposures to government bonds issued by peripheral countries is virtually non-existent. Exposures to bonds issued by financial institutions were further scaled back. Equity exposures were increased within the parameters of the risk appetite in order to be able to benefit from higher expected returns. Property exposures were stable; despite the economic decline, the value of the a.s.r. portfolio increased on balance in 2012. Owing, in part, to developments in, and uncertainties surrounding, the application of the Ultimate Forward Rate (UFR) under the current regulatory framework and Solvency II, the interest rate risk was reduced at a slower pace. a.s.r. did, however, restructure interest rate hedges by purchasing interest rate swaps and selling swaptions.

a.s.r. uses the ECB AAA curve in the adequacy test provision to measure liabilities in the DNB solvency ratio inclusive of the UFR. This yield curve includes the Netherlands, Germany, France and Austria. If France's rating is downgraded, it will be removed from the AAA ECB curve, so that the curve will drop and solvency will be adversely affected.

Starting from the third quarter of 2012, DNB has dictated the application of the UFR to the yield curve used to discount insurance liabilities, meaning that the yield curve at maturities of more than 20 years gradually approaches a level of 4.2%, which signifies an increase. This represents a considerable boost of the solvency position for a.s.r. For the sake of prudence, the solvency position is also assessed exclusive of the UFR.

a.s.r. periodically assesses whether the technical provisions are sufficient to cover insurance liabilities. These provisions were adequate at year-end 2012. The underlying assumptions for assessing the provision are periodically adjusted to economic and non-economic developments. As a result of the increase in life expectancy, the mortality table used for assessing the provision was updated in 2012. In addition, lapse rates showed an increase as a result of the implementation of the compensation process. The lapse rates used have been adjusted accordingly.

Management of non-financial risks in 2012

The Non-Financial Risk Committee assesses the non-financial risk profile on a quarterly basis. Additional measures are taken where needed to reduce the non-financial risk. Thanks, in part, to the implementation of the management in control framework, non-financial risks were managed better in 2012.

All divisions performed the annual Control Risk Self-Assessment (CRSA) in 2012. The CRSA is a risk identification methodology used to identify risks that pose a threat to the achievement of the strategic targets. A qualitative assessment is also made of the risk and the required risk management actions. a.s.r.'s risk priorities are defined based on the CRSA.

a.s.r. sees the availability, integrity and confidentiality of information as its priorities. A project was launched in 2012 to further increase risk awareness among employees. a.s.r. will keep focusing heavily on information security, given its importance to the organization's continuance of operations.

In addition, a.s.r. further rolled out its internal control structure in 2012. A framework of standards was developed for the entire organization in 2011. Controls were implemented and the effectiveness of most of them was assessed in 2012. Where needed, plans were devised to further increase their effectiveness. Risk Management will keep monitoring the effectiveness of the controls.

Risk priorities for 2013

All divisions perform a CRSA annually. In this process, they identify the risks that pose a threat to the achievement of the corporate targets. Risk priorities for the coming year are set by the Executive Board on the basis of identified risks and other external developments. The progress made on managing the identified risk priorities is reported to the a.s.r. Risk Committee on a quarterly basis.

The risk priorities defined for 2013 are described below.

Changing market

Premium income is under pressure because of the current economic crisis. Consumers are taking a critical look at their insurance package due to the increase in insurance premium tax from 9.7% to 21% and the financial implications of the economic crisis. This pressure on premium income can manifest itself in an increase in non-life policy cancellations, loss of retention in the life business and a drop in sales of new insurance contracts. In addition, the current market is characterized by keen competition and a growing focus on the part of consumers on pricing, which is weighing down margins.

Because of the change in market dynamic, a.s.r. and its employees need to be quick to acquire the necessary new competencies and adopt the required level of flexibility. Any delay in adapting to the changes in requirements can jeopardize a.s.r.'s ability to continue business operations in the long run.

The intermediary distribution channel (including mandates) is suffering because of the commission ban, the popularity of direct channels and the economic situation. As a result, intermediaries might land themselves in financial difficulties as they potentially become unable to meet their payment obligations to a.s.r.

Ongoing uncertainty in financial markets

There are no signs that the unrest in the financial markets is letting up. Some of the main causes of this risk are the European debt crisis, and the current interest rate and investment climate. The solvency and profitability of a.s.r. may come under pressure in 2013. Continuing to manage the impact this has on solvency and return is a top priority.

Risk awareness

Risk management and awareness of information security and other security aspects will continue to be focal points. There is a risk of confidential formation – financial, customer-related or otherwise – being disclosed to third parties, whether intentional or unintentional. This can lead to damage to a.s.r.'s reputation. The level of awareness regarding the importance of dealing with confidential information and employee and customer details, and the protection of corporate property needs to be raised further. In 2012, attention was being devoted to managing risks associated with safety and security, including information security, and raising awareness regarding this issue.

Solvency II

Solvency II is the regulatory framework for European insurers. The effective date of Solvency II was scheduled to be 1 January 2014, but this date was postponed due to delays at European level in 2012. At present, expectations are that the new rules will be introduced in 2015 or 2016. There is a chance, however, of earlier partial introduction of the rules in the Dutch insurance market.

The Solvency II requirements support a.s.r. in its efforts to make further improvements to its risk management procedures. The Solvency II framework rests on three pillars: the first pillar describes how to define the risk profile and the related capital requirements. The second pillar involves supervision and defines the role of the regulator and the requirements with regards to the responsibilities of the insurance company, its Executive Board and its senior management. The third pillar focuses on market discipline and describes disclosure and transparency requirements for the benefit of both the public and the regulator. This public information allows stakeholders to assess the financial stability of an insurance company. Solvency II creates a new set of regulatory requirements and a solvency framework that is based on market-consistent valuation. The solvency requirements will better reflect the risks that insurance companies incur.

a.s.r. has actively worked on implementing the Solvency II requirements since 2009. In 2010, focus was mainly on Pillar 1 activities, shifting more to Pillar 2 activities in 2011. In addition to concentrating on Pillar 2 activities, a.s.r. also started to develop Pillar 3 reports in 2012. a.s.r. performed an ORSA for the third time in 2012. In addition, the quality, reliability and integrity of data have been improved. The effectiveness of the risk management function has increased, creating better compliance with Solvency II.

The potential delay in the effective date of Solvency II offers a.s.r. the opportunity, in the year ahead, to pay extra attention to the quality of source data and reports, and to document that this quality is at the required level.

Part III

Corporate Social Responsibility

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3 Corporate Social Responsibility

The role in society that a.s.r. wants to play as an insurer forms the starting point of our Corporate Social Responsibility (CSR) policy. To a.s.r., this means that what is right in the longer term is preferable to any short-term gains. As an insurer, employer and investor, and for the environment, a.s.r. takes account of sustainability in its business operations where possible.

The principles and objectives of our CSR policy are established through dialogue with all stakeholders. a.s.r. maintains close contact with a broad group of external stakeholders, including customers, intermediaries, suppliers, the shareholder, political parties, public interest organizations, trade bodies and labour unions.

1. Sustainable insuring

The key task of a.s.r. as a sustainable insurer is to offer people certainty in uncertain situations. Financial robustness is an integral part of this and is therefore the number one priority. a.s.r. creates insurance products that meet customers' needs and that have been tested by customers. a.s.r. continually seeks to improve the transparency, simplicity and clarity of its products and services. The a.s.r. core value and various codes of conduct ensure that sustainability is embedded in our attitudes and behaviours.

Customer-focused insuring

The goal is to serve customers well. Customers know right away whether or not services have been designed with their needs and expectations in mind.
a.s.r.:
1. provides easy-to-understand and objective information;
2. responds within the agreed deadlines;
3. uses customer satisfaction surveys to help improve its services; and
4. has a quality assurance policy that centres around customer interests.

The standards of the Customer-Oriented Insurance Quality Mark help a.s.r. to test the level of service provided. In 2011, the Quality Mark was awarded to the Ardanta, De Amersfoortse, Ditzo and Europeesche Verzekeringen labels. The standards were tightened in 2012 and all a.s.r. labels were reassessed against the stricter standards. The outcome of the assessments is expected in the course of 2013.

Customer appreciation rating

The Net Promoter Score is used by a.s.r. to measure customer perceptions of its products and services. a.s.r. has the ambition to lead the field by 2015, measured in terms of its NPS compared to its peers. From 2012 onwards, a.s.r. employees' variable pay has been determined, in part, by improvements in the customer appreciation rating (measured using the NPS).

From winter 2010, when the NPS was -58, the score improved to -44 in winter 2012-2013. The results of the NPS are not yet satisfactory, and action is needed to generate further improvement in the NPS.

Products/processes

Product development at a.s.r. is driven by the needs of customers, and a.s.r. collects information using market surveys and customer panels, among other tools. Making customer information accessible and easy-to-understand is an ongoing process.
It involves using customer panels, the customer information improvement plan, the approval and review process for new and existing products (PARP) and long-term assurance (by style guides and courses in B1/Customer-friendly information).

Five years ago, a.s.r. embarked on its Continual Improvement approach, based on the lean principle. a.s.r. puts Continual Improvement into practice by taking an integrated approach to Processes, Operations Management and Attitude & Conduct. Every day, 80% of a.s.r. teams work in accordance with the Continual Improvement approach. In 2012, the transition was made to Continual Improvement in chains rather than teams, to ensure that improvement initiatives form a better match with customer wishes.

Complaints management

Complaints allow a.s.r. to understand customers and to learn from mistakes. The complaints policy was further refined in 2012. The key objectives behind this policy are that a.s.r. wants to make it easy for customers to file a complaint (there is an easy-to-find link on the website), and that a.s.r. communicates clearly about its vision and how the complaint will be resolved. The complaints handling procedure – including the related deadlines – can be found on www.asr.nl.

a.s.r. learns from complaints: customer feedback is used to solve customers' problems, to structurally improve service and to develop the complaint handling skills of individual employees. This makes it possible to keep repeat complaints to a minimum, for instance.

Purchasing

a.s.r. is committed to the Sustainable Procurement & Business Practices Manifesto. The manifesto is an initiative by 17 large businesses in the Netherlands and is supported by NEVI, the Dutch Association for Purchasing Management (www.nevi.nl/mvi). Since 1 January 2013, a.s.r. has added impact on society to its procurement criteria. This impact could be social, environmental or economic. Sustainable purchasing is more than just applying criteria in the procurement process; it is also about choices made in business operations that translate to the works, supplies or services to be purchased.

The implementation of the Socially Responsible Procurement policy focuses on the following aspects:

1. a.s.r. informs suppliers in advance that environmental and social factors are weighed in the selection process;
2. a.s.r. has adopted a set of environmental and social criteria (these are category-specific); and
3. a.s.r. challenges its suppliers to come up with alternatives that constitute a better match for today's environmental and social criteria.

Moreover, a.s.r. wants to ensure that international human rights are respected throughout the production process of the goods and services that are purchased. These sustainability aspects are assessed in all new contracts and contract renewals.

2. Sustainable employer

At a.s.r., employees are encouraged to develop professionally and to take ownership of their personal development, career path and ambitions. The goal is to create an inspiring and healthy work environment that fosters the talents of employees and allows them to reach their full potential.

The introduction of NWW (New World of Work) is one such initiative to create a pleasant working atmosphere at a.s.r. The most important reason for a.s.r. to introduce NWW was that it gives employees the opportunity for a better work/life balance, thereby boosting their motivation. Moreover, NWW helps to reduce our energy consumption and our carbon emission. By the end of 2012, 80% of employees at the Utrecht office had the tools to work independently of time and place. Around 1,000 employees log onto the network remotely each day.

According to the results of the Engagement Scan that was conducted in February 2012 and was completed by more than 83% of employees, the a.s.r. employee engagement score rose from 80.6% in 2011 to 82.9% in 2012. This is the highest score since 2008.

Leadership

In 2011 a.s.r. initiated an intensive programme of cultural change. The main priority of this programme is that a.s.r. wants to win back the trust of customers as well as its employees. At the heart of this are the core values of being personal, approachable and accountable, and true to who we are.

After all managers had taken a train-the-trainer workshop early in 2012, they entered into a dialogue with their people about embedding the core values in their day-to-day activities. In the second half of 2012, the emphasis shifted to 'helping by taking action'. How does a.s.r. transpose its core values into identifiably better services for customers? All managers followed a course in 'control and flexibility' which taught them to strike the right balance in the activities of their teams, allowing employees to develop their own initiatives and approaches.

Diversity

At a.s.r., diversity is being enhanced in many ways. Employees are encouraged to participate in all manner of business networks in order to broaden their horizons and advance their personal growth.

As a supporter of the 'Talent to the Top' Charter, a.s.r. is committed to appointing women to management positions and keeping them there. This illustrates the value that a.s.r. attaches to a diverse organization. The Executive Board has been active in driving this forward and several initiatives have been taken, including extra places on trainee and management development programmes, an intensive mentoring programme and a special focus on women when filling vacancies for management positions.

The targets that a.s.r. set for 2012 were:
Middle management: 32%. This target was achieved in 2012 by five of the eight divisions.
Senior management: 19%. This target was achieved.

Contrary to the downward trend in the Netherlands as a whole, a.s.r. appointed more women in 2012. The percentage of women in management positions grew in 2012 to 21% (from 14% at the start of 2012). The most recent (2011) biennial survey of the top 500 businesses in the Netherlands conducted by the Netherlands Institute for Social Research (Dutch acronym: SCP) shows that women account for 4.3% of Executive Board members and 9.0% of Supervisory Board members. The percentages of women on the Executive Board and the Supervisory Board at year-end 2012 were 25% and 50%, respectively. These percentages far exceed the national average.

Talent development

2012 was the fourth year in which a number of high-potentials started the Management and Professional Development Programme. This programme has been designed for talented employees who are willing to invest extra time and energy in their career at a.s.r. The programme focuses not only on the career advancement of employees in management positions, but also on the development of professionals. To qualify for the programme, employees need to have at least a college degree and be acknowledged as high potentials by their manager. Spread across a range of modules, programme participants are asked to work on a strategy problem, gain knowledge of change management, write and carry out a project plan, and manage their own development targets. This is how talent advances to the next step in their career. Vacancies that used to be difficult to fill are now regularly filled by programme participants. The programme also encourages cooperation between divisions,

because it brings together people who work in different areas of the organization.
The a.s.r. Talent Development Programme is designed specifically for talented young individuals. The two-year programme delivers a new group of enthusiastic young people every year. The trainees, who are part-time Business Administration students, rotate between a.s.r. divisions in four modules of six months each, taking on a different role in each module. After their traineeship, most of the trainees are offered a management position, or they are asked to join a specialist team.

Sustainable facilities

Employees at a.s.r. are offered a variety of sustainable facilities, such as a company-sponsored gym membership, the Utrecht Bereikbaarpas travel card, 'mobility markets' that offer employees alternatives to car travel, and participation in the Rij2op5 campaign (an initiative of the Dutch Cyclists' Union and employers to encourage employees to use the bike for their daily commute). Furthermore, all employees with a company car are also given an NS Business Card to give them the choice to travel by train. Initiatives in the area of mobility were broadened in 2012 to include a pilot in which employees could try out an electric bicycle for a limited period, free bicycle maintenance and the installation of several charging points for e-bikes in the bicycle parking area at the a.s.r. office in Utrecht.

a.s.r. also supports the Spitsvrij initiative, a partnership between the Utrecht provincial authorities and the Ministry of Infrastructure and Environment, designed to improve traffic flows on roads. Participants in the scheme could earn money by reducing or quitting their peak-time driving on roads in the Utrecht-Hilversum-Amersfoort triangle.

Codes of conduct

a.s.r. has codes of conduct setting out guidelines on how employees are expected to interact with each other and how to approach specific situations. These include an integrity code, insider rules and a whistle-blowing procedure.

a.s.r. also supports the industry's rules of ethics (such as the Code of Conduct for Insurers). Furthermore, there are codes in place relating to various themes, including Client/Customer Due Diligence (know your client before doing business with them), Intermediaries (including an obligation to report suspicions of inappropriate conduct by an intermediary) and Financial Services (including a duty of care and an incentives policy).

3. Sustainable investor

As an institutional investor, one way in which a.s.r. demonstrates its corporate social responsibility is in its use of ethical and sustainability criteria as part of its investment policy.

In asset management, the emphasis is on affirmative action on best practices and best products, based on environmental, social and governance (ESG) criteria. The policy applies to all investments in countries (government bonds) and in businesses (equities and corporate bonds). This implies, for instance, that a.s.r. invests more in businesses that score well on ESG criteria within their sector of industry. a.s.r. also invests in businesses that make a sustainable contribution to society, by processing or recycling their waste, using clean energy and reducing their environmental impact or energy consumption.
a.s.r. also observes strict exclusion criteria for producers of controversial weapons, nuclear energy, pesticides, alcohol, and for the gambling- and sex industry, and businesses engaged in animal testing.

a.s.r. believes in engagement through constructive dialogue with the businesses it invests in, with the aim of increasing shareholder value and social benefit in the long term. If the dialogue does not produce a positive outcome, businesses may be excluded from the investment portfolio, if they have acted contrary to international conventions on human rights and workers' rights. a.s.r. observes criteria, for instance, for the equal treatment of men and women, trade union freedom and the exclusion of child labour. With regard to investments in sovereign debt, a.s.r. excludes countries that have a poor score in the Freedom in the World Annual Report and the Corruption Perceptions Index.

a.s.r. subscribed to the United Nations Principles for Responsible Investment (UNPRI) on 14 October 2011. These principles aim to encourage socially responsible investment. Apart from signing the UNPRI, a.s.r. also abides by the Sustainable Investment Code of the Dutch Association of Insurers, which came into effect on 1 January 2012. The Code stipulates that the investment policies of members of the Association should take account of ESG factors at the entities in which they invest.
More than 95% of external asset managers responsible for a.s.r. investments have now also signed the UNPRI. ESG factors are being incorporated into the investment processes of increasing numbers of external asset managers.

a.s.r. also signed the United Nations Global Compact Principles (UNGC) on 30 December 2011. The UNGC asks businesses to embrace, support and implement, within their sphere of influence, a number of principles relating to human rights, labour standards, the environment and the fight against corruption.
These ten principles are based on four international conventions:
1. the Universal Declaration of Human Rights;
2. the International Labour Organization Declaration on Fundamental Principles and Rights at Work;
3. the Rio Declaration on Environment and Development; and
4. the United Nations Convention against Corruption.

In accordance with the Dutch Corporate Governance Code and the a.s.r. Socially Responsible Investment Policy, a voting policy has been developed for a.s.r. to fulfil its role as an institutional investor. Voting accountability offers insight into the exercise of voting rights at shareholder meetings of Dutch associates. The voting policy and voting accountability information can be found on the a.s.r. website.

Throughout 2012, meetings were held with many businesses in which a.s.r. holds shares; this represents almost 50% of the internally managed equities portfolio. In this dialogue (at least one meeting per year at executive level), a.s.r. puts the CSR policy of businesses on the agenda and addresses any controversial activities. The input by a.s.r. is generally welcomed by the management of these companies as being constructive.

As in the previous year, in 2012 a.s.r. achieved third place in the annual survey conducted by the Dutch Association of Investors for Sustainable Development (VBDO) among 30 insurers in the Netherlands. a.s.r. was praised for such aspects as its Corporate Social Responsibility policy, which applies to all managed assets.

Sustainable real estate

a.s.r. Vastgoed Vermogensbeheer, the Property Asset Management business, invests in retail units, residential properties, offices and agricultural land. Sustainability has been firmly embedded in its business processes. A supplier of green energy has been chosen to service the entire property portfolio. Furthermore, all tenants of a.s.r. buildings are encouraged to conserve energy. a.s.r. Vastgoed Vermogensbeheer is also a player in several industry associations to help put sustainability even more clearly on the map.

Tenants' energy consumption for general facilities is measured with a view to raising awareness of energy use and ultimately reducing their consumption. Of the a.s.r. property portfolio, 50% of residential properties have an energy performance rating of C or better, which is 10 percentage points higher than the housing stock in the Netherlands as a whole.

We also maintain our properties in accordance with specified sustainability criteria. One example of this is that the renovation of the a.s.r. building in Utrecht will lead to an "A" rating for energy performance and a "very good" BREEAM rating for sustainability. A system of ground source heating and cooling (Long-Term Energy Storage) will contribute to achieving this. BREEAM (Building Research Establishment Environmental Assessment Method) is a system used to certify sustainable construction.

In 2012, a new development of 69 apartments in Zoetermeer was acquired and, in collaboration with the developer, a "very good" BREEAM sustainability rating was achieved. In the residential property portfolio, efforts also made to cluster maintenance work, to make for more efficient logistics and billing processes. Furthermore, quantification of customer satisfaction will be improved. Since 2011, only FSC-certified timber has been used when the kitchens of rental properties are refitted.

Sustainability is also an important aspect in the property developments of a.s.r. Vastgoed Ontwikkeling. Here, the focus is on the use of sustainable materials, lower environmental impact, a healthy living environment, and good ergonomics. This has been translated into a concrete target to have all retail properties assessed for the BREEAM standards with the aim of achieving a "very good" rating. For residential properties, the goal is to achieve a minimum sustainability score of 7.5 in all a.s.r. Vastgoed Ontwikkeling developments. This score is measured in accordance with the Municipal Practice Guideline for Buildings (Dutch acronym: GPR). Apart from energy efficiency, GPR also addresses environmental impact, health issues in the home and ergonomics.

Since 2009, a.s.r. Vastgoed Ontwikkeling has abided by its Land-for-Land initiative: for every square metre of property that a.s.r. Vastgoed Ontwikkeling develops, it will give one square metre of land to nature. To implement this policy, an agreement was signed in 2012 with Utrechts Landschap, a foundation for the protection of nature and culture. Thanks to this support, Utrechts Landschap has been able to acquire land in the Tuinen van Utrecht area, which will contribute to the creation of a green corridor to the east of the city of Utrecht.

4. Sustainable actor in society (environmental aspects)

a.s.r. wants to minimize the environmental impact of its operations, and so it uses resources, energy and water efficiently. Furthermore, a.s.r. is actively getting to grips with waste management, mobility and carbon emissions, and for this purpose has developed a special environmental management system.

Thanks to a new printing policy, the number of prints has been reduced by two million in the space of two years. This is primarily because employees now have to enter a personal code to retrieve a print job from the printer, thereby ensuring that they use the printer more responsibly. Moreover, employees need special privileges to print in colour, and this has led to a considerable reduction in the number of colour prints.

In 2008, a.s.r. signed the government's third multi-year plan, setting out national agreements between the government and industry on energy savings. This is an expression of a.s.r.'s intention to reduce energy consumption by 30% per FTE by 2020 compared to 2005. Since 2009, all electricity used by a.s.r. has come from sustainable sources. Sustainability considerations also featured in the 2010 decision to renovate the office building at Archimedeslaan 10 in Utrecht rather than opting for a new build.

The building in Utrecht is equipped with a system for Long-Term Energy Storage (Dutch acronym: LTEO), which uses the ground as a source for heating and cooling the building. In the summer, groundwater with a temperature of 10-12 degrees Celsius is pumped up from the 50-metre deep cold source. In the heat exchanger in the building, the air for the cooling system meets the cold water and the air loses its heat to the groundwater, which warms up. In the winter, the process is reversed.
This system means a considerable saving on energy costs; it has a long lifespan and a high degree of reliability.

a.s.r. has an active mobility policy that seeks to improve accessibility to the buildings and reduce carbon emissions. One aspect of this is the optimization of the parking facilities. At the Utrecht, Amsterdam and Amersfoort locations, employees are encouraged not to use their cars, especially at peak times. Alternatives include working from home and using video conferencing.

On 6 December 2012, a record number of employees worked from home: simultaneously 2,029 out of a total of just over 4,000. The high number of remote workers was prompted by the severe weather warning that had been issued by the Dutch meteorological institute. On an ordinary business day, an average of 1,000 employees works from home.

5. Commitment to the community

The ambition of a.s.r. Foundation is to encourage employees to become involved in the community and to help them support social initiatives. By enabling employees to come together and actively make a contribution to society, a.s.r. Foundation also strengthens team spirit among employees and their sense of pride in the business.

To garner enthusiasm from as many employees as possible, a.s.r. Foundation offers various options. For instance, the Stimulus Plan provides individual employees with a financial contribution for the active role they play in volunteer work in their community. In 2012, employees used the Stimulus Plan to raise money for their chosen charities, ranging from SOS Children's Villages to the National Play Outdoors Day.

More than 40 teams combined a team-building event with giving back to the community by doing odd jobs for Jeugddorp De Glind, a Dutch town in service of vulnerable children, care farms and other social organizations. In addition, more than 1,000 employees took the opportunity to make a contribution to society by taking part in one of the more than 30 special activities.

For instance, some employees participated in national volunteering day NL.DOET by doing some tidying and sorting work for the Kringloop Utrecht thrift store. Another group accompanied senior citizens on a visit to a performance of the opera Orfeo ed Euridice in the gardens of Soestdijk Palace.
Almost 50 employees helped out with primary school children in the form of a special lesson teaching them about money and making them more financially literate. More than 150 employees took part in a sporting event for charity. Whether running, cycling, ice-skating, boxing or spinning, they raised money for Children's Cancer Fund KiKa, War Child and Kromme Rijnstreek hospice.

At the start of the year, the 'vanmij' party was held for the second time at the a.s.r. building in Utrecht; the event is a party by and for employees that raises money for charity. It includes performances by employees and a charities marketplace. a.s.r. also gave € 10 to each of the more than 2,000 party-goers, which they could donate to the charity of their choice. In total, the performances, marketplace and donations raised € 61,000 for a variety of good causes.

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Part IV

Governance report

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4.1 Governance report

4.1.1 Financial statements and appropriation of profit

The Executive Board submitted the Report of the Executive Board and the financial statements for 2012 to the Supervisory Board. After having discussed the financial statements with KPMG, the independent external auditor, the Supervisory Board approved them in its meeting on 28 March 2013. The financial statements were audited by KPMG, who issued an unqualified auditor's report on them. For the auditor's report, see page 184. The Supervisory Board established that the external auditor was independent from a.s.r.

The Supervisory Board will present the financial statements for adoption to the Annual General Meeting of Shareholders (AGM). The Supervisory Board proposes to adopt the financial statements and to discharge the members of the Executive Board and the Supervisory Board for their management and supervision respectively. For the profit appropriation proposal to the AGM, which the Supervisory Board approved, see page 187 of this report.

Supervision

The Supervisory Board addressed the following issues:

Routine issues

- Financial performance (quarterly, interim and annual results)
- Developments in financial markets and solvency
- Dividend proposal
- Budget
- Risk management and risk appetite
- Market developments and strategy
- Customers interests
- Compliance reports
- Audit reports
- Governance
- Performance targets of identified staff
- Status of compensation process for unit-linked policies

Specific issues

- Distribution, brand portfolio and marketing strategy
- Occupational Disability Insurance business: developments in the market and in the organization
- Non-Life business: product development and developments in combined ratio
- Strategy for Mortgages, Savings and Investments
- Outsourcing of Life activities
- Establishment of Dutch Core Residential Fund
- Division of duties within Executive Board and nomination of new Executive Board member
- Corporate Social Responsibility (CSR)
- Remuneration policy
- Performance of Supervisory Board

Financial results

In its meetings, the Supervisory Board focused heavily on the financial results. An issue that was discussed regularly was the combined ratio. The members of the Supervisory Board feel that this ratio requires further improvement. The Supervisory Board also spoke frequently about developments in costs. Costs need to be cut further and cost patterns should become more flexible as the market is contracting and premium volumes are dropping. With that in mind, the Supervisory Board agrees with the decision to outsource a number of administrative services in the Life business. The members of the Supervisory Board were also glad to see the detailed, step-by-step approach that allows the organization to carry lessons learned in each step forward to the next phase. The necessity of cost cuts is counterbalanced by the need for investments in product development, further service improvements and claims management. Striking a balance between these aspects was a recurring topic of discussion between the Supervisory Board and the Executive Board.

Solvency and risk management

The ongoing turmoil in the European financial markets and its impact on solvency was a recurring agenda item for the Supervisory Board. The Supervisory Board adopted the risk appetite in the first quarter of 2012. In weighing risk and return, solvency is a priority over profit and profit is a priority over premium income.

Solvency levels remain high thanks to the organizations prompt and adequate response to external developments based on the chosen risk appetite and risk-mitigating measures. The members of the Supervisory Board are especially happy about the execution of the risk policy. The a.s.r. investment policy, derived from the risk policy, has centered on further risk reduction in recent years. For instance, the share of more high-risk asset categories in the portfolio, over 80% of which consist of fixed-income securities, has been scaled back. As a result exposures to particularly peripheral eurozone countries and the financial sector was reduced drastically. The interest rate risk was also optimized considerably.

The Supervisory Board explicitly addressed and approved the risk appetite in 2012. This risk appetite also proved to be an important benchmark in 2012 for both tactical and strategic decisions.

The Executive Board decided at year-end 2010, to establish property funds in order to further reduce the risk profile of investment property in the portfolio and to make the investment policy more flexible. The ASR Prime Retail Fund was established and placed in 2011. The Supervisory Board approved the establishment of a second fund, i.e. the ASR Dutch Core Residential Fund, in 2012. The residential properties owned by ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. will be transferred to this new fund.

Market developments and strategy

Developments in the financial sector were addressed in virtually every meeting. The consolidation potential in the insurance sector and the possible role of a.s.r. in this regard were talked about at length. In addition, specific topics for discussion were developments in, and the strategy for, mortgages and asset-building. The Supervisory Board endorses the chosen strategy for the Banking business to continue to offer a competitive mortgage proposition and to return to the basics of being a small, efficient savings and investment bank. a.s.r. offers a range of brands for a broad audience. The Executive Board refined the brand and distribution strategy in the fourth quarter of 2012. The refined strategy was discussed with the Supervisory Board. The members of the Supervisory Board are happy about the shift in focus and the effect of the strategy on the marketing of the different brands.

Customer interests and Corporate Social Responsibility (CSR)

The members of the Supervisory Board agree with the Executive Board that the reason for being for a.s.r. lies in a focus on customer interests and a positive customer experience. For this reason, customer interest was an explicit theme in the discussion of various issues in Supervisory Board meetings. Customer interest took centre-stage, for instance, in the debate about unit-linked insurance policies, but it also played a prominent role in deliberations about such issues as dividend, occupational disability insurance premium adjustments and standardization of non-life products and processes.

To monitor the status of improvements in the areas of customer interest and customer experience, the customer information dashboard periodically came up for discussion. Based on this dashboard, the members of the Supervisory Board were kept up-to-date on issues such as the outcome of quality mark surveys and NPS. The members of the Supervisory Board are content about the use of the customer dashboard and see opportunities for refining the dashboard as such that customer interests will come to play an even greater role in the organization's decision-making processes.

Although the members of the Supervisory Board addressed CSR separately, they feel that this issue was somewhat snowed under in the reporting period. The Supervisory Board will devote more attention to CSR in 2013.

Compliance and Audit

The Supervisory Board discussed the reports of Compliance and Audit on a quarterly basis. Reports and findings from reviews by external regulators were also debated extensively. To the satisfaction of the members of the Supervisory Board, the number of problems reported by the two departments decreased in the year under review; existing issues were resolved and there were only a limited number of new problems. The Supervisory Board will persist in stressing the importance of constant management focus and discipline to continue the policy of resolving issues.

Governance

The Dutch Central Bank (DNB) reviewed the design and effectiveness of the governance structure in place at a.s.r. at the end of 2011. The Supervisory Board discussed the outcomes and recommendations of the review with the Executive Board during various meetings. In addition, a dialogue was initiated with DNB to discuss the recommendations and the effects of their implementation. In the design of the governance structure, the members of the Supervisory Board attach great value to balancing the interests of groups of policyholders on the one hand and the possibility to run a.s.r. as an integrated business on the other. One of the decisions taken was to adjust the design of the governance structure of a number of licensed subsidiaries, as such that a Supervisory Board will be created in the second quarter of 2013 for three insurance companies that were granted dispensation by DNB, i.e. N.V. Amersfoortse Algemene Verzekering Maatschappij, ASR Schadeverzekering N.V. and ASR Levensverzekering N.V.

There was a vacancy on the Executive Board as of 1 January 2012. After the proposal to appoint Michel Verwoest to the Executive Board was discussed in the Selection, Appointment and Remuneration Committee, it was presented to the Supervisory Board. The AGM appointed Michel Verwoest to the Executive Board as of 1 December 2012. Earlier in the year, the Supervisory Board agreed to a change in the division of duties among the members of the Executive Board.

4.1.2 Issues addressed by committees

Audit and Risk Committee

The meetings of the Audit and Risk Committee focused on financial performance every quarter. The Committee discussed the financial results for the full year based on the annual report, the financial statements and the actuary's report. The Committee issued a positive opinion to the Supervisory Board.

The Audit and Risk Committee also addressed other issues, including the audit plans for 2013 of both Internal Audit and those of the independent external auditor. Both plans were approved. The Committee also approved the Compliance Policy Plan and the Risk Management Plan for 2013. Other topics for discussion included the risk management plan and the reports of the independent external auditor; audit and compliance reports were discussed quarterly.

The Audit and Risk Committee debated the risk appetite, which was defined based on a detailed risk assessment, early in 2012; the risk appetite was monitored during the year using the Financial Risk dashboard. The Committee issued a positive opinion on the risk appetite to the Supervisory Board. The a.s.r. risk appetite has been transposed into requirements for capital, liquidity and returns; solvency takes priority over profit and profit takes priority over premium income. Thanks to the fact that the risk appetite and the underlying governance model were defined and adhered to, a.s.r. was able to respond quickly to different developments in the market and take the right action.

The Multi-Year Budget 2013-2017 and the risk priorities for 2013 were discussed at year-end. Ahead of the requirements of Solvency II, the Investment Plan was also addressed at length.

In the Committee's opinion, a.s.r. has a solid financial foundation. Solvency is adequate, both under Solvency I and II, and exposures, e.g. to changes in interest rates, are well under control. Additional cost cuts were implemented and the organization was restructured to keep up with the changes in the insurance market and in the asset-building market in particular. Although the Committee is pleased with the results, it also believes that further steps are required for a.s.r. to maintain its competitive edge going forward. In various market segments, margins are being weighed down by developments in society and increased competition. With this in mind, it is crucial that a.s.r. continues to save on costs, in order to create a sustainable future for a.s.r. in these segments.

Parallel to cost cuts, the Committee endorses the need for improving the operational performance and sets great store by strict discipline in managing and implementing these improvements. A good example is the application of the a.s.r. approach to unit-linked insurance policies, which had major financial and operational impact in 2012. This approach effectively puts customers' interests first by offering them new perspectives.

The Chair of the Committee consistently reported the main issues to the Supervisory Board during the Board's next meeting. Moreover, the Audit and Risk Committee provided the Supervisory Board with written reports of its deliberations, findings and recommendations.

Selection, Appointment and Remuneration Committee

The remuneration policy that was adopted and presented to DNB on 30 March 2011 was beefed up early in 2012 to meet all the relevant requirements. On the Selection, Appointment and Remuneration Committee's recommendation, the Supervisory Board submitted this policy to the shareholder for adoption.
In accordance with the adopted policy, the Committee advised the Supervisory Board on such issues as target-setting and the ex-post assessment of the variable pay awarded to identified staff. For this purpose, the Selection, Appointment and Remuneration Committee requested input/advice from the compliance functions.

The Selection, Appointment and Remuneration Committee was closely involved in the selection and appointment process of a new Executive Board member after Roeland van Vledder stepped down on 1 January 2012. In mid-June 2012, the Committee advised the Supervisory Board to nominate Michel Verwoest for appointment to the Executive Board.

The Act on the limitation of liability for DNB and AFM, and the bonus prohibition for state-aided enterprises, was a frequently recurring agenda item for the Selection, Appointment and Remuneration Committee. In accordance with this Act, the members of the Executive Board of a.s.r. are not awarded any variable pay as long as a.s.r. falls under the scope of the Act.
To somewhat mitigate the resulting loss of income, the Committee has proposed to utilize the one-off option offered under the Act to award a temporary personal allowance. By setting the

allowance at 16% on average, the Selection, Appointment and Remuneration Committee has deliberately kept it well below the permitted 20%; as a result, the remuneration of the members of the Executive Board is well below the market median.
The Supervisory Board has agreed to this proposal. The CEO has not been awarded a personal allowance.

At the Selection, Appointment and Remuneration Committee's request, the customer component of variable pay (one of several components) was transposed into concrete key performance indicators (KPIs) for putting customer interest first, using the updated customer dashboard. These KPIs were presented to the Supervisory Board early in 2013, after which they were adopted.

The Chair of the Selection, Appointment and Remuneration Committee consistently reported to the Supervisory Board any topics discussed, and provided the Supervisory Board with written reports of the Committee's deliberations, findings and recommendations.

4.1.3 Management and supervision

Members of the Executive Board and Supervisory Board

Members of the Executive Board

J.P.M. (Jos) Baeten LL.M. (CEO)
Jos Baeten (born 1958) is the Chairman of the Executive Board and Chief Executive Officer (CEO) of a.s.r. His areas of responsibility also include Human Resources, Corporate Communications, Marketing, Business Support, Audit, Integrity and the Corporate Support Departments.

Jos Baeten studied law at Erasmus University Rotterdam and started his career in 1980 when he joined Stad Rotterdam Verzekeringen, one of the pillars supporting a.s.r.; he was appointed CEO of Stad Rotterdam in 1999. He then joined the Board of Directors of Fortis ASR Verzekeringsgroep N.V., becoming Chairman of the Board of De Amersfoortse Verzekeringen in June 2003. In 2005, he was appointed Chairman of the Board of Directors of Fortis ASR Verzekeringsgroep.
He has served as the Chairman of the Executive Board and CEO of a.s.r. since January 2009.

Additional positions
Jos Baeten is a member of the Board of the Dutch Association of Insurers and of Holland Financial Centre. He also serves as Chairman of the Supervisory Committee of Gemiva-SVG Groep, an organization providing support to the disabled, and of Stichting Rotterdamse Schouwburg (Rotterdam Theatre).
In addition, he sits on the General Administrative Board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and is a member of the Advisory Board of ROC Midden-Nederland vocational college.

K.T.V. (Karin) Bergstein MSc
Karin Bergstein (born 1967) is a member of the Executive Board. Her areas of responsibility are the product lines Non-Life, Life and Banking, and the divisions Intermediary Distribution, Customer Service, Europeesche Verzekeringen and Ardanta.

Karin Bergstein studied medical biology at Utrecht University and earned an MBA from Nyenrode University and the University of Rochester in the United States. She started her career at ING Bank in 1991, where she held various positions until 2010.
Her last position was that of Director of Products & Processes, which gained her a seat on the Executive Board of ING Bank Nederland. She previously also served as CEO of ING Car Lease International. Karin Bergstein was appointed to the Executive Board of a.s.r. in September 2011.

Additional positions
Karin Bergstein is a member of the Supervisory Committee of Stichting Sanquin Bloedvoorziening, a blood bank, and a member of the Supervisory Board of 365, formerly ArboNed, a nation-wide occupational health and safety board.

M.H. (Michel) Verwoest, M.A.
Michel Verwoest (born 1968) is a member of the Executive Board. His areas of responsibility are the product lines Pensions, Occupational Disability Insurance and Health Insurance.

He is also responsible for Property Development, Property Asset Management and the support departments ICT and Information & Project Management.

Michel Verwoest studied marketing at TiasNimbas Business School in Tilburg and business administration at IBO Business School, and held several executive positions at ING Group between 1997 and 2012. Within ING, he served as CEO of RVS Insurance and was in charge of the Individual Life business. His last position within ING Group was that of CEO of Nationale Nederlanden Services and director of Nationale Nederlanden Leven. He was appointed to the Executive Board of a.s.r. as of 1 December 2012.

Additional positions

Michel Verwoest is a member of the Advisory Board of Post & Blankestijn, a recruitment and secondment company, and a member of the Board of Stichting Vrienden van de Gelderhorst, a care provider for elderly deaf people.

R.Th. (Roel) Wijmenga, Ph.D. (CFO)

Roel Wijmenga (born 1957) is a member of the Executive Board. His areas of responsibility are Accounting, Reporting & Control (ARC), Financial Markets and Risk Management.

Roel Wijmenga studied econometrics and earned a Ph.D. in economics from Erasmus University Rotterdam. He started his career in insurance at AMEV, one of the legal predecessors of a.s.r., where he held several executive positions until 2003. After having left AMEV, he served as a member of the Executive Board of Interpolis and as CFO/member of the Executive Board of Eureko/Achmea. He was appointed to the Executive Board of a.s.r. early in 2009.

Additional positions

Roel Wijmenga is the Chairman of Stichting Certificering Federatie Financieel Planners, a foundation for the certification of financial planners, and a member of the Board of Stichting DSI, a foundation for the promotion and monitoring of the integrity and reliability of financial services providers and compliance professionals. He also serves on the Financial & Economic Committee of the Dutch Association of Insurers.

Education

With a view to lifelong learning, the members of the Executive Board followed three training sessions in 2012. The sessions were focused on driving on value and the application of the RARORAC, the theory and practice of the Own Solvency and Risk Assessment (ORSA) and the theme of balanced and consistent decision-making. Additionally, the Executive Board members also followed individual training courses with a view to lifelong learning.

Members of the Supervisory Board

C. (Kick) van der Pol, Ph.D.

Chairman of the Supervisory Board
Member of the Selection, Appointment and Remuneration Committee

Kick van der Pol (born 1949) is the Chairman of the Board of Directors of Ortec Finance, Chairman of the Board of the Federation of Dutch Pension Funds and Chairman of the Advisory Board of Syntrus Achmea, a pensions administrator. He is also a member of the DNB Bank Council, a member of the Advisory Board of Nationaal Register, a recruitment organization for supervisory directors, and a member of the Board of the Confederation of Netherlands Industry and Employers (VNO-NCW). In the past, he served as Vice-Chairman of the Executive Board of Eureko/Achmea and as Chairman of the Executive Board of Interpolis.

First appointed on:	15 December 2008
Current term of office:	15 June 2010-15 June 2014

A.P. (Annet) Aris MSc

Chair of the Selection, Appointment and Remuneration Committee

Annet Aris (born 1958) had a 17-year career at McKinsey as a management consultant, nine years of which she served as a partner. She serves as a supervisory director at several Dutch and foreign enterprises, including Finland-based Sanoma Group and Germany-based Kabel Deutschland AG, Jungheinrich AG, Tomorrow Focus AG and Hansa Heemann AG. In addition, she is an adjunct professor of strategy at INSEAD international business school (Fontainebleau, France).

First appointed on: 7 December 2010
Current term of office: 7 December 2010-7 December 2014

C.H. (Cor) van den Bos MSc
Chair of the Audit and Risk Committee

Cor van den Bos (born 1952) was on the Executive Board of SNS Reaal N.V. until August 2008; in this position, he was responsible for all insurance operations. He is the Chairman of the Supervisory Board of CED, a claims-processing manager, and of Noordwijkse Woningstichting, a housing corporation.
He also sits on the Supervisory Boards of investment company Kardan, NIBE-SVV, a knowledge institute and publisher for the Dutch banking, insurance and investment industry, and Trust Hoevelaken.

First appointed on: 15 December 2008
Current term of office: 15 June 2011-15 June 2015

M.A. (Margot) Scheltema MSc
Member of the Audit and Risk Committee

Until 2009, Margot Scheltema (born 1954) served as the CFO of Shell Nederland B.V., prior to which she had held several international management positions at Shell since 1986.
She is a supervisory director of Triodos Bank, Schiphol Group, TNT Express and Lonza Group of Basel, Switzerland. She is also a member of the Supervisory Boards of Rijksmuseum and Energy Centre Netherlands (ECN); she serves as an external member of the Audit Committee of ABP, a pension fund. Margot Scheltema is a deputy member of the Enterprise Division of the Amsterdam Court of Appeal.

First appointed on: 15 December 2008
Current term of office: 15 June 2012-15 June 2016

Composition of the Supervisory Board
The composition of the Supervisory Board is such that each supervisory director should have the skills to assess the main aspects of the overall policy and that the Supervisory Board as a whole meets the profile thanks to a combination of the experience, expertise and independence of the individual supervisory directors. The Supervisory Board has four members. The Supervisory Board is diverse in terms of gender and the professional background of its members. The diversity of its members guarantees the complementary profile of the Supervisory Board.

Composition of committees
The Audit and Risk Committee has two members, namely Cor van den Bos (Chair) and Margot Scheltema. Its meetings are attended by the CFO, the independent external auditor, and the heads of Audit, Risk Management, Integrity, and Accounting, Reporting & Control.

The members of the Selection, Appointment and Remuneration Committee are Annet Aris (Chair) and Kick van der Pol. Its meetings are attended by the CEO (except when issues relating to the Executive Board are being discussed) and the Human Resources Director, who doubles as secretary of the Committee.
The Committee solicits support and advice from departments such as Risk Management, Compliance, Audit and Human Resources. Where needed, the Committee calls in the help of independent legal and pay-and-benefits experts.

Quality assurance of supervisory function

Education and evaluation
With a view to lifelong learning, two sessions were organized for the members of the Supervisory Board. The first session was about driving on value and applying RARORAC while the second took an in-depth look at the theory and practice of the Own Risk and Solvency Assessment (ORSA).

The Supervisory Board performs a self-assessment annually.
At the end of 2011, the Supervisory Board engaged an outside party to assess its performance. The outcome of the assessment was first discussed in the Supervisory Board early in 2012 before being tabled in a meeting between the Supervisory Board and the Executive Board. The overall impression of the Supervisory Board's performance was good; the supervisory directors work well as a team and the relationship with the Executive Board is open and professional. The fact that the Supervisory Board is small makes it easier to respond quickly to developments.
Following up on the outcome of the assessment, the supervisory directors have introduced periodic operational meetings. In these meetings, the supervisory directors make sure that information from the two committees of the Supervisory Board is shared.
In addition, it was agreed that the Supervisory Board would focus even more on the main outlines and that the manner in which issues are discussed would be evaluated regularly with the Executive Board.

In addition to the regular and ad-hoc meetings, the Supervisory Board had two sessions with the Executive Board to discuss the personal development and succession planning of senior managers.

Independence and conflicts of interest

In 2009, Cor van den Bos announced that his role as Chairman of the Supervisory Board of CED might potentially cause a conflict of interest if CED-related issues were to be discussed in the Supervisory Board of a.s.r. This was not the case in 2012.

In November, Margot Scheltema reported her appointment as of 1 January 2013 as a deputy member of the Enterprise Division of the Amsterdam Court of Appeal. There were no reports of potential conflicts of interest involving the other supervisory directors. The Supervisory Board has been able to discharge its duties fully independently.

Contacts with Works Council

A mixed delegation of the Supervisory Board attended four regular consultative meetings with the Works Council. The supervisory directors found the talks with the Works Council to be constructive and would express their appreciation of the receptiveness of all Works Council members, as well as their efforts and commitment.

Contacts with shareholder

With effect from the second half of 2011, the shareholder has been represented by Stichting Administratiekantoor Beheer Financiële Instellingen (NL Financial Investments or NLFI), a trust office. The Supervisory Board was in touch with NLFI several times in 2012.

Contacts with independent external auditor

The independent external auditor attended the meeting in which the Supervisory Board addressed the annual and interim financial results. The independent external auditor was also present at all meetings of the Audit and Risk Committee. The members of the Audit and Risk Committee and the independent external auditor deliberated once without the other permanent delegates to the Audit and Risk Committee meetings being present.

Contacts with compliance officers

The Committee spoke twice with just the heads of Audit, Integrity and Risk Management (i.e. the compliance functions). The Committee also met, and consulted with, the persons in charge of Finance and Risk Management (CFROs) in the product lines.

Procedures

Appointment and re-appointment of executive and supervisory directors

Michel Verwoest was appointed to the Executive Board as of 1 December 2012, so that the vacancy that arose on 1 January 2012 has now been filled. Like the other Executive Board members, Michel Verwoest was appointed for an indefinite term. This deviated from the term of appointment as part of the Corporate Governance Code (For the application of the Corporate Governance Code, see section 4.1.4 and the Governance Statement on www.asr.nl).

There were no changes in the composition of the Supervisory Board in 2012. Margot Scheltema, who was scheduled to retire on 15 June, was re-appointed for another four-year term on that same date. Cor van den Bos and Margot Scheltema were appointed to the Supervisory Board of ASR Bank N.V. as Chairman and a member respectively as of 26 March 2012.

Meetings of Supervisory Board and committees

The Supervisory Board met with the Executive Board twelve times during the year under review. Six meetings were scheduled as regular meetings and six were ad-hoc meetings to discuss specific issues, including the outcome of the assessment of the performance of the Supervisory Board, the findings from DNB's governance review, the distribution strategy and the brand portfolio, and the latest developments in the insurance sector. In addition, many telephone calls were devoted to these latest developments. With one exception, the supervisory directors attended all meetings in the year under review.

In January and May 2012, the Supervisory Board met twice without the Executive Board being present. These meetings covered the remuneration policy for the Executive Board.

Both the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee met seven times in 2012. The Committee members attended every meeting.

Attendance record of supervisory directors (plenary sessions and committee meetings)	Kick van der Pol	Anette Aris	Cor van den Bos	Margot Scheltema
Supervisory Board and Executive Board	12/12	12/12	11/12	12/12
Supervisory Board in the absence of the Executive Board	2/2	2/2	2/2	2/2
Audit and Risk Committee	-	-	7/7	7/7
Selection, Appointment and Remuneration Committee	7/7	7/7	-	-

4.1.4 Corporate governance

General
The Dutch State became the sole shareholder of ASR Nederland N.V. on 3 October 2008. On 29 September 2011, the Dutch State transferred all shares in ASR Nederland N.V. to NLFI in exchange for depositary receipts for the shares.

Partial two-tier regime
ASR Nederland N.V. is a two-tier company subject to the so-called ‘partial regime’ because the State, in its capacity as a legal person under public law, has provided the entire issued capital for its own account (Section 155a, Book 2 of the Netherlands Civil Code). As a result, the rules for appointing and removing supervisory directors are different from those in effect at companies not subject to the partial two-tier regime. In addition, specific executive decisions mentioned in the law are subject to Supervisory Board approval.

The company has an Executive Board and a Supervisory Board.

Executive Board
The Executive Board is responsible for the day-to-day conduct of business at a.s.r. as a whole, devises the company strategy and formulates policy. To discharge its duties, the Executive Board takes decisions, which are submitted to the Supervisory Board or the AGM for approval where required.

Supervisory Board
The Supervisory Board has every power the law confers upon a Supervisory Board of a two-tier company subject to the partial regime. The Supervisory Board’s main duties and responsibilities are supervising the policies pursued by the Executive Board, overseeing the general conduct of affairs at the company and its affiliated entities, and advising the Executive Board.

Articles of Association and rules of procedure
The current Articles of Association and rules of procedure for the Executive Board and the Supervisory Board have been posted on the corporate website: www.asr.nl. ASR Nederland N.V. and the Dutch State signed a covenant earlier that formalizes procedural aspects for information provision and decision-making, and policy and parameters for decisions regarding capital reduction, and interim and year-end dividend distributions, among other provisions.

Rules for appointing and removing executive and supervisory directors
The AGM appoints the members of the Executive Board. After having heard the Supervisory Board, the AGM can suspend or remove a member of the Executive Board. The AGM appoints the members of the Supervisory Board on the recommendation of the Supervisory Board. Both the AGM and the Works Council have the right to nominate supervisory directors. The Supervisory Board duly notifies the AGM and the Works Council of when and why they have the right to nominate a supervisory director, and of the profile required of the nominee.

If the nomination is subject to an enhanced right of recommendation as stipulated in Article 17(7) of the Articles of Association, the Supervisory Board also notifies the AGM and the Works Council of this enhanced right. By virtue of the enhanced right of recommendation, one-third of the members of the Supervisory Board is appointed after having been nominated by the Works Council, unless the Supervisory Board raises objections because it expects the recommended person to be unsuitable for the job of supervisory director or because the Supervisory Board will not be properly balanced in terms of its composition if the Works Council’s candidate is appointed. The enhanced right of recommendation applied to the appointment of one of the members of the Supervisory Board.

Members of the Supervisory Board can be removed only by the Enterprise Section of the Amsterdam Court of Appeal if they neglect their duties, for other compelling reasons or because of a drastic change in circumstances. In addition, the AGM may oust the full Supervisory Board by adopting a motion of no confidence, resulting in the immediate removal of all supervisory directors. Finally, the Supervisory Board may also suspend an individual supervisory director.

Dutch Corporate Governance Code
Although ASR Nederland N.V. is under no obligation to do so, it endeavors to comply with the Dutch Corporate Governance Code as much as possible. The Code does not apply to ASR Nederland N.V. because its shares or the depositary receipts for its shares have not been admitted to an official listing on a stock exchange or similar platform.

For an overview of how ASR Nederland N.V. applies the Code, please visit the corporate website (www.asr.nl) to view the Corporate Governance Statement.

Governance Principles for Insurers and Dutch Banking Code
Banks licensed in the Netherlands have been subject to the Dutch Banking Code since 1 January 2010. This Code, which was drafted by the Dutch Banking Association, contains principles for governance and governance oversight, risk management, audits and remuneration policy. Similar principles have been in force for all licensed insurers with effect from 1 January 2011.
They have been formalized in the Governance Principles for Insurers, or the Dutch Insurance Code, which applies to all licensed insurers within ASR Nederland N.V.; the Dutch Banking Code applies to ASR Bank N.V.

ASR Nederland N.V. sees much of its mission, vision and core values reflected in the principles of the Dutch Insurance Code and the Dutch Banking Code, and therefore fully endorses these two Codes. By seeking to achieve its mission, vision and core values, ASR Nederland N.V. wants to contribute to improving the workings of the Dutch financial sector and help restore trust in the financial sector, never losing sight of customer interests.

To find out what measures ASR Nederland N.V. has taken to comply with the Dutch Insurance Code, please log on to the corporate website: www.asr.nl.

Details on how ASR Bank N.V. applies the Dutch Banking Code can be found in its Annual Report that has been posted online on www.asr.nl.

Professional oath

The members of the Executive Board, the Supervisory Board and all a.s.r. directors took the professional oath early in 2013. By taking this oath, they promised to treat customers fairly, act with integrity and observe all relevant laws, rules and regulations, and codes of conduct so as to help increase confidence in the financial sector. With effect from 1 January 2013, all decision-makers working in the financial sector have been under the obligation to take this oath in accordance with the Dutch Oath or Affirmation (Financial Sector) Regulation.

4.1.5 Final word from the Supervisory Board

The members of the Supervisory Board are pleased about the steps that a.s.r. took in 2012 to preserve its robust financial base and to make the organization more cost-efficient and customer-oriented. They would like to express their gratitude for the efforts put in by the members of the Executive Board and the openness that they showed in their discussions with the Supervisory Board. The Supervisory Board also much appreciates the expertise and energy that the employees displayed once again in 2012, particularly in a period in which the organization underwent drastic changes and many colleagues were let go.

The members of the Supervisory Board are confident that both the Executive Board and the employees will continue to apply themselves in 2013 to putting customer interests first, every single day, to allow a.s.r. to grow into a socially desirable insurer.

Utrecht, the Netherlands, 28 March 2013

The Supervisory Board
Kick van der Pol Ph.D.
Annet Aris MSc
Cor van den Bos MSc
Margot Scheltema MSc

4.2 Remuneration policy

The remuneration policy is designed to help achieve the a.s.r. strategy and business targets. The principles of the policy are preservation and further improvement of the financial robustness of a.s.r., focus on sustainable, long-term value creation for customers and other stakeholders, management of risks and a transparent policy whose structure and methodology is applicable to a.s.r. as a whole. This policy should allow a.s.r. to attract and retain qualified people.

Governance

The Supervisory Board is responsible for implementing and evaluating the remuneration policy governing the members of the Executive Board as adopted by the AGM. The Supervisory Board adopts the policy for remunerating senior managers. The Executive Board is responsible for adopting, implementing and evaluating the remuneration policy governing all other employees. The Supervisory Board assesses the principles of the remuneration policy for other employees.

Based on the provisions of CRD III, which are enshrined in the Dutch Restrained Remuneration Policy (Financial Supervision) Regulation, a.s.r. has defined a group of identified staff. The remuneration policy governing identified staff is subject to the approval of the Supervisory Board, which also monitors the Executive Board's implementation of this policy. Identified staff is taken to include the members of the Executive Board, senior management and two employees in higher management positions.

Remuneration groups

In its remuneration policy, a.s.r. distinguishes between five groups, as follows:
1. Executive Board
2. Senior management
3. Higher management
4. Back office
5. Front office

Groups 4 and 5 are governed by the industry-wide collective bargaining agreement (CBA) for back office positions and for front office positions in the insurance sector respectively, and by the CBAs concluded by a.s.r. itself, i.e.:
- CBA selection system for contract hours and pay-and-benefits package
- CBA job classification and pay structure for back office positions
- CBA job classification and pay structure for front office positions

Features of the remuneration system

The foundation of the remuneration system is the principle that the average level of total pay should be below the median of that of the peer group.

With effect from 2012, all remuneration groups, except for the Executive Board, have been awarded basic and variable pay. For this purpose, the remuneration paid to back office and front office staff had a built-in profit-sharing mechanism. Considering that such a pay component can lead to inappropriate behavior (favouring premium income over customer interests), this system was abolished in 2011 and replaced by a system that links the variable pay component to the achievement of individual targets, financial group targets and group-wide customer targets.

Basic pay

The basic pay awarded to the members of the Executive Board comprises a fixed amount per month, including holiday allowance, which is not increased other than by indexing in accordance with the CBA.

The basic pay awarded to employees comprises their fixed gross monthly pay, plus 8% holiday allowance and an end-of-year bonus. The level of the basic pay is determined by the weight of an employee's position and the related remuneration group. Any increases in basic pay are linked to the appraisal of how employees perform their duties in general and their compliance with the a.s.r. core values of being personal, approachable and accountable, and true to whom we are. The basic pay is indexed in accordance with the CBA for the insurance industry.

Variable pay

Of the variable pay component, one-third is determined by an employee's score on individual targets in a calendar year. The remaining two-thirds are determined by the financial performance of a.s.r. measured in terms of financial results and customer appreciation. At the beginning of every calendar year, employees and their managers agree on individual targets that need to be achieved during that year. These targets need to reflect a clear focus on improving a.s.r.'s customer appreciation rating. The targets to be achieved in terms of financial results and customer appreciation are adopted annually by the Executive Board and the Supervisory Board. These targets are discussed with, and explained to, the Works Council before they are adopted. Variable pay is a percentage of basic annual pay.

Target group	On target	Maximum
Executive Board	0%	0%
Senior management	45%	60%
Higher management	20%	40%
Back office	9%	18%
Front office	9%	18%

Executive Board

In accordance with the Act on the limitation of liability for DNB and AFM, and the bonus prohibition for state-aided enterprises, the members of the Executive Board of a.s.r. are not awarded any variable pay as long as a.s.r. falls under the scope of this Act. To somewhat mitigate the resulting loss of income, the Selection, Appointment and Remuneration Committee has proposed to utilize the one-off option offered under the Act to award a temporary personal allowance. By setting the allowance at 16% on average, the Selection, Appointment and Remuneration Committee has deliberately kept it well below the permitted 20%; as a result, the remuneration of the members of the Executive Board is well below the market median. The Supervisory Board has agreed to this proposal. The CEO has not been awarded a personal allowance.

Identified staff

Identified staff are conditionally awarded a material share (i.e. 50%) of their variable pay in the form of cash and non-cash instruments. The conditional variable pay is deferred for three years; a reappraisal is performed at the end of the three-year period, after which the cash part is paid out. The non-cash part is retained for another two years. Some of the unconditional variable pay is paid out in cash right away. The non-cash part of the unconditional variable pay is also retained for two years.

This group is also governed by a claw-back mechanism and a fairness clause, meaning that the Supervisory Board can claw back any variable pay already awarded if it was determined and awarded based on incorrect information. In addition, the Supervisory Board has the right to adjust the level of the conditional variable pay if, unchanged, the payment goes against the principles of reasonableness and fairness.

Target-related pay for front office staff

In addition to a basic and variable pay component, front office staff are also awarded target-related pay, which is determined by their individual score on quantitative and qualitative targets. The employee and their manager agree on these targets annually and in the following year it is determined whether these targets have been achieved. The target-related pay is a percentage of the annual basic pay awarded to the employee. Depending on the job description, the target-related pay for a performance 'on target' will amount to 20%, 24% or 30% of the basic pay. The maximum level is 40%, 48% or 60%.

Pension plan

The principal features of the pension plan are as follows:
- Indexed average-pay scheme (indexing became unconditional as of 1 January 2013)
- Retirement age: 65
- Partner's pension: 70% of projected old-age pension
- Orphan's pension: 14% of projected old-age pension
- Employee contribution: 6% of pensionable earnings

Pre-pension allowance

All employees who joined a.s.r. on or after 1 January 2006 will be awarded an allowance under the Dutch Early Retirement, Pension and Life-course Savings Act (Dutch acronym: VPL), under which the standard retirement age was set at 65 as of 1 January 2006. The allowance was originally designed to offer employees the option of saving up for early retirement. Newly hired employees are awarded a 1% allowance on their pensionable income.

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Part V

Executive Board Responsibility Statement

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5 Executive Board Responsibility Statement

The consolidated and company financial statements for 2012 of ASR Nederland N.V., as well as Part I, II and III of the Annual Report, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with Part 9, Book 2 of the Netherlands Civil Code.

The Executive Board declares that, to the best of its knowledge:
1. the financial statements give a true and fair view of the assets, liabilities, financial position and earnings;
2. the financial report does not contain any material misstatements and the risk management and control systems functioned properly in the year under review;
3. the Annual Report gives a true and fair view of the situation at the balance sheet date and developments during the year under review; and
4. the Annual Report describes the principal risks that the company faces.

Utrecht, the Netherlands, 28 March 2013

The Executive Board
Jos Baeten LL.M.
Karin Bergstein MSc
Michel Verwoest M.A.
Roel Wijmenga Ph.D.

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Part VI

Financial Statements

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Table of contents

All amounts quoted in the tables contained in these financial statements are in millions of euros, unless otherwise indicated.

Consolidated balance sheet

(before profit appropriation)

	Note	31 December 2012	31 December 2011
Intangible assets	6	269	285
Deferred acquisition costs	7	271	357
Property, plant and equipment	8	75	79
Investment property	9	1,774	1,686
Associates and joint ventures	10	213	211
Investments	11	20,547	18,541
Investments on behalf of policyholders	11	8,217	8,581
Loans and receivables	11	7,197	6,634
Derivatives	11	2,201	1,865
Deferred tax assets	12	-	11
Reinsurance contracts	13	445	463
Other assets	14	718	792
Cash and cash equivalents	15	2,556	2,573
Total assets		**44,483**	**42,078**
Share capital	16	100	100
Share premium reserve	16	962	962
Unrealized gains and losses	16	503	74
Other reserves	16	613	506
Profit for the year	16	255	212
Total equity attributable to shareholders		**2,433**	**1,854**
Other equity instruments	16	515	515
Equity attributable to holders of equity instruments		**2,948**	**2,369**
Non-controlling interests	16	-13	-4
Total equity		**2,935**	**2,365**
Subordinated debt	17	-	20
Liabilities arising from insurance contracts	18	25,440	23,731
Liabilities arising from insurance contracts on behalf of policyholders	18	8,926	9,202
Employee benefits	19	2,185	2,143
Provisions	20	31	30
Borrowings	21	126	107
Derivatives	11	366	137
Deferred tax liabilities	12	79	69
Due to customers	22	1,415	1,591
Due to banks	23	1,882	1,716
Other liabilities	24	1,098	967
Total liabilities		**41,548**	**39,713**
Total liabilities and equity		**44,483**	**42,078**

The current presentation differs from last year's presentation in some respects. Where applicable, the comparative figures have been put in the new presentation format. The numbers following the line items refer to the relevant chapters in the notes.

Consolidated income statement

	Note	2012	2011
Gross premiums written		4,290	4,437
Change in provision for unearned premiums		92	74
Gross insurance premiums	25	**4,382**	**4,511**
Reinsurance premiums	26	-162	-226
Net insurance premiums		**4,220**	**4,285**
Investment income	27	1,518	1,381
Realized gains and losses	27	285	475
Fair value gains and losses	27	569	-9
Result on investments on behalf of policyholders		948	-372
Fee and commission income	28	69	82
Other income	29	183	135
Share of profit/(loss) of associates and joint ventures		-9	8
Total income		**3,563**	**1,700**
Insurance claims and benefits	30	-5,707	-3,835
Insurance claims and benefits recovered from reinsurers	30	100	142
Net insurance claims and benefits		**-5,607**	**-3,693**
Operating expenses	31	-585	-621
Restructuring provision expenses		-30	-12
Acquisition costs	32	-584	-593
Impairments	33	-103	-358
Interest expense	34	-405	-254
Other expenses	35	-265	-202
Total expenses		**-1,972**	**-2,040**
Profit before tax		**204**	**252**
Income tax gain/(expense)	36	44	-47
Profit for the year		**248**	**205**
Attributable to:			
- Shareholders		221	178
- Holders of other equity instruments		45	45
- Tax on interest of other equity instruments		-11	-11
Profit attributable to holders of equity instruments		255	212
Attributable to non-controlling interests		-7	-7
Profit for the year		**248**	**205**

The current presentation differs from last year's presentation in some respects. Where applicable, the comparative figures have been put in the new presentation format. The numbers following the line items refer to the relevant chapters in the notes.

Consolidated statement of comprehensive income

	2012	2011
Profit for the year	248	205
Unrealized change in value of available-for-sale financial assets	1,482	-85
Shadow accounting	-948	-218
Share of other comprehensive income of associates and joint ventures	13	-4
Unrealized change in value of cash flow hedges	-1	1
Other changes recognized directly in equity	-	20
Tax relating to components of other comprehensive income	-117	30
Other comprehensive income for the year, after tax	429	-256
Total comprehensive income	677	-51
Attributable to:		
- Shareholders	650	-77
- Holders of other equity instruments	45	45
- Tax on interest of other equity instruments	-11	-11
Total comprehensive income attributable to holders of equity instruments	684	-43
Attributable to non-controlling interests	-7	-8
Total comprehensive income	677	-51

Shadow accounting allows a recognized but unrealized gain or loss on an asset to be transferred to insurance liabilities (see chapter 2.26).

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Unrealized gains and losses	Other reserves	Profit for the year	Equity attributable to shareholders	Other equity instruments	Non controlling interest	Total Equity
At 1 January 2011	100	962	350	202	317	1,931	515	5	2,451
Profit for the year	-	-	-	-	212	212	-	-7	205
Total other comprehensive income	-	-	-276	21	-	-255	-	-1	-256
Total comprehensive income	**-**	**-**	**-276**	**21**	**212**	**-43**	**-**	**-8**	**-51**
Profit carried over from previous financial year	-	-	-	317	-317	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-45	-	-45	-	-	-45
Tax relating to interest on other equity instruments	-	-	-	11	-	11	-	-	11
Payments	-	-	-	-	-	-	-	-1	-1
At 31 December 2011	**100**	**962**	**74**	**506**	**212**	**1,854**	**515**	**-4**	**2,365**
At 1 January 2012	100	962	74	506	212	1,854	515	-4	2,365
Profit for the year	-	-	-	-	255	255	-	-7	248
Total other comprehensive income	-	-	429	-	-	429	-	-	429
Total comprehensive income	**-**	**-**	**429**	**-**	**255**	**684**	**-**	**-7**	**677**
Dividend paid	-	-	-	-	-71	-71	-	-	-71
Profit carried over from previous financial year	-	-	-	141	-141	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-45	-	-45	-	-	-45
Tax relating to interest on other equity instruments	-	-	-	11	-	11	-	-	11
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-2	-2
At 31 December 2012	**100**	**962**	**503**	**613**	**255**	**2,433**	**515**	**-13**	**2,935**

Other reserves amounting to € 613 million (2011: € 506 million) consist primarily of retained earnings. Unrealized gains and losses include shadow accounting adjustments (see chapter 2.26). For more detailed information on the unrealized gains and losses, see chapter 16.2.

Consolidated statement of cash flows

	2012	2011
Cash and cash equivalents as at 1 January	2,573	525
Cash generated from operating activities		
Profit before tax	204	252
Unrealized (gains) losses on investments at fair value through profit or loss	-8	-6
Retained share of profit of associates and joint ventures	21	5
Amortization/depreciation:		
- Intangible assets	19	22
- Deferred acquisition costs	91	108
- Property, plant and equipment	12	12
- Investment property	32	38
Amortization of investments	38	5
Impairments	103	358
Net increase/decrease in investment property	-129	-217
Net increase/decrease in investments	-607	682
Net increase/decrease in investments on behalf of policyholders	364	918
Net increase/decrease in derivatives	-107	-1,237
Net increase/decrease in amounts due from and to customers	-751	-605
Net increase/decrease in amounts due from and to banks	168	1,719
Net increase/decrease in trade and other receivables	3	113
Net increase/decrease in reinsurance contracts	18	14
Net increase/decrease in liabilities arising from insurance contracts	870	1,178
Net increase/decrease in liabilities arising from insurance contracts on behalf of policyholders	-276	-1,294
Net increase/decrease in other operating assets and liabilities	-23	129
Income tax received / paid	118	-67
Cash flows from operating activities	**160**	**2,129**
Cash flows from investing activities		
Investments in associates and joint ventures	-35	-34
Proceeds from sales of associates and joint ventures	6	-
Purchases of property, plant and equipment	-20	-11
Purchases of group companies (less acquired cash positions)	-	4
Proceeds from sales of property, plant and equipment	-	-
Purchase of intangible assets	-8	-1
Cash flows from investing activities	**-57**	**-42**

Consolidated statement of cash flows

(continued)

	2012	2011
Cash and cash equivalents as at 1 January	2,573	525
Cash flows from financing activities		
Repayment of debt certificates	-1	-
Repayment of subordinated debts	-20	-
Proceeds from issues of borrowings	51	29
Repayment of borrowings	-32	-21
Coupon to holders of equity instruments	-71	
Discretionary interest to holders of equity instruments	-45	-45
Non-controlling interests	-2	-1
Cash flows from financing activities	-120	-38
Cash and cash equivalents as at 31 December	2,556	2,573
Further details on cash flows from operating activities		
Interest received	1,366	1,108
Interest paid	-395	-172
Dividends received	35	46

1 General information

ASR Nederland N.V., is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands.

ASR Nederland N.V. and its group companies ("a.s.r." or "the group") have a total of 4,088 FTE's internal employees (2011: 4,264) and is a.s.r. a leading insurance company in the Netherlands. In 2012 a.s.r. sold insurance products under the following labels: a.s.r., De Amersfoortse, Ardanta, Europeesche Verzekeringen and Ditzo.

2 Accounting policies

2.1 General

The consolidated financial statements of a.s.r. have been prepared in accordance with the International Financial Reporting Standards (IFRS) – including the International Accounting Standards (IAS) and Interpretations – as adopted by the European Union (EU).

Pursuant to the options offered by Section 362, Book 2 of the Netherlands Civil Code, ASR Nederland N.V. has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements.

The financial statements for 2012 were approved by the Supervisory Board on 28 March 2013 and will be presented to the Annual General Meeting of Shareholders for adoption. The Executive Board released the financial statements for publication on 5 April 2013.

2.2 Changes in accounting policies

The accounting policies for the financial statements for 2012 are consistent with the principles applied to the financial statements for 2011.

The following change in the EU-endorsed IFRS standards and IFRIC interpretations have been effective since 1 January 2012. Except for the amendments to IAS 19 Employee Benefits, these changes have no material effect on the financial statements of a.s.r.

- Amendments to IAS 19 Employee Benefits:
  As a result of this revision, € 372 million is added to the provision for employee benefits effective 1 January 2013. Per this date, Equity decreased by € 279 million after tax to € 2,656 million. The amendments relate primarily to the following:
  - unrealized actuarial gains and losses which are currently reported using the 'corridor method' (see chapter 2.31) whereby unrealized actuarial gains and losses remain outside the profit for the year and total equity. As of 1 January 2013, all actuarial gains and losses will be recognized directly in Other comprehensive income (component of total equity) and there is a revision in the computation of the unrealised actuarial gains and losses. The revised unrealised actuarial loss as of 1 January 2012 amounts to € 170 million (31 December 2012: €. 459 million). The corresponding unrealised actuarial losses under the current IAS 19, as at 1 January 2012 and 31 December 2012 amount to € 279 million and € 568 million respectively (see chapter 19). The difference between the current and the revised value is primarily due to the change in the treatment of the employee contributions and the exclusion of cost surcharges in determining the defined benefit obligation;
  - when employee benefit plans are modified, all costs resulting from the changes are recognized directly in the income statement. Currently, the cost that apply to the non-vested benefits are recognized over the expected remaining service period, which is determined by the average time of employees remaining in service. Upon transition the negative past service costs amounting to € 15 million at 1 January 2012 will be recognized directly in total equity (31 December 2012: € 87 million);
  - the net impact of the above mentioned amendments results in a €155 million increase in the employee benefits provision as of 1 January 2012 (31 December 2012: € 372 million);
  - disclosure related to the characteristics of the defined benefit plans and the associated risks;
  - taking into account the adjustments as discussed above the total equity (net of taxation) as at 1 January 2012 and 31 December 2012 will be reduced by € 116 million and € 279 million respectively. Profit for the year 2012 will increase by € 61 million;
  - the a.s.r. post-employee benefit plans are insured by ASR Levensverzekering N.V., an a.s.r. group insurance company. As a result the post employee benefit provision in excess of the insurance provisions held related to the a.s.r. post-employment benefit plans, are eliminated in determining the regulatory solvency available. The regulatory solvency ratio therefore remains unchanged;
  - the recognition of 'unrealized actuarial gains and losses' through equity will create volatility in total equity going forward;
  - the change in accounting policy will be applied retrospectively as from 1 January 2013. In 2013, the detailed impact of the change on the balance sheet and income statement for 2012 are as follows:

Balance sheet 1 January 2012	As reported	Changes as a result of IAS 19	After changes
Total equity	2,365	-116	2,249
Employee benefits	2,143	155	2,298
Deferred tax liabilities / (asset)	69	-39	30

Balance sheet 31 December 2012	As reported	Changes as a result of IAS 19	After changes
Total equity	2,935	-279	2,656
Employee benefits	2,185	372	2,557
Deferred tax liabilities / (asset)	79	-93	-14

Income statement 2012	As reported	Changes as a result of IAS 19	After changes
Other income	157	81	238
Operating expenses	-585	-2	-587
Interest expense	-379	2	-377
Income tax gain / (expense)	44	-20	24
Profit for the year	248	61	309
Profit attributable to holders of equity instruments	255	61	316

- IFRS 10 Consolidated Financial Statements: New consolidation standard that establishes principles for the preparation and presentation of consolidated financial statements when a reporting entity controls one or more investees (effective 1 January 2014).
- IFRS 11 Joint Arrangements: This standard describes the accounting for joint arrangements and the classification into two types—joint operations and joint ventures (effective 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities: Improvements to the disclosure of a reporting entity's interests in other entities. The standard sets out disclosure requirements for reporting entities that have an interest in a subsidiary, joint venture, associate or unconsolidated structured entity (effective 1 January 2014).
- IFRS 13 Fair Value Measurement: This standard explains how to measure fair value for financial reporting purposes.
- IAS 27 Separate financial statements and IAS 28 Investments in associates and joint ventures: Amendments as a result of changes to IFRS 10, 11 and 12 as mentioned above (effective 1 January 2014).
- Amendments to IAS 1 Presentation of items of other comprehensive income: amends the presentation of items of other comprehensive income.
- Amendments to IFRS 7 financial instruments: Disclosures - Offsetting financial assets and financial liabilities and IAS 32 financial instruments: Presentation - Offsetting Financial assets and financial liabilities.
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying assets of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

2.3 Changes in presentation

The current presentation differs from last year's presentation in some respects. Where applicable, comparative figures have been put in the new presentation format. The changes in presentation do not have an effect on a.s.r.'s profit for the year, total comprehensive income and total equity.

2.4 Basis for consolidation

Subsidiaries

The consolidated financial statements include the financial statements of ASR Nederland N.V. and its subsidiaries. Subsidiaries are those entities over which a.s.r. has direct or indirect power to govern the financial and operating policies ('control'). This is the case if more than half of the voting rights may be exercised or if a.s.r. has control in any other manner. Subsidiaries are fully consolidated from the date on which control is acquired by a.s.r. Subsidiaries are deconsolidated when control ceases to exist.

A subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with the a.s.r. accounting policies, which are consistent with IFRS.

Non-controlling interests are initially stated at their proportionate share in the fair value of the net assets on the acquisition date and are subsequently adjusted for the non-controlling interest in changes in the subsidiary's equity.

Associates

Associates are those entities over which a.s.r. has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The consolidated financial statements include a.s.r.'s share of profit of associates from the date that a.s.r. acquires significant influence until the date that significant influence ceases.

Upon recognition, investments in associates are initially accounted for at cost price, including any goodwill paid. Subsequent measurement is based on the equity method of accounting. Where an associate's accounting policies are different from a.s.r.'s, carrying amounts have been changed to ensure that they are consistent with the policies used by a.s.r. For details, see chapter 2.17.

Joint ventures

Joint ventures are accounted for using the equity method of accounting. They are recognized from the date that a.s.r. first obtains joint control until the moment that this control ceases.

Intragroup transactions

Intragroup balances and transactions between consolidated group companies are eliminated. Gains and losses on transactions between a.s.r. and associates and joint ventures are eliminated to the extent of a.s.r.'s interest in these entities.

2.5 Estimates and assumptions

The preparation of the financial statements requires a.s.r. to make estimates and assumptions that have an effect on the reported amounts in the financial statements.

Critical accounting estimates and assumptions relate to:

- the recoverable amount of impaired assets;
- the fair value of unlisted financial instruments;
- the estimated useful life and residual value of property, plant and equipment, investment property, and intangible assets;
- the measurement of capitalized deferred acquisition costs;
- the measurement of liabilities arising from insurance contracts;
- actuarial assumptions used for measuring employee benefit obligations;
- when forming provisions, the required estimate of existing obligations arising from past events.

The estimates and assumptions are based on management's best knowledge of current facts, actions and events. The actual outcomes may ultimately differ from the results reported earlier on the basis of estimates and assumptions. A detailed explanation of the estimates and assumptions are given in the relevant notes to the consolidated financial statements.

2.6 Foreign currency translation

The consolidated financial statements are presented in euro's (€), which is the functional currency of a.s.r. and all its group entities.

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction date. Monetary balance sheet items denominated in foreign currencies are translated at the applicable exchange rate as at the balance sheet date. Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange differences arising from monetary financial assets available for sale related to amortized cost are recognized in profit and loss for the period. Any residual translation differences relating to fair value changes are recorded in equity.

Translation differences on non-monetary balance sheet items measured at fair value, with fair value changes through profit and loss, are recognized in the income statement. For non-monetary balance sheet items measured at fair value, with fair value changes recognized within equity, exchange rate differences are recorded in equity.

The table below shows the exchange rates of the major foreign currencies:

		Exchange rate at		Average exchange rate	
		31 Dec. 2012	31 Dec. 2011	2012	2011
	1 euro=				
AUD	Australian dollar	1.27	1.27	1.24	1.35
BRL	Brazilian real	2.70	2.42	2.51	2.33
CAD	Canadian dollar	1.31	1.32	1.28	1.38
DKK	Danish kroon	7.46	7.43	7.44	7.45
SEK	Swedish kroon	8.58	8.90	8.71	9.03
TRY	Turkish lira	2.35	2.45	2.31	2.33
USD	US dollar	1.32	1.30	1.29	1.39
ZAR	South African rand	11.19	10.48	10.55	10.08

2.7 Product classification

Insurance contracts are defined as contracts under which a.s.r. accepts significant insurance risk from policyholders by agreeing to compensate policyholders if a specified uncertain future event adversely affects the policyholder. These contracts are considered insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. In addition, these contracts can also transfer financial risk.

a.s.r. offers non-life insurance contracts and life insurance contracts.

Non-life insurance contracts

Non-life insurance contracts are contracts that provide cover that is not related to the life or death of insured persons. These insurance contracts are classified into the following categories: Accident & Health, Property & Casualty (motor, fire and liability) and Other.

Life insurance contracts

Life insurance contracts (in cash) include savings-linked mortgages, annuities, term insurance policies, savings contracts and funeral insurance contracts. In addition to non-participating life insurance contracts, the insurance portfolio also includes:

- individual and group participating contracts;
- individual contracts with discretionary participation features (see chapter 2.26);
- group contracts with segregated pools with return on investment guarantees.

Life insurance contracts on behalf of policyholders

Claims from these life insurance contracts are directly linked to the underlying investments. The investment risk and return are fully for policyholders (see chapter 2.27). Life insurance contracts for the account and risk of policyholders are generally comprised of contracts where premiums, after deduction of costs and risk premium, are invested in unit-linked funds.
For some individual contracts, a.s.r. guarantees returns on unit-linked investment funds. In addition, group life insurance contracts with unguaranteed segregated pools (discretionary self-insurance) are classified as life insurance contracts on behalf of policyholders.

2.8 Segment information

At organizational level, a.s.r.'s operations have been divided into operating segments. These segments are: Non-life, Life and Other. The Non-life and Life segment comprises all the respective non-life and life insurance entities and their subsidiaries. The segment Other comprises the non insurance related operations, such as a.s.r. Bank, a.s.r. Hypotheken, a.s.r. Vastgoed Ontwikkeling, SOS International, Ditzo (distribution channel) and several holding companies, including ASR Nederland N.V.

There is a clear difference between the risk and return profiles of these three segments.
Intersegment transactions or transfers are conducted at arm's length conditions. For detailed information per segment, see chapter 5, 'Segment information'.

2.9 Fair value of assets and liabilities

The fair value is the price that a.s.r. would receive to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the transaction date in the principal market for the asset or liability, or in the most advantageous market for the asset or liability.

Where possible, a.s.r. determines the fair value of assets and liabilities on the basis of quoted prices in an active market. In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. Although valuation techniques are based on observable market data where possible, results are affected by the applied assumptions, such as discount rates and estimates of future cash flows. In the unlikely event that the fair value of a financial instrument cannot be measured, it is carried at cost.

Fair value hierarchy

a.s.r. uses the following three hierarchical levels to determine the fair value of financial instruments and non financial instruments when accounting for assets and liabilities at fair value and disclosing the comparative fair value of assets and liabilities:

Level 1. Fair value on the basis of quoted prices in an active market

Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.
A financial instrument is quoted in an active market if:
- quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organization, third party pricing service, or a regulatory body); and
- these prices represent actual and regularly occurring transactions on an arm's length basis.

Financial instruments in this category primarily consist of bonds and equities listed in active markets.

Level 2. Fair value on the basis of (significant) observable market inputs

Determining the fair value at Level 2 is based on valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:
- quoted prices in active markets for similar (not identical) assets or liabilities;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at customary intervals, volatility, early redemptions spreads, loss ratio, credit risks and default percentages.

This category primarily includes unlisted fixed-interest preference shares and interest rate contracts. The financial instruments valuation techniques use present value calculations and include for derivatives forward pricing and swap models.

Level 3. Fair value not based on observable market data

At Level 3, the fair value of the assets and liabilities is determined using valuation techniques for which any significant input is not based on observable market data. In these situations, there are marginally active or inactive markets for the assets or the liabilities. The financial assets and liabilities in this category are assessed individually.
Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement remains to determine a fair, arm's length price. Therefore unobservable inputs reflect the management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are based on own sources and generally available information.
The financial instruments in this category mainly consists of private equity investments. The main non-observable market input is the net asset value of the investment.

Fair value for investment property and buildings for own use

For investment property and land and buildings for own use the following methods of determining fair value by the appraisers for disclosure purposes:
- direct comparables - on an active market for similar properties: current and recent prices, adjusted to reflect differences in lease contract, operating costs, vacancy, nature, condition, location and other factors that might influence the fair value of the property and any changes in economic conditions since the date of the transactions that occurred at those prices (use comparables);
- indirect comparables - on an active market for non-similar properties: gross actual rent, theoretical rent, estimated rental value, remaining rental period, voids and rental incentives, rates for comparable properties. The net capitalization factor and the present value of the differences between market rent and contracted rent, of vacancies and of maintenance expenditure to be taken into account are calculated for each property separately;
- income approach- on an inactive market for non-similar properties: the discounted cash flow method and the direct capitalisation method, in which market parameters concerning rents, yields and discount rates are based on comparable and current market transactions.

Retail, offices and residential property are valued using all three methods, whereas for parking and rural properties the income approach is primarily used. For income producing properties in active markets generating market evidence – fair value methods using comparables or income approach – should result in similar valuations and could both be utilized in determining fair value. The fair value of investment property and land and buildings for own use, shall be estimated annually (or in the case of rural, updated annually).

Valuations are performed by external professional appraisers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Market value property valuations will be prepared in accordance with the RICS Valuation Standards, 6th Edition (the 'Red Book'). a.s.r. provides the professional appraisers with adequate information, in order to conduct a comprehensive valuation. At least once every three years a rotation or change in professional appraisers takes place. The accounting policies for the treatment of investment property and property for own use is described in chapter 2.16 and 2.15 respectively.

Fair value for other non financial assets and liabilities

For other non financial assets and liabilities where the fair value is disclosed these fair values are based on observable market inputs, primarily being the price paid to acquire the asset or received to assume the liability at initial recognition, given that the transactions have taken place at an arm's length basis. Where the payment terms are longer than one year, valuation techniques using present value calculations are applied using current interest rates.

2.10 Transaction date and settlement date

Any purchases and sales of financial instruments, which have to be settled in accordance with standard market conventions, are recognized at the transaction date, which is the date on which a.s.r. becomes party to the contractual stipulations of the instrument. Any purchases and sales other than those requiring delivery within the time frame established by regulations or market conventions are accounted for as forward transactions until the time of settlement. For details on these transactions, see chapter 2.21 'Derivatives and hedge accounting'.

2.11 Securities lending

Security lending transactions are entered into by a.s.r. under which collateral is received in the form of securities or cash. Cash received as collateral is recognized on the balance sheet and a corresponding liability is recognized as liabilities arising from securities lending. Securities lent remain on the balance sheet. Securities received as collateral are not recognized in the balance sheet.

2.12 Statement of cash flows

The statement of cash flows classifies cash flows by operating activities, investing activities and financing activities. Cash flows denominated in foreign currencies are converted at the exchange rates applicable on the transaction date.

Cash flows from operating activities are reported using the indirect method. Cash flows from operating activities include operating profit before taxation, adjustments for gains and losses that did not result in income and payments in the same financial year, adjustments for movements in provisions, and accrued and deferred items.

The statement of cash flows recognizes interest received and paid, and dividends received within cash flows from operating activities. Cash flows from purchasing and selling investments and investment property are included in cash flows from operating activities on a net basis. Dividends paid are recognized within cash flows from financing activities.

2.13 Intangible assets

Intangible assets are carried at cost, less any accumulated amortization and impairment losses. The residual value and the estimated useful life of intangible assets are assessed on each balance sheet date and adjusted where applicable.

Goodwill

Acquisitions by a.s.r. are accounted for using the acquisition method. Goodwill represents the excess of the cost of an acquisition over the fair value of a.s.r.'s share of the net identifiable assets and liabilities and contingent liabilities of the acquired company at acquisition date. If there is no excess (negative goodwill), the carrying amount is directly recognized through the income statement. At the acquisition date, goodwill is allocated to the cash-generating units that are expected to benefit from the business combination.

Goodwill has an indefinite useful life and is not amortized. a.s.r. performs an annual impairment test, or more frequently if events or circumstances so warrant, to ascertain whether goodwill has been subject to impairment. As part of this, the carrying amount of the cash-generating unit to which the goodwill has been allocated is compared with its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and value in use. The value in use of a cash-generating unit is the present value of the future cash flows expected to be derived from it. If the recoverable amount is lower than its carrying amount, the difference is directly charged to the income statement as an impairment loss.

In the event of an impairment, a.s.r. first reduces the carrying amount of the goodwill allocated to the cash-generating unit. After that, the carrying amount of the other assets included in the unit is reduced pro rata to the carrying amount of all the assets in the unit.

Value Of Business Acquired (VOBA)

The value of business acquired (VOBA) represents the difference between the fair value and the carrying amount of insurance portfolios that have been acquired, either directly from another insurer or through the acquisition of a subsidiary. VOBA is recognized as an intangible asset with a finite useful life and amortized over the term of the current insurance contracts at acquisition date, in conjunction with the corresponding obligations. With regard to VOBA, allowance is made for the outcome of the annual compulsory liability adequacy test (LAT) for insurance contracts (see chapter 2.26).

Should VOBA's carrying amount exceed the difference between the carrying amount of the liabilities arising from insurance contracts and the liabilities identified as part of the LAT and no other adjustment is made to the liabilities as a result of the LAT outcomes, VOBA is impaired to a level where the values are equal. This is charged to the income statement as an impairment loss.

Software

The cost of software is capitalized if it concerns identifiable assets that a.s.r. is able to use or sell, and which will generate probable future economic benefits. The costs mainly involve licensing fees. Capitalized software is amortized using the straight-line method over its expected (finite) useful life, which does not exceed five years. If there is objective evidence of impairment, capitalized software is tested for impairment. An impairment is charged to the income statement as an impairment loss.

2.14 Deferred acquisition costs

Commission fees directly or indirectly related to the acquisition of new or renewal insurance contracts are capitalized to the extent that these acquisition costs ('deferred acquisition costs' or 'DAC') are covered by the estimated future surcharges of the underlying contracts.

Capitalized deferred acquisition costs of insurance products in the non-life operating segment are amortized over the period in which the relevant premiums are realized.

Where life insurance contracts are concerned, capitalized deferred acquisition costs are amortized on the basis of the expected premiums or the surcharge included in the premium for repaying acquisition costs. This depends on the type of insurance contract. The expected premiums are estimated on the date of the contract issue. The amortization periods can correspond with the total duration of the premium payments or a shorter period depending on the type of insurance contract.

The value of the capitalized deferred acquisition costs is assessed at each reporting date to ascertain whether there is evidence of impairment.

2.15 Property, plant and equipment

Property held for own use, buildings under construction for own use and operating assets are recognized at cost, less accumulated depreciation (except for land, which is not depreciated) and/or any accumulated impairment losses. Cost corresponds with the cash paid or the fair value of the consideration given to acquire the asset.

Buildings are depreciated using the straight-line method based on expected useful life, taking into account their residual value. The useful life of buildings is assessed for every individual component (component approach) and is assessed every year. Property is classified into the following components: land, shell, outer layer, systems, fittings and fixtures (both rough finish and detailed finish).

For the maximum useful life of the components, see the table in chapter 2.16. Operating assets are depreciated over their useful lives, which are determined individually (usually between three and five years).

Repair and maintenance costs are charged to the income statement in the period in which they are incurred. Expenses incurred after the acquisition of an asset are capitalized if it is probable that the future economic benefits will flow to a.s.r. and the cost of the asset can be measured reliably.

Accounting for borrowing costs attributable to the construction of property, plant and equipment is the same as accounting for borrowing costs attributable to investment property. For details, see chapter 2.16.

If objective evidence of impairment exists, property, plant and equipment are tested for impairment and if necessary, written down to the fair value of the property, plant and equipment (see chapter 2.9).

2.16 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. In some cases, a.s.r. is the owner-occupier of some investment property. If owner-occupied properties cannot be sold separately, they are treated as investment property only if a.s.r. holds an insignificant portion for use in the supply of services or for administrative purposes. Property held for own uses is recognized within property plant and equipment.

Investment property is recognized at cost less accumulated depreciation and impairment losses, if any. Buildings are depreciated using the straight-line method based on their expected useful life and taking account of the residual value. Land is not depreciated. The residual value and the estimated useful life are determined separately for every main component (component approach) and assessed at every balance sheet date.

Residential property is generally let for an indefinite period. Other investment property is let for defined periods under leases that cannot be terminated early. Some contracts contain renewal options. Rentals are accounted for as investment income in the period to which they relate.

If there is a change in the designation of property, it can lead to:
- reclassification from property, plant and equipment to investment property: at the end of the period of owner-occupation or at inception of an operating lease with a third party; or
- reclassification from investment property to property, plant and equipment: at the commencement of owner-occupation or at the start of developments initiated with a view to selling the property to a third party.

The table below shows the maximum life of components:

Property under development for future use as investment property is recognized as investment property. Valuation is at cost, including any directly attributable expenditure, less any impairment losses.

Borrowing costs directly attributable to the acquisition or development of an asset are capitalized. Borrowing costs are capitalized when the following conditions are met:
- expenditures for the asset and borrowing costs are incurred; and
- activities are undertaken that are necessary to prepare an asset for its intended use.

Borrowing costs are no longer capitalized when the asset is ready for use or sale. If the development of assets is interrupted for a longer period, capitalization of borrowing costs is suspended. If the construction is completed in stages and each part of an asset can be used separately, the borrowing costs for each part that reaches completion are no longer capitalized.

If objective evidence of impairment exists, based on the fair value of the investment property, then the investment property is tested for impairment and, if necessary, written down to the fair value of the investment property (see chapter 2.9).

(Expressed in years)

Components	Retail	Offices	Residential	Parking	Rural
Land	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Shell	40	50	50	50	50
Outer layer	30	30	40	40	Not applicable
Systems	15	20	20	30	Not applicable
Fittings and fixtures	10	15	15	15	10

2.17 Associates and joint ventures

Associates

Associates are entities over which a.s.r. has significant influence on operating and financial contracts, without having control. Associates are recognized using the equity method of accounting from the date at which a.s.r. acquires significant influence until the date at which such influence ceases. This means that associates are initially recognized at cost, including any goodwill paid. This value is subsequently adjusted to take account of a.s.r.'s share of the associate's comprehensive income. Comprehensive income is adjusted in accordance with the accounting principles used by a.s.r.

Losses are accounted for until the carrying amount of the investment has reached zero. Further losses are recognized only to the extent that a.s.r. has incurred legal or constructive obligations concerning these associates.

If objective evidence of impairment exists, associates are tested for impairment and, if necessary, written down.

Joint ventures

Joint ventures are contractual arrangements whereby a.s.r. and one or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

These interests are recognized using the equity method of accounting as applied to associates. The interests are recognized in the financial statements from the date on which a.s.r. first obtains joint control until the date that this joint control ceases.

If objective evidence of impairment exists, joint ventures are tested for impairment and, if necessary, written down.

2.18 Investments

When a.s.r. becomes party to a financial asset contract, the related assets are classified into one of the following categories:
a. financial assets at fair value through profit and loss;
b. loans and receivables;
c. financial assets available for sale.

The classification of the financial assets is determined at initial recognition. The classification depends on the purpose for which the investments were acquired.

Re a.
Financial assets at fair value through profit and loss include:
1. financial assets classified as held for trading. These financial assets include derivatives that do not qualify for hedge accounting (see chapter 2.21); and
2. financial assets, designated by a.s.r. as carried at fair value through profit and loss. This option is available whenever:
   a. it eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities on different bases (accounting mismatch); or
   b. a.s.r. manages a group of financial instruments (assets, liabilities or both) on the basis of fair value in accordance with a documented risk management or investment strategy;
   c. the financial assets contain one or more embedded derivatives and a.s.r. does not separate the derivative from the host contract.

Financial assets at fair value through profit and loss are stated at fair value. At initial recognition, transaction costs are expensed in the income statement. Realized and unrealized gains and losses in the fair value are also recognized in the income statement.

Re b.
Loans and receivables are measured at fair value plus transaction costs at initial recognition. They are subsequently measured at amortized cost based on the effective interest rate method, less impairment losses where deemed necessary (see also chapter 2.20). Loans and receivables are accounted for separately under financial assets.

Re c.
Financial assets available for sale are financial assets that are not accounted for as financial assets at fair value through profit and loss, or as loans and receivables. At initial recognition, financial assets available for sale are measured at fair value (including transaction costs). They are subsequently measured at fair value, including any unrealized fair value changes in equity, taking into account any deferred tax liabilities. Financial assets available for sale include equities (ordinary and preference shares), bonds, other fixed-income securities, unit trusts, variable-income securities and interests in investment pools.

For detailed information on the fair value of the financial assets see chapter 2.9.

Impairment of financial assets

At each balance sheet date, a.s.r. assesses whether objective evidence exists of impairment of financial assets. Financial assets at fair value through profit and loss are not subject to impairment testing, because the fair value of these assets reflects any impairment losses.

In the case of equity investments available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment. a.s.r. defines as a significant or prolonged decline if the fair value:

- has dropped 25% or more below cost; or
- has dropped below cost for an uninterrupted period of twelve months or longer.

The financial assets available for sale will be tested for impairment if objective evidence exists that the counterparty will default. Objective evidence includes: bankruptcy, financial reorganization or delinquency in payments for more than 30 days. The assessment may also involve circumstances requiring a more detailed estimate, such as in the event of an equity deficit, recurring financial difficulties, downgrading of the credit rating or other creditors reverting to legal action.

Impairment losses are taken directly to the income statement and represent the difference between amortized cost and the fair value at the balance sheet date, net of any previously recognized impairment losses.

If, at a later stage, the fair value of the financial assets available for sale should increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement. Impairment losses on equities are not reversed, and any increases in fair value are recorded in equity.

2.19 Investments on behalf of policyholders

Investments made for the account and risk of policyholders mainly concern unit-linked insurance contracts. In addition, they concern group contracts with unguaranteed segregated pools (discretionary self-insurance). These investments are carried at fair value. Any realized and unrealized value changes of the investments are recognized in the income statement as gains or losses on investments on behalf of policyholders.

2.20 Loans and receivables

Loans and receivables are measured at amortized cost based on the effective interest rate method, less impairment losses where deemed necessary.

Receivables from clients

Receivables from clients are primarily comprised of business loans and mortgage loans.

Receivables from banks

Receivables from banks concern business loans, deposits and the savings portion of mortgages insured by a.s.r.

Trade and other receivables

Trade and other receivables are receivables arising from a.s.r.'s normal business operations.

Impairment of loans and receivables

At each balance sheet date, a.s.r. assesses whether objective evidence of impairment exists of the financial assets classified as loans and receivables.

An individually assessed asset is considered impaired if objective evidence exists that a.s.r. will be unable to collect all the amounts due by the counterparty in accordance with the contractual terms and conditions. The amount of the impairment loss is equal to the difference between the asset's carrying amount and its recoverable amount. The recoverable amount equals the present value of estimated future cash flows, including amounts realized from guarantees and securities furnished, discounted at the financial asset's original effective interest rate.

Loans and receivables that are not individually significant are grouped on the basis of similar credit risk characteristics.

Impairment based on the collective approach is determined by applying risk models for similar financial assets, taking account of historical information and regularly updated parameters for uncollectibility.

Likely losses in parts of the loan portfolios (IBNR: 'incurred but not reported') are also taken into account.

IBNR is estimated by reference to historical loss patterns. The current economic climate is reflected, and account is taken of potentially higher credit risk based on an analysis of the economic situation.

Impairment losses are charged to the income statement. If, at a later stage, the impairment losses should decrease and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in the impairment loss is recognized in the income statement.

2.21 Derivatives and hedge accounting

Derivatives are primarily used for hedging interest rate and exchange rate risks, for hedging future transactions and the exposure to market risks.

Currently only cash flow hedge accounting is applied.

At the inception of the hedge, a.s.r. documents the risk management objective and strategy for undertaking the hedge, as well as the relationship between the hedging instrument, the hedged item, and the method for assessing the effectiveness of the hedging transaction. It is also confirmed that the hedge is expected to be effective throughout the hedging period.

The effectiveness of the hedge is assessed on an ongoing basis throughout the financial reporting periods for which the hedge was designated. A hedge is considered effective if the change in the fair value or the cash flows of the hedged item is offset by changes in the fair value or the cash flows of the hedging instrument.

Only assets, liabilities, firm commitments or highly probable forecast transactions involving a party external to a.s.r. can be designated as hedged items.

Changes in the fair value of the effective portion of derivatives that have been designated and qualify as cash flow hedges are recognized as an unrealized gain or loss in a separate component of equity. Fair value changes in the ineffective portion are recognized in the income statement. The amounts recorded in equity are reclassified to profit or loss in the same period or periods during which the hedged firm commitment or highly probable forecast transaction affects results.

If a hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction or the firm commitment is settled.

If the forecast transaction or the firm commitment is no longer expected to take place, any related cumulative gain or loss on the hedging instrument that was reported in equity is recognized in the income statement.

2.22 Reinsurance contracts

Contracts that transfer a significant insurance risk from a.s.r. to third parties are accounted for as reinsurance contracts, and defined as outgoing reinsurance.

The amounts that can be collected from reinsurers are estimated using a method that is in line with the reinsurance contract and the method for determining liabilities arising from reinsurance contracts.

Assets arising from reinsurance contracts are recognized under reinsurance contracts, except for current receivables from reinsurers, which are included under loans and receivables.

At each reporting date, a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount.

2.23 Other assets

Other assets include accrued investment and interest income, property developments, tax assets and accrued assets.

Property developments consist of property under development commissioned by third parties. Measurement is at cost including any directly attributable costs and construction period interest, less invoiced instalments and impairment losses. If the contract revenue can be reliably estimated, it is accounted for by reference to the stage of completion, using the percentage of completion method. This does not apply if a.s.r. has transferred the significant risks and rewards relating to the development property to the client. Contract revenue is then accounted for upon completion of the development (completed contract method).

2.24 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

2.25 Equity

Share capital and share premium reserve

The share capital disclosed in the balance sheet consists of issued and fully paid-up ordinary shares. The share premium reserve comprises additional paid-in capital in excess of the par value of the shares.

Reserve for unrealized gains and losses

This reserve consists of:
- unrealized gains and losses from financial assets available for sale net of tax and taking account of adjustments due to shadow accounting (see chapter 2.26);
- a.s.r.'s share of unrealized gains and losses of associates and joint ventures (see chapter 2.17);

- unrealized gains and losses on the effective portion of cash flow hedges net of tax (see chapter 2.21);
- reserve for discretionary participation features (see chapter 2.26).
- reserve for exchange rate differences arising from financial assets available for sale.

Other reserves

The other reserves consist of retained earnings.

Non-controlling interest

The non-controlling interest relates to the equity in a consolidated subsidiary not attributable, directly or indirectly, to a.s.r. (see chapter 2.4).

Other equity instruments

This item represents the par value of the other equity instruments, less costs directly attributable to the equity issue and net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognized as a liability and recognized in equity when they are approved by a.s.r.'s shareholders. Interim dividends are recognized in equity when they are paid.
Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Discretionary interest on other equity instruments

Discretionary interest on other equity instruments are recognized in equity upon payment.

2.26 Liabilities arising from insurance contracts

General

This includes liabilities arising from insurance contracts issued by a.s.r. that transfer significant insurance risks from the policyholder to a.s.r. These contracts may also transfer financial risk.

Liabilities arising from non-life insurance contracts

These liabilities comprise a provision for claims payments and current risks, and a provision for unearned premiums. The provision for claims payments and current risks is based on estimates of claims payable and of current risks. Claims payable relate to unpaid claims and claims handling costs, as well as claims incurred but not reported.

The estimates are based on individual assessments of the reported claims, on past experiences and estimates of trends in claims behaviour, social factors, economic factors and relevant court decisions. In the process of determining the liabilities, allowance is made for amounts recoverable from third parties and expected subrogation reimbursements.

Loss obligations in respect of occupational disability are discounted. The recognized provisions are sufficient to cover the cost of claims and claims handling fees. a.s.r. discounts obligations for losses only for claims with determinable and fixed payment terms.

The provision for unearned premiums is equal to gross unearned premium income less commissions paid. The provision is determined on a time proportional basis.

Liabilities arising from life insurance contracts

Future obligations in respect of policy benefits for life insurance contracts are calculated based on a net premium method (the present value of future obligations less the present value of future net premiums) using the same principles as for calculating the premium at inception of the insurance contract. A provision for future administrative expenses is recognized for contracts whose future premium payment period is shorter than the future maturity of the insurance policy, or for which no more premiums are paid. A provision is recognized for part of longevity risk associated with all group life insurance contracts, a.s.r. manages the longevity risk exposure in combination with the mortality risk exposure. No addition to the provision for longevity risk is recognized if the outcome of the LAT (see below) indicates that the total amount of the provision is adequate.

Additional provisions are generally recognized for realized gains or losses on financial assets allocated to:
- insurance contracts with participation features;
- non-participating insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

These financial assets include fixed-income financial assets available for sale, specific financial assets designated at fair value through profit and loss, and specific derivatives designated as held for trading (swaptions and interest rate swaps).

The realized gains or losses are amortized based on the remaining maturity period of the disposed financial assets.

Participating contracts include additional obligations relating to contractual dividends or profit-sharing. These obligations are stated net of capitalized interest rate rebates. These interest rate rebates are amortized in accordance with actuarial principles to the extent that the expected surplus interest is achieved.

Reinsurance liabilities

Reinsurance liabilities, with a.s.r. qualifying as the reinsurer and with significant insurance risk being transferred to a.s.r., are accounted for in the same way as regular directly written insurance contracts. They are included under liabilities arising from insurance contracts.

Obligations to insurers where a.s.r. qualifies as the reinsurer, and with no significant insurance risk being transferred to a.s.r., are recognized as debts to policyholders.

Life insurance contracts with a discretionary participation features (DPF)

Under DPF life insurance contracts, policyholders are assigned, in addition to their entitlement to a guaranteed element, an entitlement to a potentially significant additional benefits whose amount or timing is contractually at the discretion of a.s.r. These additional benefits are based on the performance of a specified pool of investment contracts, specific investments held by a.s.r. or on the issuer's net income.

Expected entitlements to discretionary benefits are recorded in equity. Once a decision has been taken for discretionary participation features, any related benefits are recognized as liabilities.

Shadow accounting

a.s.r. applies shadow accounting in compliance with IFRS 4 to:
- insurance contracts with participation features;
- non-participating insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

Shadow accounting allows a recognized but unrealized gain or loss on an asset to affect the measurement of its insurance liabilities in the same way that a realized gain or loss does.

Shadow accounting is applied to unrealized value changes in fixed-income financial assets available for sale, specific financial assets designated at fair value through profit and loss, and specific derivatives designated as held for trading (swaptions and interest rate swaps).

The related adjustment to the insurance liability is recognized in other comprehensive income if, and only if, the unrealized gains or losses are recognized in other comprehensive income. Unrealized gains and losses on assets at fair value through profit and loss are recognized in the income statement with a corresponding adjustment for shadow accounting in the income statement.

No shadow accounting is applied to:
- impairments;
- revaluations of debt instruments that have been subject to impairment.

Liability Adequacy Test non-life

The Liability Adequacy Test (LAT) is performed at each reporting date to asses the adequacy of insurance liabilities for non life.

Where the Property & Casualty (motor, fire and liability) and Property & Casualty like business is concerned, the LAT is performed using statistical analyses. Any identified losses are used as a basis for estimating future claims arising from an insurance contract from the portfolio on the balance sheet date. This is the best estimate. An appropriate risk margin is added, which is a function of the claims volatility. The total of best estimate and risk margin is compared to the technical provision recorded in the balance sheet. The LAT for the disability portfolio is comparable to the LAT for the life portfolio. Health liabilities are adequate if the technical provision recognized in a.s.r.'s balance sheet as a whole at least equals the best estimate of the insurance liabilities including an appropriate risk margin. This method is comparable with the method used for Life. The total of best estimate and risk margin for non life as a whole, is compared to the technical provision recorded in the balance sheet. If there is a deficiency, the insurance liabilities are increased to adequate levels.

Liability Adequacy Test life

The LAT is performed at each reporting date to asses the adequacy of insurance liabilities. Liabilities are adequate if the technical provision recognized in a.s.r.'s balance sheet for Life as a whole at least equals the best estimate of the life insurance liabilities including an appropriate risk margin. Also unrecognized gains and losses from relevant assets that are not carried at fair value in the balance sheet are taken into account to the extent these assets are allocated to cover the insurance liabilities. The various elements of the liability adequacy test are further discussed below.

Best estimate

The best estimate of an insurance contract is the net present value of the projected cash flows of benefits and expenses, less the net present value of premiums. These cash flows are estimated using realistic ("best estimate") assumptions in relation to mortality, longevity, lapse rate, expense and inflation. The best estimate assumptions regarding mortality and longevity include recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association.

Where applicable, the participating features of the insurance contracts, such as profit sharing, are taken into account in the future cash flows. Since 30 June 2012, the cash flows are discounted using the ECB-AAA curve for government bonds including the UFR as published by the European Central Bank. The best estimate is increased by the time value of options and guarantees (CFOG: Cost of Financial Options and Guarantees) and is calculated using stochastic techniques. The intrinsic value of the options and guarantees is included in the best estimate.

In unit-linked contracts, the best estimate equals the fund value of the contract less the net present value of future margins on mortality and expense. Where unit-linked contracts with a guaranteed minimum benefit on expiration are concerned, the best estimate is reduced by a CFOG, i.e. the value of that guarantee in accordance with the Black-Scholes model.

Risk margin

a.s.r. uses the latest standard Solvency II model, as defined in Quantitative Impact Studies, to quantify the risks. The risks that are incorporated in the risk margin are: mortality, longevity, disability, lapse, catastrophe, expense, non-hedgeable financial risk and operational risk. All these risks are projected into the future. The total risk for every future year is determined based on correlations between the risks described in the Solvency II standard model. The projected total risk for every year is multiplied by a cost of capital charge and discounted at the balance sheet date.

Dutch Central Bank LAT

For the De Nederlandsche Bank (DNB, which is the Dutch Central Bank and insurance regulator) solvency (regulatory solvency) a.s.r. uses the Dutch Central Bank LAT (DNB LAT). The LAT used for IFRS purpose ('LAT' or 'IFRS LAT'), as described above, differs from the DNB LAT as follows:

- No surrender value floor is applied in the IFRS LAT
- No prudential filters are applied in the IFRS LAT

See for further explanation on surrender value floors and prudential filters the 'Wet op het financieel toezicht' (The Dutch Act on Financial Supervision which regulates the supervision of financial institutions in the Netherlands).

Options embedded in insurance contracts

Options embedded in insurance contracts are not stated separately but treated in the same way as the host contract. These options are measured using an adequacy test, taking into consideration the intrinsic value and the time value.

2.27 Liabilities arising from insurance contracts on behalf of policyholders

Liabilities arising from insurance contracts for the account and risk of policyholders mainly concern unit-linked contracts. An investment unit is a share in an investment fund that a.s.r. acquires on behalf of the policyholders using net premiums paid by the policyholders. The gain upon maturity of the contract is equal to the current value of the investment units of that fund. The current value of an investment unit (unit value) reflects the fair value of the financial assets contained within a.s.r.'s investment funds divided by the number of units.

The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date. Allowance is made also for liabilities arising from technical insurance risks (death, occupational disability).

Some unit-linked contracts include guaranteed benefits at maturity. To cover these guarantees, an additional obligation is recognized in the balance sheet that depends on the current fund value and the level of the guarantee. In determining this obligation actuarial assumptions about future fund developments and mortality are taken into account.

Liabilities arising from insurance contracts on behalf of policyholders also include obligations in connection with savings pools and group pension contracts, with policyholders bearing the investment risk. These liabilities furthermore include a provision for compensating the costs of these contracts as agreed in 2008 with consumer organizations and additional compensation related to the unit-linked insurance contracts (including costs for the implementation and conversion of systems related to the compensation). This provision equals the present value (based on an interest rate of 4%) of the agreed amounts of compensation (upon maturity), with expenses incurred in prior periods fully provided for. In addition, estimates of additional expenses, such as overheads for administering the compensation scheme, compensation for hardship and surrender, are also taken into account.

2.28 Employee benefits

Pension obligations

A number of defined benefit plans for own staff exist. These are schemes under which staff are awarded pension benefits upon retirement, usually dependent on one or more factors, such as years of service and compensation. The defined benefit obligation is calculated annually by internal actuaries.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets together with adjustments for unrecognized gains or losses and past service costs. The financing cost related to employee benefits is recognized in interest expense.

Pension obligations are calculated using the projected unit credit method. Inherent to this method is the application of actuarial assumptions for discount rates, future salary increases and bonuses, mortality rates and consumer price indices. The assumptions are reviewed and updated annually, based on available market data.

Actuarial assumptions may differ considerably from actual results due to changes in market conditions, economic trends, mortality trends and other assumptions. Any change in these assumptions can have a significant impact on the defined benefit obligation and future pension costs.

Differences between expected and actual outcomes of actuarial assumptions are not recognized in the income statement. However, that portion of the actuarial gains and losses that falls outside a corridor of 10% is recognized and charged to the income statement over the expected average remaining service period of the plan members.

ASR Levensverzekering N.V., an insurance company and a group entity, is the administrator of the post-employment benefit plans. ASR Levensverzekering N.V. holds the investments that are meant to cover the employee benefit obligation. However, in accordance with IFRS they do not qualify as plan assets in the consolidated financial statements.

Past-service costs are recognized directly in the income statement, unless the changes to the post-employment benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

Other long-term employee benefits

Plans that offer benefits for long-service leave, but do not qualify as a post-employment benefit plan, such as jubilee benefits, are measured at present value using the projected unit credit method.

Other post-retirements obligations

a.s.r. offers post-employment benefit plans, such an arrangement for mortgage loans at favourable interest rates. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is similar to that for defined benefit plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected remaining working lives of the related employees.

Vacation entitlements

A liability is formed for the vacation days which have not been taken at year end.

2.29 Financing

At initial recognition, debt instruments and other loans are stated at fair value, net of transaction costs incurred. Subsequent valuation is at amortized cost. Any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

2.30 Insurance premiums

Non-life insurance premiums

Non-life insurance premiums are accounted for in the period in which they are earned. As indicated in chapter 2.26, invoiced but not yet earned premiums are included under liabilities arising from insurance contracts.

Life insurance premiums

Life insurance premiums related to life insurance contracts are recognized as income when received from policyholders. Liabilities arising from insurance contracts are recognized based on estimated future benefits and expenses, and charged to the income statement. These expenses are recorded within ‘technical insurance claims and benefits’. Therefore, in accordance with the matching principle, the profits are realized over the estimated term of the contracts. In accordance with this matching, the acquisition costs are capitalized, deferred and then amortized. For a detailed explanation of the capitalized deferred acquisition costs, see chapter 2.14.

2.31 Investment income

Investment income is primarily comprised of interest income, dividends on equities and rentals from investment property.

Interest income

Interest income for all interest-bearing instruments is recognized using the effective interest rate method, including all transaction costs incurred and share premium/discount. When a receivable is impaired, its carrying amount is reduced to the recoverable amount, i.e. estimated future cash flows discounted at the original effective interest rate of the instrument.

Dividends

Dividend income is recognized in the income statement when a right to receive payment is established.

Rentals

Rentals from investment property are allocated to the period to which they relate.

2.32 Realized gains and losses

Realized gains and losses include proceeds from the disposal of investment property, financial assets available for sale, associates and joint ventures.
With respect to financial assets available for sale, realized gains or losses are comprised of :
- the proceeds from the sale or disposal of an asset or liability less the amortized cost of the asset or liability sold,
- impairment losses previously recognized and
- hedge accounting adjustments.

Any unrealized gains and losses previously recorded in equity (the difference between the carrying amount and amortized cost) are recognized in the income statement.

2.33 Fair value gains and losses

Fair value gains and losses include realized and unrealized changes in the value of financial assets at fair value through profit and loss and derivatives. With respect to derivatives, this is based on the fair value exclusive of accrued interest (clean fair value).

2.34 Result on investments on behalf of policyholders

Investments on behalf of policyholders are measured at fair value through profit and loss. Any changes in value are recognized in result on investments on behalf of policyholders. This also includes interest income and dividends received on investments on behalf of policyholders.

2.35 Fee and commission income

Fee and commission income relates mainly to reinsurance, asset management and other services. These are generally recognized as income in the period in which the services are performed.

2.36 Insurance claims and benefits

This item includes changes in liabilities arising from insurance contracts (see chapter 2.26) and the related benefits. Expenses associated with contracts on behalf of policyholders relate to changes in liabilities arising from insurance contracts on behalf of policyholders, including the benefits charged to the liabilities.

2.37 Operating expenses

This item relates to expenses associated with a.s.r.'s operations that are directly attributable to the reporting period, such as marketing costs, ICT expenses, consulting fees, business accommodation expenses, cost of temporary staff, and depreciation charges.

Personnel expenses are mainly comprised of salaries, social security contributions and pension costs.

2.38 Acquisition costs

This mainly relates to commissions paid and amortization of capitalized deferred acquisition costs. For details on capitalized deferred acquisition costs see chapter 2.14.

2.39 Impairments

An asset is impaired when its carrying amount exceeds its recoverable amount. Impairment losses are recognized in the income statement as soon as they are identified. For details, see the relevant items of chapter 2 as mentioned earlier.

2.40 Income tax expense

Income tax is based on profit before tax, after any adjustments for previous periods and changes in deferred tax assets and liabilities using the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period. Income tax is recognized in the period in which the income was achieved.

Deferred taxes in respect of revalued assets and liabilities, whose value adjustments were directly credited or charged to equity, are taken to equity and, upon realization, included in the income statement together with the value adjustments.

3 Risk management

This chapter describes the risks a.s.r. is exposed to and how these risks are managed.

The essence of a.s.r.'s business model is to take on the risks from our policyholders. One of a.s.r.'s main strategic pillars is to be a reliable and financially solid insurance company, both now and in the future. Therefore, a.s.r. seeks to establish the right balance between risk and return. Risk management enables a.s.r. to indentify, measure, manage, report and monitor its risks.

The types of risks a.s.r. is exposed to, are grouped into five categories: market risk, counterparty default risk, insurance risk, strategic risk and operational risk. The risk appetite of a.s.r. has been defined and it monitors how the risk profile keeps in step. The risk environment requires continual integrated monitoring and assessment in an integrated manner in order to understand and manage complex risk interactions across the organization.

3.1 Key risk developments in 2012

The key risk developments in 2012 at a.s.r. are the following:

General

- Standards and Poor's decided to improve a.s.r.'s rating outlook from A with a negative outlook, to A with a stable outlook, partly because of improvement in risk management and balance sheet management.
- The risk appetite statements were further developed. The risk appetite is used for risk steering in the risk committees. The risk appetite is based on a.s.r.'s strategy.
- The Economic Capital model ('ECAP') of a.s.r. is an integral and essential part of the steering mechanism with regards to value management. The dynamic investment policy is based on the ECAP solvency ratio and specific risk budgets.

Risk governance

- In the regular risk management process, specifically during the euro crisis, the risk committees continued to prove their importance. The risk committees monitors a.s.r.'s risk profile. In extreme circumstances, the frequency of the risk committee meetings is increased, to ensure a.s.r. of its solid solvency position.

Market risk

- In 2012 the position in financial bonds was reduced in accordance with the strategic investment policy.
- Within the limits of the risk appetite, the equity position was expanded in 2012.
- The hedge of the interest rate risk was restructured by exchanging swaptions for swaps. The impact on the -1% interest rate shock was limited.

Counterparty default risk

- In accordance with the strategic investment plan, the mortgage portfolio increased in 2012. The majority of new mortgages were guaranteed by the Dutch national mortgage guarantee fund (NHG).

Insurance risk – Non-Life

- The combined ratio increased to 99.2% (2011: 95.0%) in 2012 due to developments in the claims ratio, caused by an increase in claims and the change in liabilities arising from insurance contracts. Reducing the combined ratio is a priority of a.s.r. The calculation method of the combined ratio changed in 2012. The interest rate effect on the claims ratio on income portfolio and restructuring provision expenses in the expense ratio are no longer included in the combined ratio. The combined ratio as reported in 2011 was 98.9%.

Insurance risk – Life

- The profitability development of the individual and group life insurance portfolios are being closely monitored. The result is negatively impacted by the low interest rates. The new actuarial life expectancy and mortality tables issued in 2012 by the Actuarial Society of the Netherlands have been used in the LAT to evaluate the adequacy of the provisions.

Strategic risk

- In 2012, as in previous years, a.s.r. executed a Control Risk Self-Assessment (CRSA). Major risks related to business units were identified. The impact on strategy achievement is measured qualitatively and controls for mitigating these risks were determined.
- In 2012, a.s.r. executed an Own Risk and Solvency Assessment (ORSA). This assessment helps to identify risks and quantify the impact of these risks on the forward-looking solvency position. The ORSA 2012 is part of the general rehearsal of DNB for Solvency II.

Operational risk

- In 2012, a.s.r. continued to improve its system of internal control. Principal risks are identified and assessed and controls are determined and tested from an Enterprise Risk Management (ERM) perspective.

Solvency II

- The quality and reliability of data has improved. This contributes to better steering information and facilitates decision-making. Further improvements in data quality remain a focus for a.s.r.
- In 2012, a.s.r. participated in the Parallel Run, to test the preparedness of Dutch insurers regarding Solvency II processes.

Capital management and solvency

- For the purposes of DNB solvency, the ECB AAA government bond curve is used for discounting insurance liabilities. Since 30 June 2012, the DNB prescribes the Ultimate Forward Rate (UFR) on the discounting curve. The application of the UFR on the discounting curve has a significant positive effect on the DNB solvency and the interest rate sensitivity becomes adverse. A decrease of the interest rate leads to an increase of DNB solvency.
- To ensure a strong solvency position regardless of the impact of the UFR, a.s.r. reports and monitors the solvency position both excluding and including the UFR impact on the discounting curve.

3.2 Enterprise Risk Management framework

Enterprise Risk Management (ERM) enables a.s.r. to understand the relationship between risks and the company's strategic targets.

The a.s.r. ERM framework is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM model. The framework comprises the following risk management elements:

The a.s.r. Enterprise Risk Management Framework objective

The primary objective of the ERM framework is to protect a.s.r.'s shareholders and other stakeholders from events that hinder the sustainable achievement of performance targets. Furthermore, the objective is to support a.s.r. in achieving the right balance between risk and return.

Strategy

The risk strategy of a.s.r. supports the company's overall strategy. The primary objective of risk management is to support a.s.r. in achieving the required balance between risk and return, while remaining financially solid. The risk strategy describes solvency targets and a.s.r.'s risk preferences and risk appetite are also derived from the risk strategy. The risk appetite describes the level of risk a.s.r. is prepared to take. In 2012, it was enhanced further, specifically with regard to operational and reputation risk. Risks are actively managed so that they stay within the defined limits.

Risk governance

The a.s.r. risk governance is based on the principle of 'three lines of defence' (see Chapter 3.3). Risk management roles and responsibilities are anchored throughout the organization. a.s.r. has a risk committee structure in place, where the objective of the risk committees is to manage the risk profile for a.s.r. group and its product lines regarding risk preferences and risk limits. a.s.r. continues to work on heightening risk awareness within the organization.

Policy

The risk classification of a.s.r. covers all Solvency II risks and is in line with the Focus approach as applied by DNB. For each of the principal risks that it incurs (market, counterparty default, insurance, strategic and operational), a.s.r. has established policies and updates these policies yearly. Each policy describes the risk definition, the risk limits and the risk mitigation techniques.

Systems and data

In order to take the right risk mitigating measures, availability and reliability of data is important. Risk management is supported by different IT systems to deliver the required information.

3.3 Risk governance

As part of the overall risk management framework, a.s.r. has established a risk governance framework. Risk governance refers to the duties and responsibilities of the risk management function and the risk committee structure. The duties and responsibilities are designed based on the 'three lines of defence'. The following definition of the 'three lines of defence' model is used by a.s.r.:

- First line – responsible for risks in the product lines and managing these risks. The first line has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.). The Executive Board and the management teams of the business lines are responsible for the first line.
- Second line – responsible for developing policies, advising and reviewing te implementation of ERM within the first line. The Risk Management department at group level and Compliance are responsible for the second line.
- Third line – responsible for the internal audit of the ERM framework, the internal control system and the adequacy of the risk governance. The third line is formed by the internal audit department.

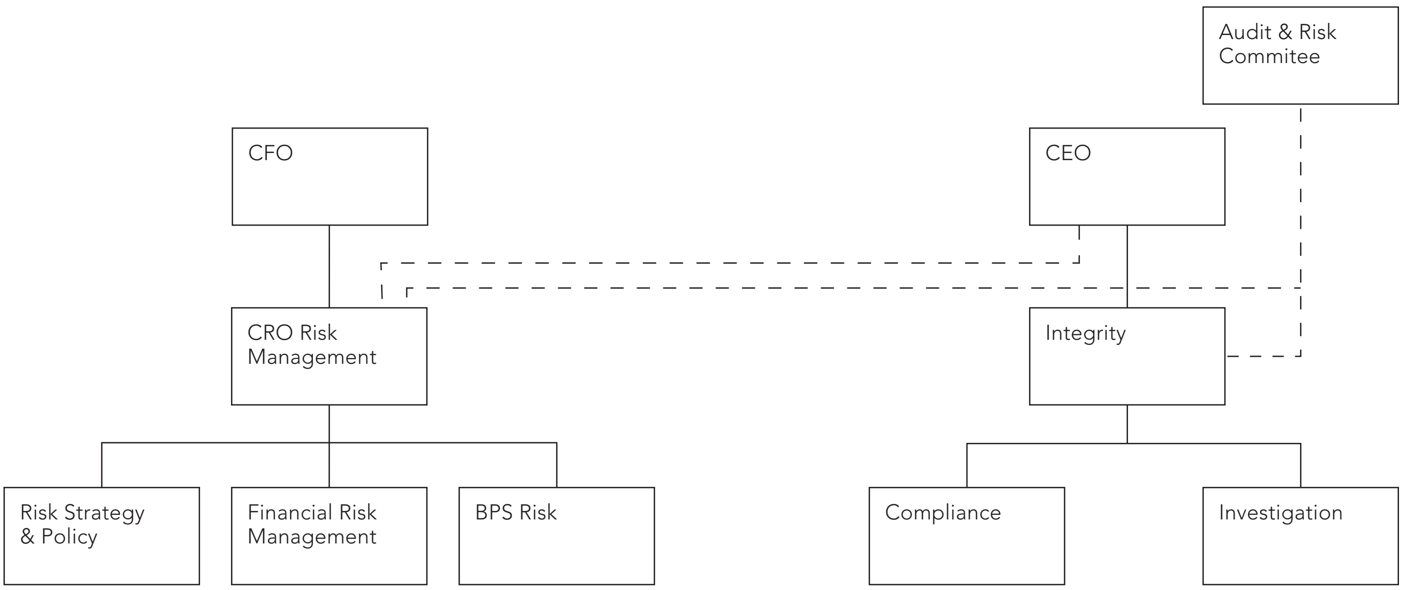
The risk management organization and the risk committee structure, which are part of risk governance, are described in more detail in the next section.

3.3.1 Risk management organization

In 2012, a.s.r. further improved the risk management function into a strong independent function. Integrity is responsible for compliance risks and investigation. The Risk Management department at group level is responsible for ERM. Risk management duties have been embedded in the business lines. In general, risks are managed by the business lines on the basis of group policies and guidelines. When required or where efficiency gains may be realized, risk management is executed at group level. Risk Management at group level defines risk policies for the whole of a.s.r., securing a consistent approach to the management of risks across the organization.

In addition, first and second line of defence duties and responsibilities were more strictly separated in 2012. Duties and responsibilities of the former Insurance Risk and Value Management department regarding first line of defence tasks were decentralized to the business lines. Second line of defence duties and responsibilities of the Insurance Risk and Value Management department, primarily the actuarial function, were combined with the ALM function into the newly formed Financial Risk Management department.

Integrity, with Compliance and Investigation as sub departments, have been the responsibility of the CEO as of mid-2012.



Risk Management
The risk management function is an independent function within a.s.r. Its main objective is to control and monitor a.s.r.'s solidity. To execute this role properly, the Chief Risk Officer (CRO) can escalate matters directly to the CEO and has a direct and independent line to the Audit and Risk Committee, a sub-committee of the Supervisory Board.

Risk Management is responsible for ERM. The department consists of the following sub-departments:
- Risk Strategy & Policy
- Financial Risk Management
- Business Process Support Risk (BPS Risk)

Risk Strategy & Policy
Risk Strategy & Policy is responsible for developing and implementing the ERM framework, including further development of a.s.r.'s risk management culture, risk strategy, risk appetite, transparent risk governance, model governance validation, risk policies, classification of risk types, advising on value management and the internal control system. Furthermore, the department is responsible for monitoring the risk priorities and monitoring the non-financial risks. Risk Strategy & Policy is also responsible for a.s.r.'s ORSA process (including the risk self-assessments), which will be mandatory under Solvency II legislation.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the actuarial function, the asset and liability management function (ALM) and integrated balance sheet management.

FRM is responsible for the development and execution of financial risk policies and the implementation of these policies at group and legal entity level. The department is also responsible for the methodology and the development of models used in calculating economic capital. FRM reports economic capital both at group and at legal entity level. FRM tests the reported market value and market risk and compares these against a.s.r.'s risk limits and risk budget. FRM also assists legal entities with product development.

As part of the actuarial function, FRM coordinates the calculation of the technical provisions, monitors the methodologies, assumptions and models used in these calculations and assesses the adequacy and quality of data used in the calculations. Furthermore, FRM compares the outcome of the calculations against experience. FRM regularly informs the Financial Risk Committee, Executive Board and the Audit and Risk Committee of the reliability and adequacy of the calculation of the technical provisions.

Business Process Support Risk
BPS Risk is the information management department within Risk Management and the link between Risk Management and IT. The department arranges and administrates processes, and facilitates Risk Management by providing access to systems and high quality data. BPS Risk also facilitates Risk Management with the development of new systems and processes or changes in existing systems.

Group Integrity
Group Integrity is responsible for managing compliance risks. Group Integrity has two sub-departments, Compliance and Investigation.

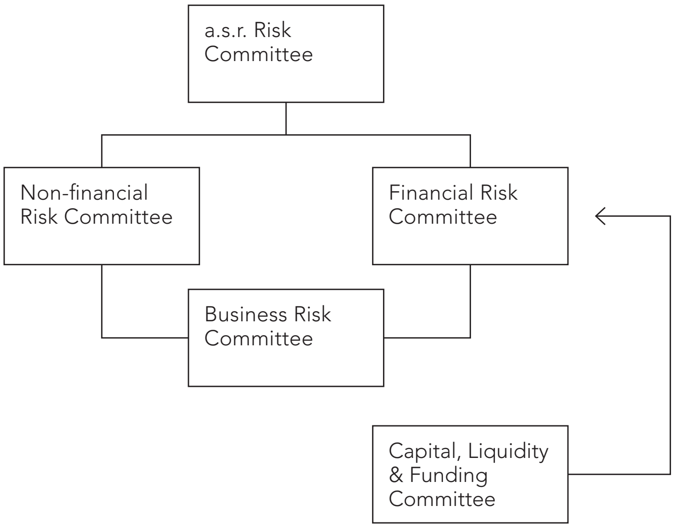
The compliance function is an independent and centralized function within a.s.r. To execute this role properly, the director of Group Integrity reports directly to the CEO and has a direct and independent line to the Audit and Risk Committee.

Compliance
The main objective of Compliance is to support the Executive Board in managing compliance risks for a.s.r. and its legal entities. Through its compliance function, a.s.r. aims to stimulate integrity among the members of the Executive Board, its managers and its employees in order to maintain a.s.r.'s good reputation and reliability.
Compliance is responsible for preparing policies and advising on policy implementation and compliance with laws, regulations and ethical rules. Compliance is also responsible for assessing the adequacy and operating effectiveness of key integrity controls within the business lines and ensuring compliance with laws, regulations and ethical rules through risk-based compliance monitoring.

Investigation
The role of the investigation department is to execute a.s.r.'s zero tolerance policy on fraud. a.s.r. rejects any unfair practices or fraud. Investigation is responsible for fraud prevention and fraud investigation and repression:
- Fraud prevention: measures are taken to prevent unfair practices or fraud within a.s.r. Fraud prevention measures include customer due diligence checks to ensure that a.s.r. only engages in business relations with reliable individuals or firms;
- Fraud investigation and repression: measures to investigate unfair practices or fraud correctly, discreetly and with due care.

3.3.2 Risk committee structure

The risk committees manage the risks and returns that impact the achievement of a.s.r.'s strategic objectives. The risk committees consistently monitor whether the risk profile continues to be in line with the risk appetite. When triggers are hit, due to for instance an increase in stock market volatility, a downgrade of corporate and government fixed income investments, or low interest rates, a.s.r. increases the meeting frequency of the risk committees.



a.s.r. Risk Committee

The a.s.r. Risk Committee monitors a.s.r.'s overall risk profile. Every year, the Risk Committee decides the risk preferences and risk limits for a.s.r. The a.s.r. Risk Committee also monitors progress made in on the 'Executive Board risk priorities'. a.s.r.'s Executive Board fully participates in the a.s.r. Risk Committee, the Chairman of the Committee being a.s.r.'s CEO. The involvement of the Board ensures that risk awareness and risk decisions are embedded at the appropriate level. In addition to the Executive Board, representatives of all key departments participate in the Committee, including the CRO.

The a.s.r. Risk Committee receives information from the Financial Risk Committee and the Non-Financial Risk Committee. These committees have the mandates to manage and control a.s.r.'s risk profile in line with the risk preferences and limits.

Financial Risk Committee

The Financial Risk Committee (FRC) has a mandate from the Executive Board to decide on financial risk policies. The FRC manages and controls financial risks and defines financial risk limits at group level. The FRC also monitors whether the risk profile stays within the risk limits. If the risk profile exceeds these limits, the FRC takes mitigating actions. The FRC reports to the a.s.r. Risk Committee.

The Chairman of the FRC is the CFO of a.s.r. Members of the Committee are representatives of various key financial and risk departments. The FRC is supported by the Capital, Liquidity & Funding Committee (CLFC).

Capital, Liquidity & Funding Committee

The Capital, Liquidity and Funding Committee (CLFC) is a subcommittee of the FRC. As such, the CLFC prepares and assesses the technical analysis of capital, liquidity and funding positions, rating policy and rating model reporting, and treasury activities. The Chairman of the CLFC is the Director of Financial Markets; other members of this sub-committee are key representatives of various financial and risk departments.

Non-Financial Risk Committee

The Non-Financial Risk Committee (NFRC) has a mandate from the Executive Board to decide on non-financial risk policies. The NFRC manages and controls non-financial risks, determines non-financial risk limits at group level and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the NFRC takes mitigating actions.
The NFRC reports to the a.s.r. Risk Committee. The Chairman of the NFRC is a COO and members of the Committee include representatives of various key product and staff departments.

Business Risk Committees

The business lines manage and control their risk profile through the Business Risk Committee (BRC).The BRC monitors that the risk profile of the business line stays within the risk preferences defined by the business line. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the director of the business line and its members include key officers.

3.3.3 Central Investment Committee

In addition to the risk committee structure, the Central Investment Committee (CIC) monitors tactical decisions and the execution of the investment policy. It takes major investment decisions within the boundaries of the strategic asset allocation as agreed in the FRC. The CIC bears responsibility in particular for investment decisions exceeding the limits set for the investment department. The CIC is chaired by an Executive Board member, not being the CFO, and reports directly to the Executive Board. This is how the CIC's independence of strategic decision-making and the CFO is guaranteed.

3.4 Risk management classification

As mentioned above, a.s.r. develops policies for each of the principal risks that it is exposed to. These policies, which are updated annually, describe the risk definition, the risk limits and the risk mitigation techniques.

The five main risk categories[1] that a.s.r. recognizes are described below.

Risk type	Definition
Market risk	The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished: • interest rate risk • equity risk; • property risk; • currency risk; • spread risk; • concentration risk.
Counterparty default risk	Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit rating of counterparties and debtors.
Insurance risk	Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities and results are threatened because costs, claims and benefits differ from the assumptions used in the development and premium-setting of a product. Two different major types of insurance risk are distinguished, non-life (including health) and life. Pension risk that is incurred on the employee benefits is categorised as insurance risk.
Strategic risk	Strategic risk is the risk that a.s.r. will not reach its targets because of invalid decision-making, incorrect implementation of decisions and/or failure to respond adequately to market developments.
Operational risk	Operational risk is the risk of losses resulting from inadequate or failed internal processes, persons and systems, or from external events (including legal risk).

[1] IFRS refers to credit risk as spread risk or counterparty default risk.

3.5 Market risk

Market risk arises from changes in the level or the volatility of market prices. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. The several types of market risk, which are discussed in this section, are:

- interest rate risk;
- equity risk;
- property risk;
- currency risk;
- spread risk;
- concentration risk.

Market risk reports are submitted to the FRC on at least a monthly basis. Key reports on market risk include the strategic asset mix report, the economic capital report, the interest rate risk report and the report on sensitivity of regulatory solvency to major market risks. A summary of sensitivities to market risks of the regulatory solvency, total equity and profit for the year are presented in the tables below.

The sensitivities of regulatory solvency ratio to market risks are as follows:

Type of risk	Scenario	2012 incl UFR	2012 excl UFR	2011 excl UFR
Equities	-20%	-19%	-19%	-13%
Interest	+1% / -1%[2]	-18%	-32%	-7%
Spread	0.75%	-25%	-25%	-16%
Property	-10%	-15%	-15%	-15%
Total impact (undiversified)	-	-77%	-90%	-51%

[2] For the regulatory solvency ratio including UFR, the interest rate shock +1% has a negative impact. For the regulatory solvency ratio excluding UFR the effect is adverse, the interest rate shock -1% has a negative impact.

Compared to 2011, the sensitivity to equities increased due to a higher exposure to equities. Although the exposure to bonds in financial institutions was actively decreased, the sensitivity to spreads increased due to the increasing value of the bonds and due to an improvement in the calculation method.

The sensitivity to interest strongly increased as a result of the decrease of the interest rates as well as the changed shape of the interest curve (excl UFR) in the longer maturities. When applying the UFR, the interest rate sensitivity is adverse. An increase of the interest rate with 1% leads to a decrease of the regulatory solvency ratio with 18%.

If the scenarios of the major market risks were to take place simultaneously, an undiversified negative effect of 90% (2011: 51%) would result in a regulatory solvency ratio excluding UFR of 141% (2011: 179%). At the end of 2012 this ratio dropped significantly due to adjustments of the non-economic assumptions for the valuation of insurance liabilities (mortality, cost, and lapse) and unfavourable developments of the interest rates. Risk mitigating measures will be taken in order to achieve a ratio higher than 150%. When applying the UFR, an undiversified negative effect of 77% would result in a regulatory solvency ratio (incl UFR) of 216%.

The next table shows sensitivities of total equity and profit of the year. Due to the IFRS accounting treatment (e.g. insurance liabilities discounted with a fixed interest rate, shadow accounting part of investments on cost price, corridor on post employment benefits pensions), these sensitivities can differ substantially from the sensitivities of regulatory solvency.

The sensitivities of total equity and profit for the year to market risk are as follows:

Scenario	Total equity 2012	Profit for the year 2012	Total equity 2011	Profit for the year 2011
equities +20%	279	-1	220	-7
equities -20%	-270	-54	-199	-26
interest +1%	-147	0	-156	0
interest -1%	158	0	96	0
spread +75bp	-386	-1	-233	-3
spread -75bp	386	0	243	0
property +10%	0	0	0	0
property -10%	-89	-89	-85	-85
foreign currency +10%	40	-1	24	-2
foreign currency -10%	-40	1	-24	2

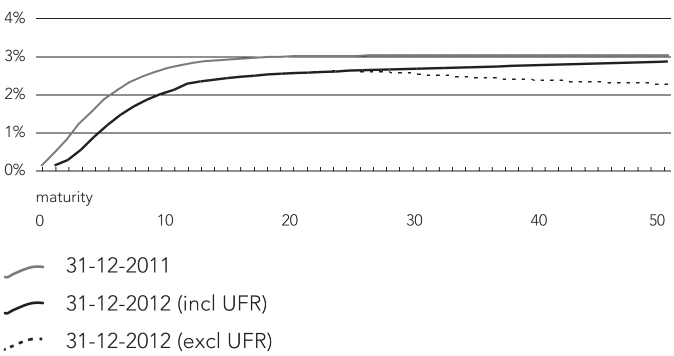
The sensitivity of total equity to equities increased due to a higher position in equities. The sensitivity of profit for the year to equities increased since more equities are close to the impairment level. The sensitivity to interest changed as a result of the decrease of the interest rates. The sensitivity to spreads increased due to an increase of the value of the bonds and due to an improvement in the calculation method. The sensitivities to foreign currency increased due to a higher exposure in CAD and USD (see 3.5.4).

3.5.1 Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change due to fluctuations in interest rates. Many insurance products are exposed to interest rate risk; the value of the products is closely related to the applicable interest rate curve. The interest rate risk of insurance products depends on the term to maturity, interest rate guarantees and profit-sharing features. Life insurance contracts are particularly sensitive to interest rate risk (see Chapter 3.7.2).

For the purposes of regulatory solvency, the ECB AAA government bond curve is used for discounting insurance liabilities. Since 30 June 2012 the regulator prescribes applying the Ultimate Forward Rate (UFR) on the discounting curve. As a result, the forward interest rates converge to a level of 4.2%. Since this assumption is artificial and might be too optimistic, a.s.r. also evaluates its solvency position without applying the UFR on the discounting curve.

ECB AAA government bond curve



During the course of 2012, interest rates decreased by 60 to 100 basis points. This had a significant impact on the valuation of the best estimate of the insurance liabilities. When the UFR is applied however, the decrease of interest rates in longer maturities is limited.

Interest rate risk is managed by aligning fixed-income investments to the profile of the liabilities. Among other instruments, swaptions and interest rate swaps are used for hedging the specific interest rate risk caused by interest rate guarantees and profit-sharing features in life insurance products.

The interest rate risk is quantified on a monthly basis by means of duration and scenario analyses. Duration is a measure for interest rate sensitivity, which gauges how much the fair value changes at a small parallel shift in the interest rate curve.

Duration	2012	2011
Duration assets	11.1	10.1
Duration liabilities	14.3	13.4

The duration of both assets and liabilities increased as a result of the lower interest rate curve. The duration gap did not change, the duration of the liabilities still exceeds the duration of the assets. Since the fair value of the assets is higher than the fair value of the liabilities, the impact of the duration gap is limited.

Comparable effects are seen in the sensitivity of the regulatory solvency ratio (excl UFR) to changes in interest rates. The sensitivity of the regulatory solvency ratio (excl UFR) to a drop in interest rates of 1% changed from -7% to -32%. This is a result of the decrease of the interest rates as well as the changed shape of the interest curve (excl UFR) in the longer maturities.

Sensitivity of regulatory solvency (excl UFR) to interest rate changes:

	Interest rates -1%		Interest rates +1%	
	2012	2011	2012	2011
Assets	2,770	2,357	-2,142	-1,775
Liabilities	-3,268	-2,465	2,277	1,680
Regulatory solvency available	-498	-107	135	-95
Regulatory solvency ratio	-32%	-7%	9%	-6%

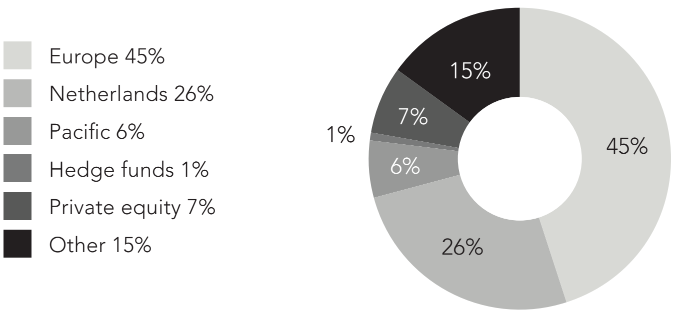
3.5.2 Equity risk

The equity risk depends on the total exposure to equities. In order to maintain a good understanding of the actual equity risk, a.s.r. has made a number of adjustments to the IFRS classification for risk purposes. For example, bond funds classified in the balance sheet under equities are not included here.

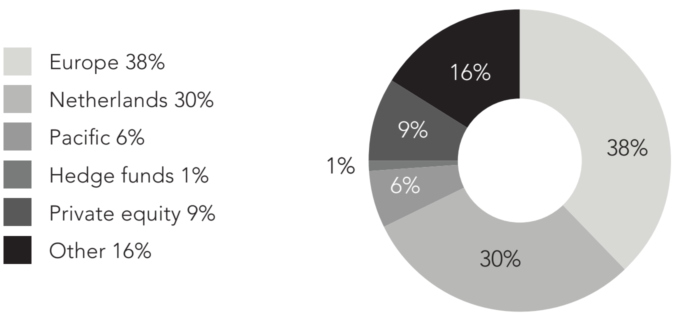
The fair value of equities and similar investments at year-end 2012 was €1,703 million (2011: € 1,231 million). The increase in exposure to equities is due to purchases and favourable developments in equity prices.

The equities are diversified across the Netherlands (including participating interests) and other European countries. A limited part of the portfolio consists of investments in the Pacific, private equity and hedge funds. The purchases in 2012 led to an increase of the relative share of European equities in the total portfolio.

Composition equity portfolio 2012



Composition equity portfolio 2011



The sensitivity of the regulatory solvency ratio to changes in equity prices is monitored on a monthly basis. Option contracts and the tax exemption of the participating interests and lower volatility of hedge funds are taken into account when calculating sensitivities. Compared to 2011, sensitivities increased due to a higher exposure to equities and less protection from put options.

Sensitivity of regulatory solvency to changes in equity prices

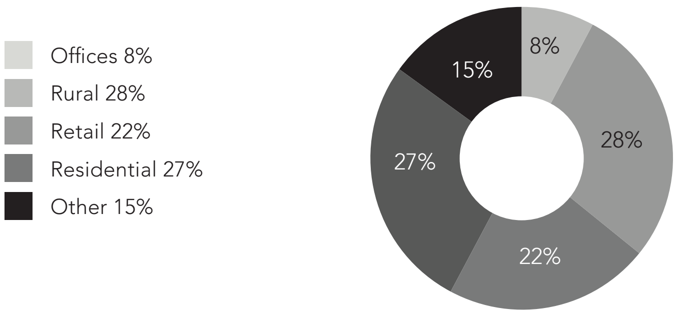
Change in equity prices	2012	Percentage	2011	Percentage
-20%	-300	-19%	-198	-13%

3.5.3 Property risk

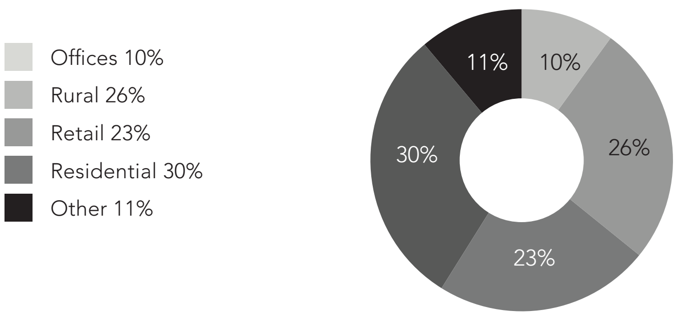
The property risk is dependent on the total exposure to property. In order to gain a total understanding of the actual property risk, a.s.r. includes the property for own use and development property amounting to € 206 million (2011: € 209 million) in the analysis of the property risk. Note that substantial provisions for future loss on development property have been taken in 2012. In addition, revaluations to the carrying amount of €1,165 million have been included (2011: € 1,151 million). The fair value of property and property-related assets was € 3,372 million at year-end 2012 (2011: € 3,169 million), including property for own use. Despite the unfavourable economic circumstances there was a limited positive revaluation on the property portfolio. The exposure increased as a result of purchases.

The property is diversified over the rural, residential, office and retail sectors in the Netherlands. The allocation to offices is limited (8%) and partly concerns offices for own use.

Composition property portfolio 2012



Composition property portfolio 2011



The sensitivity of regulatory solvency to changes in property value is monitored on a monthly basis. The sensitivity increased primarily due to a property purchase.

Sensitivity of regulatory solvency to changes in property prices:

Change in property prices	2012	Percentage	2011	Percentage
-10%	-238	-15%	-223	-15%

Because of a lower volatility, rural property is shocked with -7.5%.

3.5.4 Currency risk

Currency risk arises from the sensitivity of assets and liabilities to changes in the level or volatility of foreign exchange rates.

The policy is primarily to hedge currency risks. However, certain currency exposures are permitted from a tactical perspective within a specific risk budget. In 2012 the exposure to US dollars and Canadian dollars was increased. A substantial part of the asset position in US dollar concerns equities.

The foreign currency position is monitored on a quarterly basis. The table below shows all the main foreign currency positions, including derivatives.

Foreign currency exposure in millions of Euros:

2012	AUD	BRL	CAD	DKK	SEK	TRY	USD	ZAR
Assets exposure	229	12	104	45	41	24	366	62
Liabilities exposure	-232	0	0	0	0	0	-98	-20
Net exposure	-3	12	104	45	41	24	268	42

2011	AUD	BRL	CAD	DKK	SEK	TRY	USD	ZAR
Assets exposure	286	17	31	44	40	30	195	54
Liabilities exposure	-256	0	0	0	0	0	-110	-14
Net exposure	30	17	31	44	40	30	86	40

3.5.5 Spread risk

Spread risk arises from the sensitivity of the value of assets and liabilities to changes in the level of credit spreads on the relevant risk-free interest rates. Spread risk relates to several types of assets:

- fixed-income investments;
- deposits;
- savings-linked mortgage loans.

Assets in scope of spread risk are by definition not in scope of counterparty default risk (see chapter 3.6)

Fixed-income investments

Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant Risk Committees.

Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitoring limits. A limited number of bond investments do not have an external rating. These investments are generally awarded an internal rating. Internal ratings are based on methodology and rating classifications similar to those used by external agencies.

The following tables provide a detailed breakdown of fixed-income exposure by rating class, sector and country of risk and level of subordination for the financial sector. The table includes all bonds, fixed income funds and loans which have spread risk according to our risk models. Loans to intermediaries are included in the non-rated category.

	2012 Exposure	Percentage	2011 Exposure	Percentage
AAA	10,503	54%	10,441	58%
AA	2,653	14%	1,696	9%
A	2,834	14%	3,183	17%
BBB	2,441	12%	2,077	11%
Lower than BBB	724	4%	508	3%
Not rated	432	2%	359	2%
	19,587	100%	18,264	100%

Despite considerable spread performance, the weight of financial institutions in the bond portfolio dropped due to further reductions in our exposure to this sector. Part of the cash flow was reinvested in government bonds with high ratings and non-financial corporate bonds. All sectors benefited in 2012 from decreasing interest rates and tightening spreads.

	2012 Exposure	Percentage	2011 Exposure	Percentage
Government	10,482	54%	9,151	50%
Financial institutions	5,113	26%	5,673	31%
Corporates	3,352	17%	2,684	15%
Structured entities	640	3%	756	4%
	19,587	100%	18,264	100%

A combination of changes in tactical positioning and changing yields and yield spreads, explains the geographical breakdown of the government bond portfolio. The most visible change is an increase in exposure to German government bonds. The category "Other" consists of investment grade emerging markets sovereign bond investments.

Government	2012 Exposure	2011 Exposure
Netherlands	6,094	5,787
Germany	2,322	1,609
France	423	257
Austria	463	527
Supranationals	434	376
Scandinavia	237	224
Australia	182	183
Canada	129	42
Periphery	1	13
Other	197	135
	10,482	9,153

The change in market values of financial institutions bonds reflects both the gradual reduction in our exposure to senior and subordinate securities in line with our strategic investment plan as well as substantial positive spread performance achieved in the course of 2012. Part of the proceeds were allocated to bond portfolios and reinvested in government, covered bonds and non-financial credits.

Financial institutions	2012 Exposure	Percen-tage	2011 Exposure	Percen-tage
Senior	1,695	33%	2,534	45%
Tier 2	1,336	26%	1,488	26%
Tier 1	956	19%	812	14%
Covered	951	19%	645	11%
Other	175	3%	194	3%
	5,113	100%	5,673	100%

The decrease in the market value of the structured entities portfolio is due to a combination of redemptions in the portfolio and a reclassification of certain instruments following changes in the benchmark sector classification. Most redemptions took place in the MBS portfolio, which consists predominantly of Dutch residential MBS investments. In total, redemptions were € 135 million. The market value of the remaining structured products portfolio increased in the course of 2012 due to tightening spreads.

Structured entities	2012 Exposure	Percen-tage	2011 Exposure	Percen-tage
ABS	67	10%	112	15%
CDO	133	21%	117	15%
MBS	402	63%	487	65%
Structured financial instruments	38	6%	40	5%
	640	100%	756	100%

Structured entities

2012	ABS	CDO	MBS	SFI
AAA	11	19	333	-
AA	6	49	38	14
A	50	8	17	-
BBB	-	28	-	-
Lower than BBB	-	29	14	-
NR	-	-	-	24
-	67	133	402	38

Structured entities

2011	ABS	CDO	MBS	SFI
AAA	60	4	444	-
AA	-	40	28	11
A	49	27	9	-
BBB	-	3	-	-
Lower than BBB	-	44	5	-
NR	4	-	-	29
-	112	117	486	40

Asset-backed security (ABS)

An asset-backed security is a financial security backed by a portfolio of loans, leases or receivables against assets other than real estate and mortgage-backed securities. This portfolio consists of various securities backed by several types of assets, like loans to small and medium enterprises, rental income on multifamily buildings.

Collateralized Debt Obligation (CDO)

Collateralized Debt Obligations are securities backed by a pool of bonds, loans or other assets. CDO's do not specialize in one type of debt but are often non-mortgage loans or bonds. CDO's are unique in that they represent different types of debt and credit risk. In the case of CDO's, these different types of debt are often referred to as 'tranches' or 'slices'. Each slice has a different maturity and risk associated with it.
The CDO portfolio of a.s.r. nowadays consists of mainly senior tranches in Collateralized Loan Obligations (CLO), which are CDO's backed by a portfolio of European bank loans. Also, the portfolio contains various CDO's with several types of collateral, like loans to smaller financial institutions and ABS.

Mortgage-backed security (MBS)

Mortgage-backed securities are a type of asset-backed security that is secured by a portfolio of mortgages. The MBS portfolio of a.s.r. mainly consists (ca. 85%) of AAA tranches in Dutch Residential Mortgage Backed Securities. The rest of the portfolio consists of UK RMBS (ca. 4%) and some peripheral exposure, mostly in Spain (5%). In all securities a.s.r. has invested in the most senior tranche, which all have started redeeming.

Other structured Financial instruments (SFI)

This part of the portfolio consists of equity tranches of CDO's, i.e. the most risky tranche in the CDO structure. These 'first loss' tranche will be hurt first when losses occur in the assets that back the CDO and is not rated. The two biggest positions (together approximately 60%) in this portfolio are so called 'combination notes', which are a combination of an equity piece and a rated tranche or zero coupon bond. This rated noted or zero coupon bond serves as principal protection for the equity piece.
The other positions in this portfolio are almost all equity pieces of European CLO's.

The next table gives a detailed overview of the distribution of the total fixed income portfolio over ratings and sectors.

2012	Government exposure		Financial institutions exposure		Corporates exposure		Structured entities exposure	
AAA	9,394	90%	734	14%	12	0%	363	56%
AA	887	8%	1,223	24%	436	13%	107	17%
A	112	1%	1,053	21%	1,594	48%	75	12%
BBB	67	1%	1,621	32%	725	22%	28	4%
Lower than BBB	22	0%	481	9%	178	5%	43	7%
Not rated	0	0%	1	0%	407	12%	24	4%
	10,482	100%	5,113	100%	3,352	100%	640	100%

2011	Government exposure		Financial institutions exposure		Corporates exposure		Structured entities exposure	
AAA	8,974	99%	947	17%	12	0%	508	67%
AA	33	0%	1,183	21%	400	15%	80	11%
A	75	1%	1,628	28%	1,395	52%	85	11%
BBB	44	0%	1,433	25%	582	22%	18	2%
Lower than BBB	25	0%	338	6%	112	4%	33	5%
Not rated	0	0%	144	3%	183	7%	32	4%
	9,151	100%	5,673	100%	2,684	100%	756	100%

The non-rated category corporates includes loans issued to intermediaries. The group applies stringent application and approval procedures to these loans. Following an intermediary's application, their credit rating is determined based on an internal risk-rating model. The loan application is then submitted for approval to the Credit Committee.

The parameters of the internal risk-rating model are regularly adjusted in response to market conditions as well as new legislation. The ban on provision regarding so-called 'complex' insurance products, will most likely have a minor impact on the rating of the loan portfolio issued to intermediaries due to the aforementioned internal risk-rating model. The group has already anticipated on the ban on provision by granting fewer loans as a result of restrictions in our loan policy. Furthermore the current value of the collateral has already incorporated the effect of the ban on provision. This value is subsequently used in our internal risk-rating model.

	2012		2011	
Loans to intermediaries	Amount	Percentage	Amount	Percentage
Loan < 75% value under foreclosure	31	27%	39	31%
Loan > 75% value under foreclosure	83	73%	88	69%
	114	100%	126	100%

At year-end 2012, the outstanding amount of loans to intermediaries was € 114 million (2011: € 126 million); accumulated impairment losses amounted to € 42 million (2011: € 31 million). The loans are generally secured by collateralizing an insurance portfolio. In total, 15% (2011: 18%) of the loans were in arrears.

Deposits

Total deposits amounted to € 1,779 million (2011: € 848 million) of which € 737 million (2011: € 36 million) had a single A rating, € 36 million (2011: € 12 million) a triple A rating and € 1,006 million (2011: € 800 million) is on secured deposit.

Savings-linked mortgage loans

Savings-linked mortgages have been sold where savings-linked contracts are carried on a.s.r.'s balance sheet and the mortgage loan is recognized in the balance sheet of third parties.
One of the characteristics of a savings-linked mortgage loan is that the interest in the insurance contract and the interest in the mortgage loan are linked. At the same time, a.s.r. extends loans to these third parties with a nominal value equal to the value of the savings-linked contract and at an interest rate linked to the interest rate on the mortgage. The amortized cost of these loans amounted to € 2,330 million at year-end 2012 (2011: € 2,240 million).

3.5.6 Concentration risk

In order to avoid concentrations in a single obligor, a.s.r. has set a limit on maximum exposure of € 750 million for single A rating and higher and € 350 million for BBB. The limits apply to the total investment portfolio. The CLFC monitors concentration risk on a quarterly basis. Per 2012 all exposures are within the limits.

3.6 Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:
- mortgages;
- derivatives;
- reinsurance;
- receivables;
- cash and cash equivalents.

Assets that are in scope of spread risk are by definition not in scope of counterparty default risk and vice versa.

3.6.1 Mortgages
Mortgages are granted for the account and risk of third parties and for a.s.r. own account. The a.s.r. portfolio consists only of Dutch mortgages with a limited credit risk. In line with the strategic investment plan, the mortgage portfolio increased by € 678 million in 2012. The majority of new mortgages 2012 were guaranteed by the Dutch national mortgage guarantee fund (NHG).

Despite the stagnation in residential property prices over the past three years, the indexated value of the collateral of most mortgages is higher than at issue date. Due to the introduction of a more conservative and refined indexation method, the values under foreclosure decreased compared to 2011.

Mortgages: loan to value

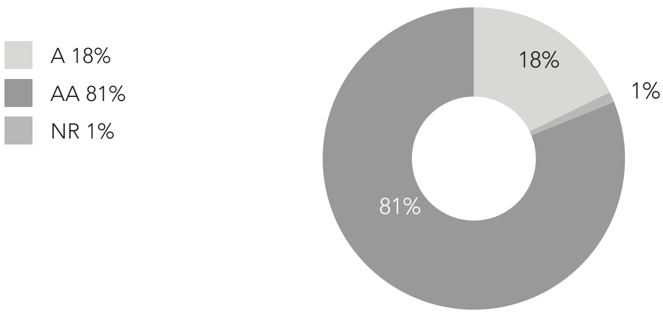
	2012		2011	
	Amount	Percentage	Amount	Percentage
mortgage with NHG	1,529	43%	802	28%
mortgage < 75% value under foreclosure (indexed)	947	27%	1,294	45%
mortgage > 75% value under foreclosure (indexed)	1,057	30%	759	27%
	3,533	100%	2,855	100%

As a rule, a.s.r.'s mortgage portfolio is secured by collateralizing the linked life insurance contracts and a.s.r. generally does not grant interest-only mortgages.

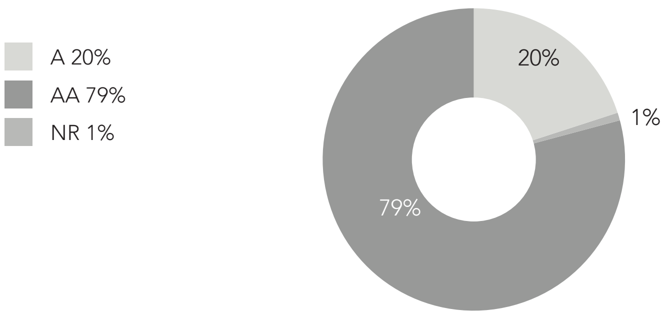
At year-end 2012, 1.0% (2011: 1.7%) of mortgages were in arrears.

3.6.2 Derivatives
OTC derivatives are primarily used by a.s.r. to manage the interest rate risks incorporated in the insurance liabilities. Interest rate derivatives are traded with a well diversified and qualitative dealer panel with whom there is an established International Swaps and Derivatives Association (ISDA) contract and a Credit Support Annex (CSA) in place. These CSA's include specific agreements on the exchange of collateral limiting market and counterparty risk. In 2012, the value of the a.s.r. swap(tion) positions increased, primarily due to a decline in interest rates. The outstanding value of the interest derivatives positions is matched by collateral received from eligible counterparties, limiting the net credit risk to a minimum.

Distribution ratings reinsurance 2012



Distribution ratings reinsurance 2011



3.6.3 Reinsurance
When entering into reinsurance contracts for fire and catastrophe, a.s.r. requires the counterparty to have at least an 'A-' rating. With respect to long-tail business and other sectors, an 'A' rating applies as a minimum.

The figure above shows the exposure to reinsurers per rating. The total exposure on reinsurers at year-end 2012 was € 445 million (2011: € 462 million).

3.6.4 Receivables

The receivables of a.s.r. amount to € 863 million in total.

	2012	2011
Receivables from policyholders	217	252
Receivables from intermediaries	183	211
Receivables from reinsurance operations	82	165
Other receivables	381	237
Total	863	866

An accumulated impairment loss for receivables of € 36 million was recognized in 2012 (2011: € 36 million).

3.6.5 Cash

The current account amounted to € 756 million in 2012 (2011: € 1,773 million). The rating of the counterparties is single A.

3.7 Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and investment income.

The risk exposure is mitigated by diversification across a comprehensive range of insurance products. Insurance risk is divided into non-life and life risk. The non-life portfolio is represented across the property and casualty, occupational disability and healthcare sectors. The life portfolio is a well-diversified portfolio consisting of products with either mortality risk or longevity risk.
The variability of risk is further restricted by careful selection and acceptance criteria, as well as underwriting guidelines and reinsurance arrangements. The risks are periodically assessed for each of the insurance segments. If and where required, actions are initiated to adjust the risk profile in line with guidelines agreed at group level.

Every insurance segment within a.s.r. holds insurance provisions for future claims arising from existing contracts and assigns assets to cover these insurance liabilities.

- In life insurance and disability insurance these provisions are based on assumptions underlying the premium calculation. By applying shadow accounting, recent impact of movement in the risk free yield curve and credit spreads on corporate bonds is recognized in the provisions. The adequacy of these provisions are reviewed at each balance sheet date using appropriate current principles.
- In property & casualty insurance, sickness leave insurance and accident & health insurance (excluding disability insurance), these provisions are based on case reserves estimates for reported claims, as well as additional provisions like IBN(E)R provisions. The adequacy of these provisions are reviewed at each balance sheet date by comparing these provisions with best estimates and corresponding provisions for volatility resulting from statistical analysis and stochastic modelling of observed historical claims performance of the a.s.r. portfolios, using prescribed and generally accepted methods and reliable assumptions regarding future inflation.

No provisions are formed for equalization and catastrophes.

Inaccuracies in the techniques applied, assumptions made and the data used for the statistical analyses are possible. This may expose a.s.r. to the risk that claims may exceed the available insurance provisions formed, to meet the obligations under the insurance contracts.

In particular the Dutch Insurance industry with a Medical Expenses Insurance portfolio generally has to deal with shortcomings in the execution of reliable statistical analysis on behalf of adequate reserving and pricing, due to the nature of the business and the impact of the national health regulation on this industry.

For Basic Coverage (Basisverzekering) it is generally known that there are national uncertainties in determining the claim impact and the subsidy from the Risk Equalization Fund. This is because it takes three to four years before the underwriting year is definitively closed. National developments in health care costs can have major consequences on claims, and on the Risk Equalization Fund in particular. Additionally, the Risk Equalization Model changes from year to year, which can lead to new uncertainties. In 2012 the most important changes were:

- Introduction of a new expense claim system for hospitals (DOT);
- Replacement of the budget funding system for hospitals by performance-based funding. As a result, contract negotiations for 2012 lasted the whole of 2012;
- Substantial changes to the Risk Equalization Model.

Because a.s.r. Health Care is a small insurer, its results are strongly influenced by the results of other health insurers, and it has limited information at its disposal for assessing these uncertainties. Aside from the uncertainties mentioned above, a.s.r. knew great growth in its health portfolio, particularly due to the introduction of health insurance via Ditzo. No claims history for this group is available.

Based on this increase in uncertainties and the growth of the portfolio, a.s.r. decided on more prudence in the claims provision.

The strong solvency buffer is held by a.s.r. to cover the risk that claims may exceed the available insurance provisions and to ensure its solidity. The solvency position of a.s.r. is determined and continuously monitored in order to asses if a.s.r. meets the regulator requirements.

Reinsurance and other risk-mitigating measures are used to reduce and contain the volatility of the results or to spread the negative impact on the value as an alternative for the capital requirement.

The sensitivities of total equity and profit for the year to insurance risk are as follows:

Scenario	Total equity 2012	Profit for the year 2012
Lapse +10%	-	-
Expense +10%	-	-
Mortality -5%	-	-

When these shocks would occur at year-end 2012 there would be no impact on the total equity or profit, because a.s.r. would still pass the Liability Adequacy Test. The shocks will result in a decrease of the surplus in de Liability adequacy Test.

3.7.1 Non-life insurance portfolio

The non-life insurance portfolio of a.s.r. focuses on Accident & Health and Property & Casualty (Motor, Fire and Liability). The insurance contracts are sold to retail and wholesale clients through intermediaries, underwriting agents and direct distribution channels. The non-life insurance portfolio consists of the following categories.

Accident & Health:

- Disability: disability coverage in the portfolio includes both individual coverage for self-employed persons and (semi-) group coverage for employees. The latter group also qualifies for occupational disability cover (WIA).
- Sickness leave: coverage includes continued salary payments for the first two years of the individual's incapacity for work.
- Health insurance: contracts cover medical expenses incurred by physicians and hospitals, and other medical expenses. Basic coverage ("Basisverzekering") is mandatory for all residents of the Netherlands and offers limited coverage as stipulated by the Dutch government. Additional coverage ("Aanvullende verzekering") is sold for a higher level of medical care.

Property & Casualty:

- Motor vehicle third-party liability: motor vehicle liability is a third-party liability insurance that covers bodily injury, medical care and/or loss of income following a road traffic accident, as well as damage caused to another vehicle.
- Fire and other damage to property: fire insurance offers policyholders financial protection against damage to their property and material consequences of interruption of operations as a result of the damage sustained.
- Other liability: this involves third-party liability insurance for both private individuals and businesses.

Non-life insurance risk

Non-life insurance risk is primarily comprised of risks resulting from third-party liability, disability and general third-party liability. Liabilities are formed to cover the scale and the long-term character of the claims (especially those involving disability).

Combined ratio

In 2012, the combined ratio increased to 99.2% (2011: 95.0%) This is due to developments in the claims ratio, caused by an increase in claims and the change in liabilities arising from insurance contracts. This lead to an increase in the combined ratio by 4.2%-points in total, but it remained below 100%.

In 2012, the calculation method of the combined ratio changed. The interest rate effect on the claims ratio on income portfolio and restructuring provision expenses in the expense ratio are no longer included in the combined ratio. The combined ratio, on a comparable basis, amounted to 95.0% compared to the previously reported 98.9%.

Managing non-life insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities and results are threatened because the assumptions, used in the development and premium-setting of a product, are not realistic. The non-life insurance risk is managed by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs, and biometrical risks (invalidity, convalescence, illness, death). In addition, concentration risk also qualifies as an insurance risk.

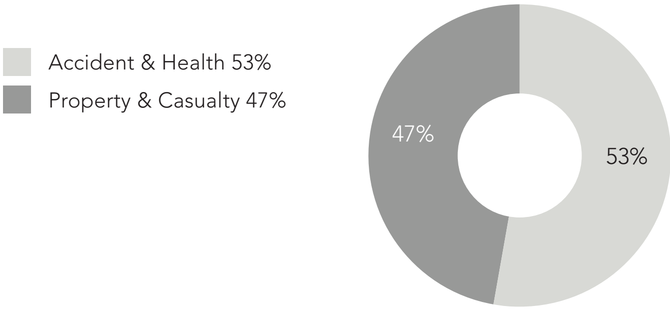
Claims frequency, size of claim and inflation

To mitigate the risk of claims, a.s.r. bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. In order to limit claims and/or ensure that prices are adjusted correctly, the acceptance policy is continually refined using a number of indicators and statistical analyses. The product lines also use knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims. The risk of unexpected major damage claims is contained by policy limits, the concentration of risk management and specific risk transfer contracts (e.g. reinsurance).

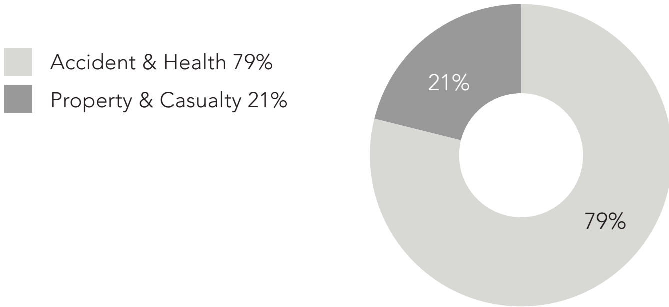
Handling time

The time required for handling and settling claims is an important factor. The settlement of claims that have a long handling time, such as injury or liability claims, can take years. Analyses are performed regularly, based, for instance, on a.s.r.'s experience in similar cases, historical trends – such as the pattern of liabilities – increases in risk exposure, payment of damages, the scale of current and not yet settled damage claims, court rulings and economic conditions.

Gross written premiums 2012



Gross claims reserves 2012



Benefit and claims handling costs
Taking estimated future inflation into account, benefit and claims handling costs are managed on the basis of regular reviews and related actions.

Occupational morbidity risk
Morbidity risk is the risk associated with the uncertainty of claims as a result of higher than expected disability rates and levels in portfolios containing occupational morbidity, medical expenses and accident insurance products. An additional uncertainty is that recovery or mortality rates might be lower than expected.

Illness, morbidity and recovery are affected by the economic climate, government intervention, progress in medical science and, in particularly, healthcare costs.

These risks are kept under control by means of regular evaluation of historical claims patterns, expected future developments and price adjustments. The occupational disability risk is mitigated by a.s.r. through underwriting criteria and a proactive reintegration policy and a.s.r. also minimizes its occupational disability risk through suitable reinsurance.

Concentration risk
The risk exposure of a.s.r. on its non-life portfolio is geographically almost entirely located in the Netherlands. Concentration of insurance risks is particularly prevalent in the fire risk portfolio (i.e. home and content, with storm risk forming the most important factor). Storm risk is managed by means of suitable reinsurance (see also 'Reinsurance').

There is also a concentration of risk in group disability schemes. Group disability contracts are underwritten within the scope of Dutch occupational disability cover (WIA).

The above diagrams illustrate the distribution of gross premium income and gross claims reserves across the different business lines. Disability insurance contracts account for a relatively large claims reserve in total premiums. Due to the rapid settlement of the P&C portfolio in general, which generates 47% of premium income, it only represents 21% of the total claims reserve.

Total gross written premium income from non-life insurance activities in 2012 amounted to € 2,487 million (2011: € 2,353 million). In 2012, € 155 million (2011: € 206 million) was paid in reinsurance premium, i.e. 6.02% (2011: 8.49%) of gross premium income.

Reinsurance
When deemed necessary, a.s.r.'s insurance businesses agree on reinsurance contracts for non-life portfolios to minimize insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both risks. In the Netherlands, extreme weather conditions form the largest disaster risk. This applies to storms in particular.

The level of retention in the various reinsurance contracts is aligned to the size and the risk profile of the underlying portfolios, taking account of the cost of reinsurance on the one hand and of the risk that is retained on the other. By determining the retention, the impact on the balance sheet is taken into account as well. The difference in the retention of disability depends on the structure of the contract (basic coverage or indexed).

Reinsurance companies are selected based on the management of the risk that the counterparty represents (expressed in the rating), weighing considerations involving the price. To limit risk concentration, reinsurance contracts are placed with different reinsurance companies.

The table below shows the risk retention for each product.

Amounts in Euros x 1,000

Retentions	Type of cover	Retention 2012	Retention 2011
Disability basic coverage	Per risk	110	110
Disability indexed coverage	Per risk	125	125
Industrial casualties	Per event	1,000	1,000
Casualties (travel)	Per event	1,000	1,000
Third-party motor	Per risk & per event	3,000	3,000
Comprehensive motor	Per event	2,500	2,500
Damage to property - fire	Per risk & per event	2,500	2,500
Damage to property – natural disasters	Per event	30,000	30,000
Third-party insurance	Per risk & per event	2,000	2,000
Shipping/transport	Per risk & per event	500	500

Non-life insurance liabilities

Provision for unearned premium income

Generally, the provision for unearned premium income is calculated based on the premium for own account, proportionate to the unexpired portion of the premium payments before deduction of the corresponding provision. A separate provision is formed for insurance contracts with increasing risk over the duration of the contract where premiums not related to the age of the policyholder are concerned. Changes in the provision for unearned premiums are recognized through profit and loss, which means that the income is recognized during the same risk period.

Provision for claims

The provision for claims consists of the estimated amount of the reported but not settled claims plus an amount for claims not yet reported or incurred during or before the financial year. The latter part is based on historical information. This provision implicitly includes a provision for payable external claims handling costs.

The adequacy of the liabilities arising from insurance contracts are tested every quarter. For P&C, sickness leave and accident & health insurance (excluding disability insurance), the test is based on the requirement that for each homogeneous product group the level of available provisions should reach a confidence level of at least 95% (WFT LAT). Since 2012 diversification benefits are taken into account in the calculation of the confidence level.

The results of a.s.r.'s basic health insurance ("Basisverzekering") include an estimate related to the expected settlement because of equalization ("vereveningsmethodiek"). The estimate is made by internal actuaries per years based on the latest updated health information for the Netherlands. At the end of the first quarter, a.s.r. monitors if the right assumptions are used.
The final settlement is recognized three years after the end of the financial year.

The provision for claims for occupational disability insurance equals the present value of the expected benefits, taking into account the policy terms and conditions, and qualifying periods, as well as chances of recovery and death.
For disability insurance, the test is based on worst-case stress scenarios and a.s.r. also holds buffer capital in excess of the level of the liabilities. Given the sensitivities of the parameters, a.s.r. realises that this leads to large variances in the outcomes.s Therefore a.s.r. choose a set of prudent parameters. Monitoring of the parameters is of importance in order to timely observe developments that can influence the outcomes. This is also applicable to the WGA-ER.

The provisions for claims and the provision for unearned premiums at year-end 2012 can be broken down as follows:

2012	P&C	A&H	Total
Provision for claims	795	2,915	3,710
Provision for unearned premium	216	200	416
Total	1,011	3,115	4,126

2011	P&C	A&H	Total
Provision for claims	768	2,481	3,249
Provision for unearned premium	275	232	507
Total	1,043	2,713	3,756

The increase of the provision for claims of A&H in 2012 is primarily explained by two developments. Firstly, the provision increased because of new production of Ditzo and Aevitae. Secondly, the decreased interest rates resulted in an increase in the provision shadow accounting for disability insurances.

Provision for unexpired risk

A provision for unexpired risk is formed to the extent that future claims and expenses – in respect of current insurance contracts – exceed future contractual premiums, taking into account the current unearned premium reserve.

For the retained occupational disability cover portfolio, a provision is formed for current risk exposure on contracts concluded in 2012 that run until 31 December 2012. This provision is based on the difference between premiums required for accounting and actuarial purposes.

3.7.2 Life insurance portfolio

The life insurance portfolio of a.s.r. is diverse. The portfolio can be divided into two main product types: individual life (including funeral insurance) and group life. Due to a.s.r.'s diversified life insurance portfolio, the longevity risk is limited. The longevity risk in parts of the a.s.r. insurance portfolio is compensated by the opposite risk (mortality risk) in other parts of the life portfolio (funeral, term insurance).

The insurance contracts are primarily sold to retail and wholesale clients through intermediaries.

Life insurance risk

A life insurance product provides an entitlement to a benefit at the time of death of the insured and/or a benefit at a predetermined moment/interval if the insured is alive at that time. The uncertainties related to a life insurance contract have to do with the moment of death of the insured (mortality, longevity and catastrophe risk), the lapse rate (the possibility that a contract lapses), and the future development of expenses associated with the policy. A specific feature of life insurance contracts is that they usually last for many years. This feature increases the uncertainties with respect to life contracts. The risk that investment income is not sufficient is regarded as market risk (see Chapter 3.5).

The following life risks are distinguishes by a.s.r.:

- Mortality risk: the risk of losses due to the possibility that actual mortality exceeds expected mortality.
- Longevity risk: the risk of a structural increase in the insured's life expectancy that leads to an increase in expectations of future annuity and pensions benefits.
- Catastrophe risk: the risk of a large-scale one-off loss due to a single event causing high death-claims, such as a pandemic.
- Lapse risk: the risk of losses due to policyholders exercising their rights, if any, to surrender their contracts.
- Expense risk: the risk of losses due to a change in the level, development or volatility of company expenses.

Managing life insurance risk

Life insurance risk is mitigated by pricing and underwriting policies.

Pricing is based on profit capacity calculations. The necessary price to cover the risks is calculated. The quantification of risks is based on best estimate assumptions of mortality rates, surrenders, expenses and interest rates.

Policies for life insurance are underwritten by a.s.r. They describe the types of risks and the extent of risk a.s.r. is willing to accept. As far as individual life insurance is concerned, policyholders can be subjected to medical screening.

Mortality risk

Mortality risk can be broken down into volatility and trend uncertainty for the best estimate assumptions.

- Volatility: random fluctuations in annual mortality rates in relation to the modeled trend.
- Trend uncertainty: structural decrease in the insured's life expectancy.

The mortality risk is limited due to the policy of periodically updating mortality tables. Reinsurance arrangements have been put in place to cover the volatility risk of large losses that might arise from single events that have been insured for a large amount. Most of a.s.r.'s mortality risk is offset by the opposite risk (i.e. longevity risk) in other parts of the life insurance portfolio.

Longevity risk

For contracts that guarantee benefits during the lifetime of a policyholder, longevity risk is mainly a trend risk. The adequacy of insurance liabilities is measured using information gathered from the most recent published mortality table of the Actuarial Society of the Netherlands published in 2012. This recent table contains the latest available data on mortality trends for the Dutch population.

The longevity risk is mostly offset by the opposite risk (i.e. mortality risk) in other parts of the life insurance portfolio (unit-linked, funeral, term insurance).

Catastrophe risk

Reinsurance arrangements have been set up to mitigate the effects of catastrophes on earnings.

Lapse risk

If a policyholder has the right to surrender their contract, an amount is paid to the policyholder (the surrender value) and the contract is cancelled. A contract can also be terminated if the policyholder decides to cease to pay any further premiums. The contract is then converted into a paid-up contract.

After deduction of capitalized acquisition costs if applicable, the provision for each life insurance contract equals at least the surrender value or the paid-up value of the contract. As a result, the financial statements do not recognize any direct loss from lapses.

Although a lapse does not lead to a direct loss in the income statement, due to the surrender value requirement underlying the provision, a lapse might lead to a loss of future profits. These effects of lapse risk are monitored in the current Solvency II-based risk frameworks, as are other life risks.

Expense risk

Product features ensure that there is no risk on commission fees. Expense risk is therefore restricted to administrative expenses. Projections are made of future administrative expenses and the expected future income from contracts to cover expenses. This prospective analysis of administrative expenses are the basis for managing and controlling expense risk.

Reinsurance

The group enters into reinsurance contracts to minimize insurance risks. Reinsurance may be in place for a separate contract or for all or part of the portfolio.

The level of retention in different reinsurance contracts is aligned to the size and the risk profile of the underlying portfolios. This includes taking into account the cost of reinsurance on the one hand and the risk that is retained on the other. Reinsurance companies are selected based on the management of the risk that the counterparty represents (expressed in the rating), weighing considerations involving the price.

To limit risk concentration, reinsurance contracts are placed with different reinsurance companies. a.s.r. has the following retentions for life insurance:

	2012		2011	
Retentions	Highest retention at risk	Highest retention at event	Highest retention at risk	Highest retention at event
Life	750	3,000	750	3,000

Insurance liabilities

Adequacy of insurance liabilities

The adequacy of the technical insurance liabilities is tested at least every quarter and evaluated every month (and more frequently, if required). The a.s.r. testing policy for the liabilities complies with IFRS requirements and DNB guidelines (see Chapter 2.26).

The overall adequacy of the liabilities arising from insurance contracts as at 31 December 2012 has been confirmed by internal actuaries and certified by external actuaries.

Life insurance liabilities

The technical provision is based on the premium calculation at the time the contract is issued. The probability of death is based on past experience and on expected future developments in mortality rates. Additional liabilities are arranged in case of unfavourable trends following the issue date (e.g. increased life expectancy).

The life insurance portfolio contains individual and group insurance contracts. The products are sold as insurance products in cash and unit-linked contracts. With respect to products in cash, the investment risk is borne fully by the insurer whereas, with respect to unit-linked products, the bulk of the investment risk is for the policyholder's account.

The provision at year-end 2012 can be broken down as follows:

Life insurance contracts

2012	Individual	Group	Total
Without profit-sharing	4,089	1,542	5,631
Contractual profit-sharing (and interest margin participation)	6,863	6,617	13,480
Discretionary profit-sharing	2,203	-	2,203
Total	13,155	8,159	21,314

2011	Individual	Group	Total
Without profit-sharing	3,740	757	4,497
Contractual profit-sharing (and interest margin participation)	7,336	6,239	13,575
Discretionary profit-sharing	1,903	-	1,903
Total	12,979	6,996	19,975

Insurance contracts on behalf of policyholders

2012	Individual	Group	Saving Fund Insurance	Total
No guaranteed return	5,156	2,097	555	7,808
Guaranteed return	729	389	-	1,118
Total	5,885	2,486	555	8,926

2011	Individual	Group	Saving Fund Insurance	Total
No guaranteed return	5,644	1,760	660	8,064
Guaranteed return	819	319	-	1,138
Total	6,463	2,079	660	9,202

3.7.3 Pension risk employee benefits

Pension risk is defined as the risk that the liabilities exceed the assets of a defined benefit pension plan. A number of defined benefit plans for own staff are operated by a.s.r. These are schemes under which staff are awarded pension benefits upon retirement. Pension risk is therefore incurred for these plans and consists mainly of longevity and inflation risk. In 2012, the interest rate reduced by 0.8%-points to 3.8% due to a decrease of the AA-rated bonds. This increased the defined benefit obligation by € 360 million. In the calculation of the defined benefit obligation the most recent mortality table is used "AG Prognosetafel 2012-2062". The upgrade to this table from the previous table increased the defined benefit obligation by € 46 million. Inflation and indexation risk are partly mitigated by the change in the plan for active participants. he Economic Capital model ('ECAP') that a.s.r. uses, is an important steering mechanism for value management. Interest rate, longevity and inflation risk incurred for the employee benefits of the own staff of a.s.r. are taken into account in the calculation of required capital in the ECAP model.

3.8 Strategic and operational risk

Strategic risk is defined as the risk that a.s.r. will not achieve its targets because of failure to respond adequately to market developments. Due to the continuing pressure on the Dutch insurance market, it is extremely important to identify strategic issues and to take the right actions.

Operational risk is the risk of losses resulting from inadequate or failed internal processes, human or systems errors, or from external events (including legal risk). The main areas where operational risks are incurred are IT, outsourcing, integrity, legal issues and operations.

Every department of a.s.r. (business lines and corporate support) incurs strategic and operational risk.

Strategic and operational risk management

The following processes are in place with respect to strategic and operational risk in 2012:

- CRSA;
- Operational loss registration;
- Crisis training;
- Information security;
- Management in Control.

Control Risk Self-Assessment (CRSA)

Under supervision of the Risk Management department, a Control Risk Self-Assessment (CRSA) is conducted annually in all a.s.r. departments. Any risk threatening the achievement of the organization's targets is taken into account in the CRSA. Following this assessment, every department writes a report outlining all identified risks and the actions that need to be taken to mitigate them. These mitigating actions are limitations/targets for the coming year. This report and the mitigating actions are authorized by local management and the Executive Board. This is important input for senior management for signing their Management in Control Statement (MCS). The report is updated every quarter.

The CRSA/MCS process uncovers a.s.r.'s principal risk priorities. Any progress on the mitigating actions is reported to and monitored by the a.s.r. Risk Committee.

On a yearly basis or as often as needed, a.s.r. conducts an own risk and solvency assessment (ORSA) as part of the preparation for Solvency II. The CRSA is part of the ORSA. In this assessment, strategic risks are transposed into scenarios and their impact on the balance sheet, the solvency position and the income statement is determined. This is reported in an ORSA report.

Operational losses

Every department can suffer operational losses. Therefore, a.s.r. has a process in place for reporting losses in excess of € 5,000 and evaluating the sources of these losses (incident management). Losses exceeding € 100,000 are reported to the NFRC.

Business continuity management and contingency planning

Critical processes/activities are identified, including the resources needed to establish similar activities at a remote location. The continuity of the activities and the recovery of systems supporting critical activities is regularly tested. To deal with any type of catastrophe, crisis teams have been established and are trained every year. The training objective is to give the teams insight into how they function and help them do their job in case of an emergency. The training also serves to clarify the roles, duties and responsibilities of the members of the crisis teams.

Information security

Because of the importance of information security, a.s.r. gives special attention to the efficiency, effectiveness and integrity of ICT. Risk management helps to achieve this through a heightened focus on information and access security. The control of logical access for the main applications in the financial reporting process is always a high priority. The logical access control procedure helps a.s.r. enhance the integrity of applications and data. Logical access control procedure also prevents fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications. The understanding of information and security risks is very important, which is why an awareness campaign was launched in 2012 to further improve the risk awareness of employees.

Management in control

To further improve the efficiency and the effectiveness of the organization, a.s.r. controls the key processes in the organization. In 2011, a.s.r. improved its control environment from an Enterprise Risk Management perspective. Key risks in the processes were identified and in addition to existing key controls, a minimum set of controls to mitigate these risks were defined. In the first half of 2012, the implementation of these key controls was completed, The management in control project has a strong focus on the demonstrably control over key processes. As of the second half of 2012, key controls are periodically tested on their operational effectiveness.

3.9 Hedge accounting

The group has entered into a limited number of cash flow hedges, for which it applies hedge accounting to hedge some of its interest rate risk in the segment other. These hedging transactions hedge risk on separate contracts. Under IFRS, derivatives are measured at fair value in the balance sheet and any changes in the fair value are recognized through profit and loss. In the event that changes in fair value of hedged risks are not recognized through profit and loss, an accounting mismatch occurs, making the results more volatile. In these cases, hedge accounting is applied to mitigate the accounting mismatch and volatility.

For details on the notional amounts and the fair values of the derivatives for hedging purposes, see Chapter 11.4.

3.10 Solvency II

Solvency II is the regulatory framework for European insurance companies, which will replace the current Solvency I regime. In 2012 Solvency II's original implementation date, 1 November 2012, was adjusted to 1 January 2014 with the adoption of a Quick Fix Directive. However, further delay is expected, presumably till January 1 2016. Given the delay, discussions initiated by EIOPA have started introducing Interim Phasing-in Measures from 2014 on, in particular regarding Pillar 2 topics such as System of Governance and ORSA and Pillar 3 Reporting guidelines.

Solvency II sets solvency requirements that are better aligned to the risks incurred by insurers and will form an integral part of the risk management of insurance companies. Solvency II will have great impact on the insurance market. In accordance with Solvency II, assets and liabilities are measured on the basis of fair market value.

The group has set up a group-wide Solvency II program. In 2009, a gap analysis was performed under this program and a.s.r. started resolving any identified gaps in 2010. This process continued in 2011 and 2012. The progress made in resolving these gaps helps a.s.r. to become Solvency II-compliant, which is monitored in the Solvency II program.

In 2010, there was a strong focus on Pillar I activities. The focus in 2011 was primarily on Pillar II. In 2012, there was an continued focus on Pillar II besides developing Pillar III reports. The quality, integrity and reliability of data were further improved in 2012. The ORSA process was executed for the third time within a.s.r. In addition, the effectiveness of the risk governance structure was further improved. The risk management function of a.s.r. has been designed to comply with the Solvency II requirements. This means that a.s.r. uses an integrated approach to identify, measure, monitor, report and control all the risks it is exposed to on an individual and aggregate level, including any interdependencies (e.g. risk dashboard).

Moreover, in 2012 a.s.r. participated in the so-called Parallel Run, organized by DNB, primarily to test how prepared Dutch insurers are regarding Solvency II.

The delay of Solvency II's implementation deadline provides a.s.r. an opportunity to finalize and embed Solvency II. Additionally, it changes the focus from being Solvency II compliant in time, to further enhancing data and reporting quality in 2013.

4.1 Capital management

4.1.1 Capital management objectives

The group is committed to maintaining a strong capital position so as to be a robust insurer for its policyholders and other shareholders. The objective is to maintain a solvency level that is well above the regulator's minimum requirement (Solvency I). Stress tests are performed for principal risks. An additional objective is to achieve a combination of a capital position and risk profile that is at least in line with an 'A' rating.

The group is preparing for the Solvency II capital requirements. In 2012, a.s.r. continued to implement a process to report the Solvency Capital Requirement as defined in the Quantitative Impact Studies of Solvency II. Additionally, a.s.r. also uses an Economic Capital (ECAP) method that better reflects its own risk profile. The ECAP method will be refined further. Both SCR and ECAP are reported on a semi-annually basis and proxies are made on a monthly basis.

4.1.2 Solvency

The regulatory solvency capital of a.s.r. can be broken down as follows:

	2012	2011
Regulatory solvency available (incl. UFR)	4,620	-
Regulatory solvency required	1,574	-
Regulatory solvency ratio (incl. UFR)	293%	-
Regulatory solvency available (excl UFR)	3,644	3,503
Regulatory solvency required	1,574	1,520
Regulatory solvency ratio (excl UFR)	231%	230%

The solvency ratio as reported to the regulator increased from 230% to 293%. However, this increase is the result of the UFR. To ensure a strong solvency position regardless of the impact of the UFR, a.s.r. reports and monitors the solvency position both excluding and including the UFR impact on the discounting curve. As a result, the forward interest rates converge to a level of 4.2%. This has an impact of 62% on the regulatory solvency ratio. To ensure a strong solvency position regardless of the impact of the UFR, a.s.r. reports and monitors the solvency position both excluding and including the UFR impact on the discounting curve.

At year-end 2012 the solvency ratio has dropped significantly due to adjustment of the non-economic assumption for the valuation of insurance liabilities (mortality, cost, and lapse) and unfavourable developments of the interest rates. The total impact of the stress scenarios is 90% (2011: 51%), resulting in a solvency ratio (excl UFR) after stress of 141% (2011: 179%). This is under the internal minimum target of 150%. Risk mitigating measures will be taken in order to achieve a ratio higher than 150%. When applying the UFR, a total impact of the stress scenarios of 77% would result in a regulatory solvency ratio (incl UFR) of 216%.

	2012	2011
Equity	2,935	2,380
Subordinated debt (after adjustments)	-	1
Correction hybrids	-8	-15
Correction intangible assets	-327	-229
Revaluation of real estate (exclusive of non-controlling interest)	874	863
Test margin	963	259
Elimination of post-employment benefit plan	183	244
Regulatory solvency available	**4,620**	**3,503**

With the consent of DNB, the margin on insurance liabilities (DNB LAT margin) has been taken into account in determining regulatory solvency. For a description of the LAT, see Chapter 2.26. a.s.r. did not make use of the regulator's opportunity to value the LAT margin based on the average interest rate curve of the last quarter of 2011.

Besides monitoring on a group level, a.s.r. also monitors and manages the regulatory solvency at a registered insurance company level. DNB approval is required, prior to dividend payments or other repayments of equity by ASR Nederland N.V. and any of the registered group insurance company.

The a.s.r. post-employee benefit plans are insured by ASR Levensverzekering N.V., an a.s.r. group insurance company. The post employee benefit provision in excess of the insurance provisions is eliminated in determining the regulatory solvency available and the regulatory solvency required.

4.2 Rating

On 23 August 2012 Standard & Poor's confirmed the 'A' rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V, while changing the outlook from negative to stable.

On 19 December 2012 Fitch Ratings withdrew its ratings on several a.s.r. legal entities at the request of a.s.r. Rating reports can be found on the a.s.r. website: https://www.asr.nl/EN/About-ASR

Ratings Standard & Poor's	Type	Rating	Outlook	Date
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	23 August 2012

4.3 Dividend

The group has the intention to annually distribute a stable dividend to the shareholders annually, if the capital management objectives are met. Dividends are based on a pay-out of 40%-45% of profit attributable to holders of equity instruments after distribution to holders of Hybrid Tier 1 instruments.

4.4 Liquidity management

With regard tot liquidity management, a.s.r. needs to be able to meet its obligations towards policyholders and other creditors at all times. Unexpected cash outflows could occur as result of a lapse in the insurance portfolio, withdrawals of savings, or payments related to the CSA of derivatives. Unexpected cash outflows can be covered by cash and cash equivalents (€ 757 million), liquid government bonds (€ 9,914 million), and other bonds and shares.

The following table shows the contractual cash flows of assets and liabilities (excluding investments on behalf of policyholders and insurance contracts on behalf of policyholders). For liabilities arising from insurance contracts, expected lapse and mortality risk are taken into account. Profit sharing cashflow of insurance contracts are not taken into account, as well as equities, property and swaptions.

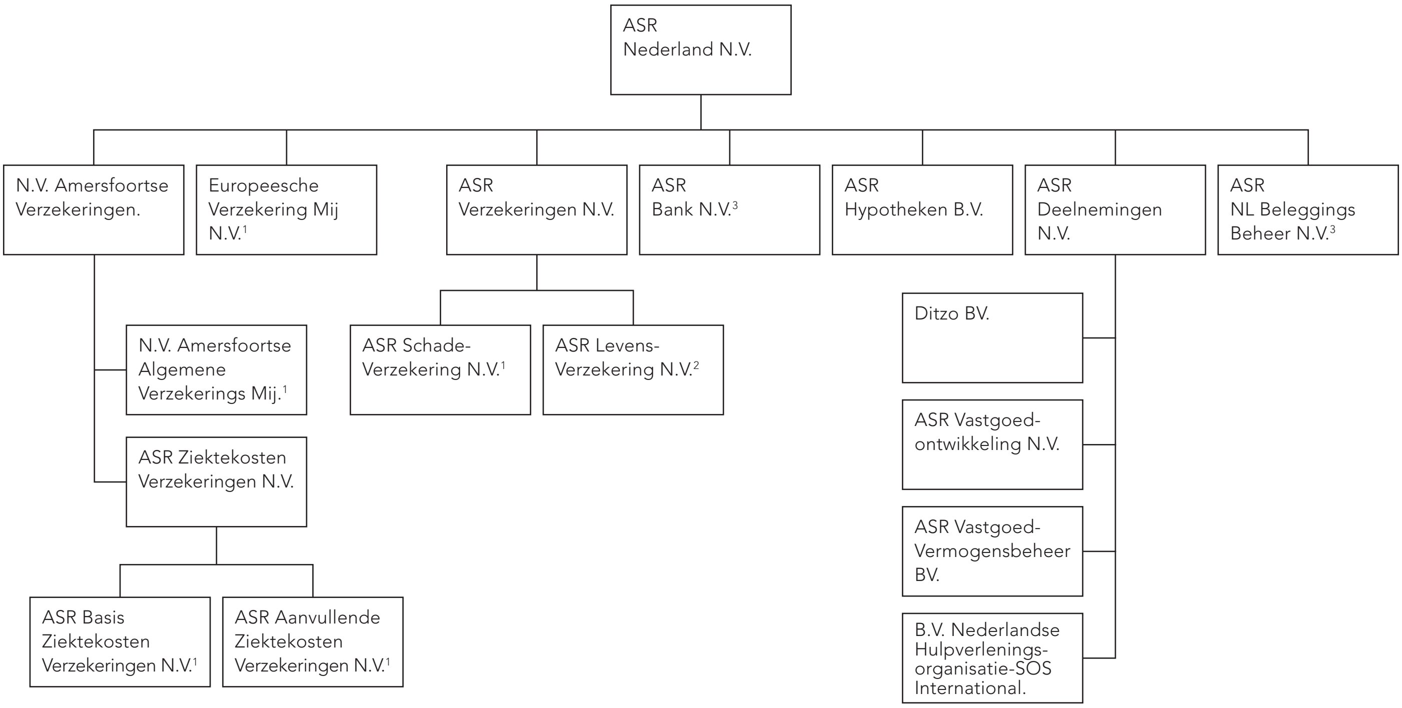
2012	< 1 year	1-5 year	5-10 year	10-20 year	> 20 year
Fixed income securities	5,429	3,756	8,523	17,438	7,735
Liabilities	-4,228	-7,925	-6,769	-13,926	-23,200
	1,200	-4,170	1,754	3,512	-15,464

2011	< 1 year	1-5 year	5-10 year	10-20 year	> 20 year
Fixed income securities	7,100	5,532	10,170	13,533	8,041
Liabilities	-4,685	-7,507	-7,232	-15,441	-25,397
	2,415	-1,975	2,938	-1,908	-17,356

5 Group structure and segment information

5.1 Group structure

The a.s.r. group comprises a number of operating and holding companies. The legal structure and segments of the most significant a.s.r. group entities is as follows:



[1] Registered non-life insurance companies
[2] Registered life insurance companies
[3] Other DNB registered companies

The group distinguishes between the Non-Life, Life and Other segments. The Non-life segment is comprised of non-life insurance entities and their subsidiaries. These non-life insurance entities offer non-life insurance contracts. Insurance entities are entities that accept the transfer of insurance risks from policyholders.

The Life segment comprises all life insurance entities and their subsidiaries. These life insurance entities offer financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. Since 14 November 2011, the activities of Paerel Leven N.V. have been included in the Life segment, however the impact on the profit for the period for a.s.r. and the Life segment is limited. The legal merger of ASR Levensverzekering N.V. and Paerel Leven N.V. is effective as of 28 June 2012, retrospectively from 1 January 2012. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile.

The segment 'Other' includes among others, the following entities:
- ASR Nederland N.V. (including the group related activities) and other holding companies;
- ASR Bank N.V.;
- ASR Hypotheken B.V.;
- ASR Deelnemingen N.V.;
- Ditzo B.V.;
- ASR Vastgoed Ontwikkeling N.V.;
- ASR Vastgoedvermogensbeheer B.V.;
- B.V. Nederlandse Hulpverleningsorganisatie-SOS International.

Ditzo B.V. is a distribution channel and the underwriting income and expenses are recognized in the non-life segment.

Eliminations applied in the reconciliation of the segment information with the consolidated balance sheet and the consolidated income statement are separately presented.

The a.s.r. segment reports show the financial performance of each segment. The purpose of these reports is to allocate all items in the balance sheet and income statement to the segments that hold full management responsibility for them.

Segment information has been prepared in accordance with the accounting principles used for the preparation of a.s.r.'s consolidated financial statements (as described in chapter 2). Intersegment transactions are conducted at arm's length conditions. In general cost related to centralized services are allocated to the segments based on the utilization of these services. In 2012 an improved method of cost allocation has been implemented, whereby group related services are allocated to the group activities included in segment Other. The operating profits of the segments are assessed on the basis of the segments' income statements.

5.2 Segmented balance sheet

As at 31 Dec. 2012	Non-life	Life	Other	Eliminations	Total
Intangible assets	2	264	3	-	269
Deferred acquisition costs	62	209	-	-	271
Property, plant and equipment	-	45	30	-	75
Investment property	260	1,521	-7	-	1,774
Associates and joint ventures	-	157	56	-	213
Investments	4,012	16,176	2,343	-1,984	20,547
Investments on behalf of policyholders	-	8,217	-	-	8,217
Loans and receivables	368	6,482	1,040	-693	7,197
Derivatives	3	2,198	-	-	2,201
Deferred tax assets	-	-	-	-	-
Reinsurance contracts	445	-	-	-	445
Other assets	95	921	-260	-38	718
Cash and cash equivalents	252	2,285	310	-291	2,556
Total assets	**5,499**	**38,475**	**3,515**	**-3,006**	**44,483**
Equity attributable to holders of equity instruments	947	2,717	-716	-	2,948
Non-controlling interests	-	-	-13	-	-13
Total equity	**947**	**2,717**	**-729**	**-**	**2,935**
Subordinated debt	15	30	-	-45	-
Liabilities arising from insurance contracts	4,126	23,263	-	-1,949	25,440
Liabilities arising from insurance contracts on behalf of policyholders	-	8,926	-	-	8,926
Employee benefits	-	-	2,185	-	2,185
Provisions	-	1	30	-	31
Borrowings	4	363	667	-908	126
Derivatives	-	363	3	-	366
Deferred tax liabilities	67	33	-21	-	79
Due to customers	25	483	986	-79	1,415
Due to banks	4	1,878	-	-	1,882
Other liabilities	311	418	394	-25	1,098
Total liabilities	**4,552**	**35,758**	**4,244**	**-3,006**	**41,548**
Total liabilities and equity	**5,499**	**38,475**	**3,515**	**-3,006**	**44,483**
Additions to					
Intangible assets	-	2	4	-	6
Property, plant and equipment	-	13	7	-	20
Total additions	**-**	**15**	**11**	**-**	**26**

5.2 Segmented balance sheet

(continued)

As at 31 Dec. 2011	Non-life	Life	Other	Eliminations	Total
Intangible assets	2	280	3	-	285
Deferred acquisition costs	81	276	-	-	357
Property, plant and equipment	3	38	38	-	79
Investment property	203	1,491	-8	-	1,686
Associates and joint ventures	-	147	64	-	211
Investments	3,521	14,561	2,254	-1,795	18,541
Investments on behalf of policyholders	-	8,581	-	-	8,581
Loans and receivables	547	5,874	1,157	-944	6,634
Derivatives	14	1,851	-	-	1,865
Deferred tax assets	-	11	-	-	11
Reinsurance contracts	461	2	-	-	463
Other assets	-142	1,514	-554	-26	792
Cash and cash equivalents	136	2,712	179	-454	2,573
Total assets	**4,826**	**37,338**	**3,133**	**-3,219**	**42,078**
Equity attributable to holders of equity instruments	687	2,672	-990	-	2,369
Non-controlling interests	2	-	-6	-	-4
Total equity	**689**	**2,672**	**-996**	**-**	**2,365**
Subordinated debt	19	30	20	-49	20
Liabilities arising from insurance contracts	3,756	21,758	-	-1,783	23,731
Liabilities arising from insurance contracts on behalf of policyholders	-	9,202	-	-	9,202
Employee benefits	-	-	2,143	-	2,143
Provisions	2	1	27	-	30
Borrowings	-	511	882	-1,286	107
Derivatives	-	133	4	-	137
Deferred tax liabilities	19	316	-266	-	69
Due to customers	46	731	857	-43	1,591
Due to banks	14	1,702	-	-	1,716
Other liabilities	281	282	462	-58	967
Total liabilities	**4,137**	**34,666**	**4,129**	**-3,219**	**39,713**
Total liabilities and equity	**4,826**	**37,338**	**3,133**	**-3,219**	**42,078**
Additions to					
Intangible assets	-	-	1	-	1
Property, plant and equipment	-	3	8	-	11
Total additions	**-**	**3**	**9**	**-**	**12**

5.3 Segmented income statement

2012	Non-life	Life	Other	Eliminations	Total
Gross premiums written	2,487	1,891	-	-88	4,290
Change in provision for unearned premiums	92	-	-		92
Gross insurance premiums	**2,579**	**1,891**	**-**	**-88**	**4,382**
Reinsurance premiums	-155	-7	-	-	-162
Net insurance premiums	**2,424**	**1,884**	**-**	**-88**	**4,220**
Investment income	152	1,289	105	-28	1,518
Realized gains and losses	43	238	4	-	285
Fair value gains and losses	-5	574	-	-	569
Result on investments on behalf of policyholders	-	949	-	-1	948
Fee and commission income	50	-	19	-	69
Other income	5	29	157	-8	183
Share of profit/(loss) of associates and joint ventures	-	10	-19	-	-9
Total income	**245**	**3,089**	**266**	**-37**	**3,563**
Insurance claims and benefits	-1,966	-3,872	-	131	-5,707
Insurance claims and benefits recovered from reinsurers	101	-1	-	-	100
Net insurance claims and benefits	**-1,865**	**-3,873**	**-**	**131**	**-5,607**
Operating expenses	-226	-223	-146	10	-585
Restructuring provision expenses	-18	-7	-5	-	-30
Acquisition costs	-454	-139	-	9	-584
Impairments	-13	-53	-38	1	-103
Interest expense	-3	-258	-114	-30	-405
Other expenses	-18	-70	-181	4	-265
Total expenses	**-732**	**-750**	**-484**	**-6**	**-1,972**
Profit before tax	**72**	**350**	**-218**	**-**	**204**
Income tax expense	-13	-75	132	-	44
Profit for the year	**59**	**275**	**-86**	**-**	**248**
Profit attributable to non-controlling interests	-	-	7	-	7
Profit attributable to holders of equity instruments	**59**	**275**	**-79**	**-**	**255**

5.3 Segmented income statement

(continued)

2011	Non-life	Life	Other	Eliminations	Total
Gross premiums written	2,353	2,166	-	-82	4,437
Change in provision for unearned premiums	74				74
Gross insurance premiums	**2,427**	**2,166**	**-**	**-82**	**4,511**
Reinsurance premiums	-206	-20	-	-	-226
Net insurance premiums	**2,221**	**2,146**	**-**	**-82**	**4,285**
Investment income	183	1,169	61	-32	1,381
Realized gains and losses	48	392	35	-	475
Fair value gains and losses	-	-8	-1	-	-9
Result on investments on behalf of policyholders	-	-370	-	-2	-372
Fee and commission income	67	-	15	-	82
Other income	6	19	118	-8	135
Share of profit/(loss) of associates and joint ventures	-	8	-	-	8
Total income	**304**	**1,210**	**228**	**-42**	**1,700**
Insurance claims and benefits	-1,699	-2,282	-	146	-3,835
Insurance claims and benefits recovered from reinsurers	126	16	-	-	142
Net insurance claims and benefits	**-1,573**	**-2,266**	**-**	**146**	**-3,693**
Operating expenses	-245	-257	-130	11	-621
Restructuring provision expenses	-6	-5	-1	-	-12
Acquisition costs	-444	-157	-	8	-593
Impairments	-44	-279	-35	-	-358
Interest expense	-4	-140	-64	-46	-254
Other expenses	-16	-83	-108	5	-202
Total expenses	**-759**	**-921**	**-338**	**-22**	**-2,040**
Profit before tax	**193**	**169**	**-110**	**-**	**252**
Income tax expense	-48	-34	35	-	-47
Profit for the year	**145**	**135**	**-75**	**-**	**205**
Profit attributable to non-controlling interests	-		7	-	7
Profit attributable to holders of equity instruments	**145**	**135**	**-68**	**-**	**212**

5.4 Technical result

The technical result includes insurance premiums, allocated investment income less insurance expenses (claims), distribution expenses and operating expenses. Income from investments includes rentals, interest income, dividends and revaluations. Realized gains and losses relate to financial assets classified as available for sale and investment property, as well as gains and losses on financial assets recognized at fair value through profit and loss.

Investment income less investment expenses is allocated to the non-life and life products on the basis of the investment portfolio that covers the insurance contracts for the product in question.

Retained gains or losses on the sale of investments relate to the realized total revaluation of investment property and financial assets available for sale, to the extent that these cannot be allocated to the different non-life and life products. These gains or losses are recorded in profit or loss.

Non-technical result includes income from investments that have been allocated to equity and the general provisions, as well as a number of specific results not allocated to insurance activities.

Technical result, non-life	2012	2011
Gross premiums written	2,487	2,353
Change in provision for unearned premiums	92	74
Gross insurance premiums	**2,579**	**2,427**
Reinsurance premiums	-155	-206
Net insurance premiums	**2,424**	**2,221**
Net insurance claims and benefits	-1,467	-1,439
Change in liabilities arising from insurance contracts	-398	-135
Fee and commission expense	-404	-379
Technical result (underwriting)	**155**	**268**
Allocated gain (loss) on investments – to technical result	83	100
Allocated other income and expense – to technical result	-5	-7
Operating expenses	-225	-245
Restructuring provision expense	-18	-6
Technical result – before proceeds (loss) from sales of investments	**-10**	**110**
Proceeds (loss) from sales of investments	26	41
Technical result	**16**	**151**
Non-technical result	56	42
Profit before tax	**72**	**193**

The profit before tax decreased to the amount of € 72 million. This is mainly caused by the increase of the net insurance claims and benefits and the change in liabilities arising from insurance contracts.

The gross premiums written increased in relation to 2011 by 6%. This is manly caused by the successful introduction of Ditzo Zorg (health insurance).

The operating expenses decreased compared to 2011, due to the successful cost reduction program and the improved cost allocation.

Gross written premiums declined 13% to € 1.891 million and is related to regular (-9%) as well as single premium (-28%). The decline of single premium is the result of the policy to focus on profitable growth. In a shrinking market the regular premiums were under pressure due to redemption of the unit-linked portfolio.

The increase of profit before tax to € 350 million is the result of higher contribution of investment results and lower expenses for the compensation of unit-linked policyholders as well as operating expenses.

Technical result, life	2012	2011
Gross premiums written	1,891	2,166
Change in provision for unearned premiums	-	-
Gross insurance premiums	**1,891**	**2,166**
Reinsurance premiums	-7	-20
Net insurance premiums	**1,884**	**2,146**
Net insurance claims and benefits	-3,663	-3,681
Change in liabilities arising from insurance contracts	-209	1,415
Fee and commission expense	-138	-157
Technical result (underwriting)	**-2,126**	**-277**
Allocated gain (loss) on investments – to technical result	1,829	360
Allocated gains or losses – to technical result	654	118
Allocated other income and expense – to technical result	-30	-51
Operating expenses	-221	-257
Restructuring provision expense	-7	-5
Technical result – before proceeds (loss) from sales of investments	**99**	**-112**
Proceeds (loss) from sales of investments	14	28
Technical result	**113**	**-84**
Non-technical result	237	253
Profit before tax	**350**	**169**

The development of 'derivatives' and 'investments on behalf of policyholders' explains the volatility of the post 'allocated investment result'. These effects are mainly compensated by shadow accounting respectively an addition to liabilities arising from insurance contracts on behalf of policyholders'.

The operating expenses included in the technical accounts are presented in the consolidated income statement under operating expenses and staff expenses. This is explained in more detail in the table below:

	2012	2011
Operating expenses, Non-life	-225	-245
Operating expenses, Life	-221	-257
Operating expenses, Other and elliminations	-136	-119
Subtotal of operating expenses (according to technical account)	-582	-621
Operational and staff expenses not included in operating expenses in technical account	-3	
Total operational expenses	-585	-621

In 2012 an improved method of cost allocation has taken place resulting in additional costs being allocated to the segment Other.

5.5 Non-life insurance per business line

2012	Gross premiums written	Net earned premiums	Net insurance claims and benefits	Fee and commission expense	Operating expenses*	Technical result
Accident and health	1,404	1,350	-1,176	-114	-121	7
Motor	486	511	-374	-125	-49	-16
Fire and other property damage	347	350	-206	-107	-38	5
Other	250	213	-109	-58	-36	20
Total	2,487	2,424	-1,865	-404	-244	16

2011	Gross premiums written	Net earned premiums	Net insurance claims and benefits	Fee and commission expense	Operating expenses*	Technical result
Accident and health	1,283	1,194	-940	-101	-117	125
Motor	480	483	-344	-117	-55	-7
Fire and other property damage	336	329	-203	-102	-42	-9
Other	254	215	-87	-59	-37	42
Total	2,353	2,221	-1,574	-379	-251	151

* including restructuring provision expenses

5.6 Non-life ratios

The non-life combined ratio can be broken down as follows:

	2012	2011
Claims ratio	73.4%	68.3%
Commission ratio	16.7%	17.1%
Expense ratio	9.1%	9.6%
Combined ratio	**99.2%**	**95.0%**

In 2012, the calculation method of the combined ratio changed. The interest rate effect on the claims ratio on income portfolio and restructuring provision expenses in the expense ration are no longer included the combined ratio. The combined ratio on a consistent basis for 2011 is 95.0% compared to the previously reported 98.9%. This leads to an increase of the combined ratio in 2012 on a consistent basis of 4.2%-points.

For the calculation of the expense ratio a total of € 23 million (2011: € 13 million) of restructuring provision expenses and internal investment costs have been eliminated.

Notes to the balanced sheet

6 Intangible assets

Intangible assets can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Goodwill	3	1
Value Of Business Acquired (VOBA)	264	282
Software and other intangible assets	2	2
Total intangible assets	269	285

2012	Goodwill	Voba	Software	Total
Cost price	68	493	54	615
Accumulated amortisation and impairments	-65	-229	-52	-346
At 31 December	3	264	2	269
At 1 January	1	282	2	285
Acquisitions	5	-	1	6
Amortization	-	-18	-1	-19
Impairments	-3	-	-	-3
At 31 December	3	264	2	269

2011	Goodwill	Voba	Software	Total
Cost price	63	493	53	609
Accumulated amortisation and impairments	-62	-211	-51	-324
At 31 December	1	282	2	285
At 1 January	14	303	6	323
Acquisitions	4	-	1	5
Amortization	-	-18	-4	-22
Impairments	-17	-3	-	-20
Other changes	-	-	-1	-1
At 31 December	1	282	2	285

The amortization periods for the intangible assets are specified in chapter 2.13. Amortization charges related to VOBA are included in net claims and benefits; software amortization is included in operating expenses.

In 2012, the cost price of the goodwill increased by € 5 million as a result of goodwill recognized following the acquisition of Terra and the decision to continue the activities of Poliservice B.V. The goodwill recognized for Poliservice B.V. of € 3 million has been fully impaired as this goodwill was deemed not recoverable.

In 2011, goodwill decreased by € 13 million as a result of impairments related to negative developments in the ASR Vastgoed Ontwikkeling. Furthermore the goodwill recognized following the Paerel Leven N.V. acquisition of € 4 million has been fully impaired as this goodwill was deemed not recoverable.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units of the relevant operating segment. The goodwill as at 31 December 2012 relates to ASR Nederland Vastgoed Maatschapij N.V. and B.V. Nederlandse Hulpverlenings-organisatie-SOS International in segment Life and Other respectively.

The impairment of the VOBA in 2011 amounting to € 3 million related to the Occupational Disability portfolio.

As explained in chapter 2.13, goodwill is tested for impairment at least once a year.

Amortization schedule for Value of Business Acquired (VOBA)
VOBA mainly relates to the acquisition of Stad Rotterdam. At year-end 2012, the remaining amortization period of VOBA is 18 years.

The expected amortization schedule for future years is shown below:

	2013	2014	2015	2016	2017	Later
Estimated amortisation of VOBA	19	19	19	17	17	172

7 Deferred acquisition costs

Movements in deferred acquisition costs (DAC) can be broken down as follows:

	2012	2011
At 1 January	357	447
Capitalized acquisition costs	1	9
Amortization	-91	-108
Other changes	4	9
At 31 December	**271**	**357**

Amortization of deferred acquisition costs is recorded in acquisition costs in the income statement.

8 Property, plant and equipment

Property, plant and equipment can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Land and buildings for own use	59	61
Equipment	16	18
Total property, plant and equipment	**75**	**79**

	Land and buildings for own use	Equipment	Total
Cost price as at 1 January 2012	170	148	318
Additions	14	6	20
Transferred to investment property	-3	-	-3
Cost price as at 31 December 2012	**181**	**154**	**335**
Accumulated depreciation as at 1 January 2012	-93	-130	-223
Depreciation	-3	-9	-12
Transferred to investment property	1	-	1
Other changes	-	1	1
Accumulated depreciation as at 31 December 2012	**-95**	**-138**	**-233**
Impairments as at 1 January 2012	-16	-	-16
Impairments	-12	-	-12
Transferred to investment property	1	-	1
Impairments as at 31 December 2012	**-27**	**-**	**-27**
Total property, plant and equipment	**59**	**16**	**75**

	Land and buildings for own use	Equipment	Total
Cost price as at 1 January 2011	224	147	371
Additions	3	8	11
Disposals	-11	-9	-20
Transferred to investment property	-46	2	-44
Cost price as at 31 December 2011	**170**	**148**	**318**
Accumulated depreciation as at 1 January 2011	-107	-132	-239
Depreciation	-3	-9	-12
Transferred to investment property	13	-	13
Disposals	4	9	13
Other changes	-	2	2
Accumulated depreciation as at 31 December 2011	**-93**	**-130**	**-223**
			-
Impairments	-16	-	-16
Impairments as at 31 December 2011	**-16**	**-**	**-16**
Total property, plant and equipment	**61**	**18**	**79**

Depreciation of property, plant and equipment is recorded in operating expenses. Impairments in 2012 amounting to € 12 million (2011: € 16 million) have been recognized as a result of the decommissioning of assets following the renovation of buildings for own use.

At year-end 2012, the fair value of land and buildings for own use amounted to € 115 million (2011: € 132 million). This value is determined annually on the basis of external valuations.

9 Investment property

	2012	2011
Cost price as at 1 January	2,118	2,463
Additions	179	86
Capital improvements	3	4
Disposals	-63	-515
Transferred from other assets	-	58
Transferred from property, plant and equipment	3	44
Other changes	-	-22
Cost price as at 31 December	**2,240**	**2,118**
Accumulated depreciation as at 1 January	-317	-390
Depreciation	-32	-38
Disposals	5	126
Transfer	-1	-13
Other changes	-	-2
Accumulated depreciation as at 31 December	**-345**	**-317**
Impairments as at 1 January	-115	-112
Impairments	-19	-26
Reversal of impairments	10	4
Reversal of impairments on disposal	4	17
Transfer	-1	-
Other changes	-	2
Impairments as at 31 December	**-121**	**-115**
Total investment property	**1,774**	**1,686**

Investment property is leased to third parties and is primarily diversified over the rural, residential, office and retail sectors in the Netherlands.

In 2012, a.s.r. recogized impairments amounting to € 19 million, mainly relating to residential and commercial property.

In 2011, a.s.r. transferred investment property to the ASR Dutch Prime Retail Fund and in December 2011 the first tranche was disposed of to institutional investors.

Investment property with a cost price less accumulated depreciation and impairment of € 570 million (2011: € 532 million) is held by the ASR Dutch Prime Retail Fund and is governed under the fund agreement.

At year-end 2012, the fair value of investment property amounted to € 2,881 million (year-end 2011: € 2,765 million). This amount is based on valuations by independent valuators.
These valuations are performed annually for almost the entire investment property portfolio.

Most of the impairments recognized relate to residential property.

Proceeds from the sale of investment properties and rentals are recognized as investment income. For details, see chapter 27.
In 2012, rentals amounted to € 140 million (2011: € 157 million).

Direct operating expenses arising from the investment property amounted to € 27 million (2011: € 29 million).
The percentages of vacant properties are as follows:

	2012	2011
Retail	2.7%	1.0%
Offices	9.9%	8.5%
Residential	4.6%	4.6%
Parking	0.4%	0.4%

Therefore, virtually all direct operating expenses relate to investment properties generating rental income. Direct operating expenses of investment property are classified as operating expenses.

10 Associates and joint ventures

	Interest	31 Dec. 2012	31 Dec. 2011
Deltafort Beleggingen I B.V. - joint venture	50%	149	139
Real estate development joint ventures	ranging between 11% and 50%	40	30
Other associates		24	42
Total		213	211

	Deltafort beleggingen I. B.V.	Real estate development joint ventures	Other associates	Total
At January 2012	139	30	42	211
Acquisition	-	35	-	35
Disposal	-	-7	-1	-8
Share of profit/(loss)	9	-18	-	-9
Revaluations	13	-	-	13
Impairments	-	-	-17	-17
Dividend	-12	-	-	-12
Carrying amount at 31 December 2012	149	40	24	213

The impairment on associates and joint ventures concerns primarily an impairment on 365 Holding B.V.

Some participating interests in which a.s.r. has an interest of less than 20% qualify as associates, because a.s.r. has significant influence as a result of contractual agreements.

The abbreviated balance sheet and income statement information disclosed in the tables below is based on the most recent financial information available from the associates and joint ventures. These are primarily based on the investee's financial statements and their accounting policies.

As at 31 Dec. 2012	Deltafort beleggingen I. B.V.	Real estate development joint ventures	Other associates	Total
Current assets	-	6	35	41
Cash and cash equivalents	15	15	13	43
Non-current assets	351	358	110	819
Total Assets	**366**	**379**	**158**	**903**
Current financial liabilities	-	200	14	214
Current liabilities	-	27	67	94
Non-current financial liabilities	-	60	5	65
Non-current liabilities	-	-	56	56
Total Liabilities	**-**	**287**	**142**	**429**
Total income	4	78	141	223
Depreciation and amortisation	-	-	-10	-10
Interest income	17	4	2	23
Interest expense	-	-10	-1	-11
Income tax expense or income	-	-	-	-
Profit or loss from continuing operations	21	-41	-7	-27
Post-tax profit or loss from discontinued operations	-	-	-	-
Other comprehensive income	44	2	-1	45
Total comprehensive income	65	-39	-8	18

As at 31 Dec. 2011	Deltafort beleggingen I. B.V.	Real estate development joint ventures	Other associates	Total
Current assets	-	17	33	50
Cash and cash equivalents	15	29	22	66
Non-current assets	312	440	116	868
Total Assets	**327**	**486**	**171**	**984**
Current financial liabilities	-	268	17	285
Current liabilities	-	43	72	115
Non-current financial liabilities	-	95	6	101
Non-current liabilities	-	-	54	54
Total Liabilities	**-**	**406**	**149**	**555**
Total income	-	105	159	264
Depreciation and amortisation	-	-	1	1
Interest income	16	10	-	26
Interest expense	-	-13	-1	-14
Income tax expense or income	-	-	1	1
Profit or loss from continuing operations	16	-2	-5	9
Post-tax profit or loss from discontinued operations	-	-	-2	-2
Other comprehensive income	-10	1	-1	-10
Total comprehensive income	6	-1	-8	-3

Deltafort Beleggingen I B.V., a 50% joint venture, participates in the ordinary and preference shares of Ahold N.V., and has its registered office in the Netherlands. a.s.r. retains the rights to its specific investments – contributed at the start of the arrangement - and the related income.

The real estate development joint ventures consist of numerous contractual agreement with other developers and property owner, whereby the parties agree to develop real estate projects. a.s.r. has issued various guarantees for the real estate development projects (see chapter 40).

In 2012, loans to associates and joint ventures amounted to € 42 million (2011: € 69 million). These loans are classified as loans and receivables.

11 Financial assets

Financial assets can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Investments		
Available for sale (Chapter 11.1)	20,467	18,454
At fair value through profit and loss (Chapter 11.2)	80	87
	20,547	18,541
Investments on behalf of policyholders		
At fair value through profit and loss (Chapter 11.2)	8,217	8,581
Loans and receivables (Chapter 11.3)	7,197	6,634
Derivatives (Chapter 11.4)	2,201	1,865
Cash and cash equivalents (Chapter 15)	2,556	2,573
Total financial assets	40,718	38,194

The table below gives a detailed overview of the types of financial assets held:

	Company investments 31 Dec. 2012	Company investments 31 Dec. 2011	Investments on behalf of policyholders 31 Dec. 2012	Investments on behalf of policyholders 31 Dec. 2011	Total financial assets 31 Dec. 2012	Total financial assets 31 Dec. 2011
Equities	2,051	1,386	7,290	7,752	9,341	9,138
Fixed-interest securities	18,322	16,984	733	526	19,055	17,510
Loans and receivables	7,197	6,634	87	119	7,284	6,753
Derivatives	2,201	1,865	5	2	2,206	1,867
Cash and cash equivalents	2,556	2,573	66	161	2,622	2,734
Other	174	171	36	21	210	192
Total	32,501	29,613	8,217	8,581	40,718	38,194

11.1 Investments available for sale

Investments available for sale can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Short-term government securities and other discountable securities	2	66
Government bonds	9,269	8,396
Corporate bonds	8,386	7,778
Mortgage-backed securities	404	484
Other asset-backed securities	261	248
Unlisted equities	55	31
Listed equities	1,916	1,279
Other investments	174	172
Total Investments available for sale	**20,467**	**18,454**

Changes in investments available for sale	2012	2011
At 1 January	18,454	19,019
Purchases	4,474	7,349
Repayments	-784	-1,111
Sold	-3,309	-6,627
Revaluation through profit or loss	248	194
Revaluation recognized in equity	1,482	-85
Impairments	-53	-263
Amortization	-38	-5
Exchange rate differences	-7	-2
Other changes	-	-15
Carrying amount at 31 December	**20,467**	**18,454**

Impairment of investments available for sale

The following table is a breakdown of impairments of investments available for sale:

	2012	2011
At 1 January	-956	-870
Increase in impairments through profit and loss	-69	-291
Release of impairments through profit and loss	16	28
Reversal of impairments due to disposal	242	182
Translation differences and other adjustments	-11	-5
At 31 December	**-778**	**-956**

The increase in translation differences and other adjustments relates mainly to exchange rate differences on investments available for sale. Impairments recognized on government bonds have been based on the existing impairment policy.

11.2 Investments at fair value through profit and loss

Investments at fair value through profit and loss can be broken down as follows:

	Company investments 31 Dec. 2012	Company investments 31 Dec. 2011	Investments on behalf of policyholders 31 Dec. 2012	Investments on behalf of policyholders 31 Dec. 2011	Total 31 Dec. 2012	Total 31 Dec. 2011
Government bonds	-	-	342	428	342	428
Corporate bonds	-	-	391	107	391	107
Debt certificates covered by other assets	-	12	-	1	-	13
Unlisted equities	80	74	-	-	80	74
Listed equities	-	1	7,290	7,873	7,290	7,874
Other investments	-	-	194	172	194	172
Total investments at fair value through profit and loss	**80**	**87**	**8,217**	**8,581**	**8,297**	**8,668**

Changes in investments at fair value through profit and loss:

	Company investments 2012	Company investments 2011	Investments on behalf of policyholders 2012	Investments on behalf of policyholders 2011	Total 2012	Total 2011
At 1 January	87	171	8,581	9,491	8,668	9,662
Purchases	8	17	1,139	1,069	1,147	1,086
Sold	-23	-112	-2,423	-1,634	-2,446	-1,746
Revaluation through profit or loss	8	10	860	-428	868	-418
Exchange rate differences	-	1	-5	4	-5	5
Other changes	-	-	65	79	65	79
Carrying amount at 31 December	**80**	**87**	**8,217**	**8,581**	**8,297**	**8,668**

A further breakdown of the investments at fair value through profit and loss and investments on behalf of policyholders is included in the fair value hierarchy tables (see chapters 11.5. and 11.6 respectively).

All investments at fair value through profit and loss are designated as such by a.s.r. upon initial recognition.

Equities and bonds are lent in exchange for a fee, with collateral obtained as security. At the end of 2012, the value of the loaned securities was € 8,846 million (2011: € 8,603 million) with the collateral furnished as security representing a value of € 10,610 million (2011: € 11,552 million) consisting of mortgage loans and corporate and government bonds.

11.3 Loans and receivables

Loans and receivables can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Government and public sector	244	296
Mortgage loans	3,533	2,855
Consumer loans	8	10
Other loans	208	257
Total due from customers	**3,993**	**3,418**
Impairments		
Specific credit risks	-58	-29
IBNR	-2	-32
Due from customers	**3,933**	**3,357**
Interest-bearing deposits	45	42
Loans and advances	2,411	2,242
Other	9	183
Total due from credit institutions	**2,465**	**2,467**
Specific credit risks	-29	-20
IBNR	-	-
Due from banks	**2,436**	**2,447**
Due from policyholders	217	252
Due from intermediaries	183	211
Reinsurance receivables	82	165
Other receivables	381	238
Total trade and other receivables	**863**	**866**
Specific credit risks	-33	-33
IBNR	-2	-3
Trade and other receivables	**828**	**830**
Total loans and receivables	**7,197**	**6,634**

Included in the due from banks is an amount of € 2,330 million (2011: € 2,240 million) related to savings-linked mortgage loans.

Impairment of loans and receivables

The following table breaks down changes in impairments of loans and receivables:

	31 Dec. 2012	31 Dec. 2011
At 1 January	-117	-92
Increase in impairments through profit and loss	-27	-43
Release of impairments through profit and loss	17	8
Reversal of impairments due to disposal	3	10
At 31 December	**-124**	**-117**

The fair value of the loans and receivables is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty.

11.4 Derivatives

Derivatives consist of derivatives held for trading and those held for cash flow hedging.

Derivatives held for trading are comprised of all derivatives that do not qualify for hedge accounting. Changes in the fair value of derivatives held for trading are recorded in investment income (under 'fair value gains and losses', see chapter 27.3). Listed derivatives are traded on the basis of standard contracts. As a result of margin obligations dictated by the different stock exchanges, they do not generally carry any significant counter-party risk. Derivatives transacted in the over-the-counter (OTC) market are agreed mutually by the contractual parties.

Notional amounts are used for measuring derivatives; they are not recognized as assets or liabilities in the balance sheet. Notional amounts do not reflect the potential gain or loss on a derivative transaction. a.s.r.'s counterparty risk is limited to the positive net fair value of the OTC contracts.

Unless stated otherwise, derivatives are traded over-the-counter.

At year-end 2012, the derivatives can be broken down as follows:

31 Dec. 2012	Positive fair value	Negative fair value	Notional amount
Derivatives held for trading			
Foreign exchange contracts			
Forward	-	-	17
Swaps	5	-	34
Total	**5**	**-**	**51**
Interest rate contracts			
Swaps	1,234	363	21,013
Options	959	-	12,440
Total	**2,193**	**363**	**33,453**
Equity index contracts			
Listed options	1	-	218
Total	**1**	**-**	**218**
Total return swap			
Swaps	1	-	112
Total	**1**	**-**	**112**
Total as at 31 December 2012	**2,200**	**363**	**33,834**
Derivatives held for cash flow hedging			
Interest rate contracts			
Swaps	1	3	78
Total	**1**	**3**	**78**
Total as at 31 December 2012	**2,201**	**366**	**33,912**

To mitigate interest rate risk a.s.r. effectively entered into forward starting swaps by combining receiver and payer swaps. The notional amounts of both receiver and payer swaps are included in the total notional amounts.
The fair value of interest rate contracts is based on the underlying yield curve of the instrument. In practice, these are euribor curves with 3-monthly or 6-monthly interest rate resets.
The fair value of the interest rate contracts using this method form the basis for the amount of collateral that is exchanged between a.s.r. and its counterparties in accordance with the underlying contracts.

Included in the cash and cash equivalents is € 1,882 million (2011 € 1,716 million) related to the cash collateral received on derivative instruments. This debt to repay the cash collateral is included in the amount due to banks (chapter 23).

31 Dec. 2011	Positive fair value	Negative fair value	Notional amount
Derivatives held for trading			
Foreign exchange contracts			
Forward	-	1	23
Swaps	5	1	53
Total	**5**	**2**	**76**
Interest rate contracts			
Swaps	672	130	13,626
Options	1,175	-	14,948
Total	**1,847**	**130**	**28,574**
Equity index contracts			
Listed options	12	-	494
Total	**12**	**-**	**494**
Total return swap			
Swaps	-	1	105
Total	**-**	**1**	**105**
Total as at 31 December 2011	1,864	133	29,249
Derivatives held for cash flow hedging			
Interest rate contracts			
Swaps	1	4	141
Total	**1**	**4**	**141**
Total as at 31 December 2011	**1,865**	**137**	**29,390**

Expected cash flows in connection with interest rate contracts included in derivatives held for cash flow hedging can be broken down as follows:

2012	Inflow	Outflow	Net cash flow
Within 1 year	1	-2	-1
Between 1 and 5 years	-	-2	-2
After 5 years	-	-	-

No cash flow hedges became ineffective in 2012. No amounts were transferred from the cash flow hedging reserve to the income statement.

For details, see chapter 3 on risk management.

11.5 Fair value hierarchy – Investments and derivatives

The breakdown of derivatives and financial assets at fair value in accordance with the level of fair value hierarchy, as explained in chapter 2.9, is as follows:

31 Dec. 2012	Fair value based on quoted prices in an active market	Fair value based on observable market data	Not measured on the basis of observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investments available for sale				
Short-term government securities	2	-	-	2
Government bonds	9,269	-	-	9,269
Corporate bonds	7,767	619	-	8,386
Debt certificates covered by mortgage	404	-	-	404
Debt certificates covered by other assets	261	-	-	261
Unlisted equities	-	-	55	55
Listed equities	1,916	-	-	1,916
Other investments	76	98	-	174
	19,695	717	55	20,467
Investments at fair value through profit and los				
Unlisted equities	-	-	80	80
	-	-	80	80
Derivatives				
Exchange rate contracts	-	5	-	5
Interest rate contracts	-	2,193	-	2,193
Equity index contracts	1	-	-	1
Credit derivatives	-	1	-	1
Derivatives held for hedging	-	1	-	1
Total positive fair value	1	2,200	-	2,201
Exchange rate contracts	-	-	-	-
Interest rate contracts	-	-363	-	-363
Derivatives held for hedging	-	-3	-	-3
Total negative fair value	-	-366	-	-366
	1	1,834	-	1,835
Total	19,696	2,551	135	22,382

31 Dec. 2011	Fair value based on quoted prices in an active market	Fair value based on observable market data	Not measured on the basis of observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investments available for sale				
Short-term government securities	66	-	-	66
Government bonds	8,396	-	-	8,396
Corporate bonds	7,363	415	-	7,778
Debt certificates covered by mortgage	484	-	-	484
Debt certificates covered by other assets	248	-	-	248
Unlisted equities	-	-	31	31
Listed equities	1,279	-	-	1,279
Other investments	90	82	-	172
	17,926	497	31	18,454
Investments at fair value through profit and los				
Debt certificates covered by other assets	12	-	-	12
Unlisted equities	-	-	74	74
Listed equities	1	-	-	1
	13	-	74	87
Derivatives				
Exchange rate contracts	-	5	-	5
Interest rate contracts	-	1,846	-	1,846
Equity index contracts	12	-	-	12
Derivatives held for hedging	-	2	-	2
Total positive fair value	12	1,853	-	1,865
Exchange rate contracts	-	-1	-	-1
Interest rate contracts	-	-136	-	-136
Equity index contracts	-	-	-	-
Derivatives held for hedging	-	-	-	-
Total negative fair value	-	-137	-	-137
	12	1,716	-	1,728
Total	17,951	2,213	105	20,269

Corporate bonds classified as Level 2 include unlisted fixed-income preference shares amounting to € 416 million (2011: € 415 million). The financial assets classified as Level 3 comprises primarily private equity investments.

The financial instruments in this category mainly consists of private equity investments. The main non-observable market input is the net asset value as published by the investee.

Fair value of financial assets on the basis of level 3 valuation technique	Investments at fair value through profit and loss	Investments at fair value through profit and loss	Investments available for sale	Investments available for sale
	2012	2011	2012	2011
At 1 January	74	60	31	38
Changes in value of investments, realized/unrealized gains and losses:				
- Fair value gains and losses (see chapter 28.3)	3	1	-	-
- Realised gains and losses (see chapter 28.2)	-	-	3	9
- Recognised in Other comprehensive income (unrealised gains and losses)	-	-	-3	-2
Purchases	6	16	25	-
Repayments				
Sales	-3	-3	-7	-14
Reclassification of investments from/to Level 3 valuation technique	-	-	6	-
At 31 December	80	74	55	31
Total revaluations of investments, held at year-end, recognized in the income statement	74	1	n/a	n/a

An increase or decrease in the net asset value of the unlisted equities will have a direct proportional impact on the fair value of the investment.

11.6 Fair value hierarchy – Investments on behalf of policyholders

The breakdown of the Investments on behalf of policyholders in accordance with the level of fair value hierarchy, as explained in chapter 2.9, is as follows:

31 Dec. 2012	Fair value based on quoted prices in an active market	Fair value based on observable market data	Not measured on the basis of observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investments on behalf of policyholders at fair value through profit and loss				
Government bonds	342	-	-	342
Corporate bonds	52	339	-	391
Debt certificates covered by mortgage	-	-	-	-
Listed equities	7,290	-	-	7,290
Other investments	87	107	-	194
Total	7,771	446	-	8,217

31 Dec. 2011	Fair value based on quoted prices in an active market	Fair value based on observable market data	Not measured on the basis of observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investments on behalf of policyholders at fair value through profit and loss				
Government bonds	428	-	-	428
Corporate bonds	36	71	-	107
Debt certificates covered by mortgage	1	-	-	1
Listed equities	7,873	-	-	7,873
Other investments	172	-	-	172
Total	8,510	71	-	8,581

12 Deferred taxes

	31 Dec. 2012	31 Dec. 2011
Deferred tax assets	-	11
Deferred tax liabilities	-79	-69
Total deferred taxes	**-79**	**-58**

Deferred taxes are formed for differences between the carrying amount of assets and liabilities and their tax base at the enacted tax rate, taking into account tax-exempt components.

The enacted and current tax rate of 25.0% (2011: 25.0%) is applied when calculating deferred tax.

	1 Jan. 2012	Changes recognized in profit and loss	Changes recognized in other comprehensive income	Other	31 Dec. 2012
Financial assets held for trading	-363	-126	-	-	-489
Investments	-237	160	-354	-	-431
Investment property	-323	61	-	-	-262
Property, plant and equipment	-3	4	-	3	4
Intangible assets	3	-	-	-3	-
Premium and claims reserve	666	211	237	-	1,114
Employee benefits	68	-	-	-	68
Provisions	3	-2	-	-	1
Amounts received in advance	-69	-11	11	-	-69
Unutilized tax losses	207	-207	-	-	-
Other	-10	-6	-	1	-15
Gross deferred tax	**-58**	**84**	**-106**	**1**	**-79**
Write-down of deferred tax assets	-	-	-	-	-
Total deferred taxes	**-58**	**84**	**-106**	**1**	**-79**

	1 Jan. 2011	Changes recognized in profit and loss	Changes recognized in other compre-hensive income	Other	31 Dec. 2011
Financial assets held for trading	-57	-306	-	-	-363
Investments	-157	-57	-23	-	-237
Investment property	-257	-67	-	1	-323
Property, plant and equipment	-9	6	-	-	-3
Intangible assets	3	-	-	-	3
Premium and claims reserve	338	264	53	11	666
Employee benefits	52	-	16	-	68
Provisions	-5	8	-	-	3
Amounts received in advance	-88	8	11	-	-69
Unutilized tax losses	220	-13	-	-	207
Other	-3	-7	-	-	-10
Gross deferred tax	**37**	**-164**	**57**	**12**	**-58**
Write-down of deferred tax assets	-	-	-	-	-
Total deferred taxes	**37**	**-164**	**57**	**12**	**-58**

Unutilized tax losses	31 Dec. 2012	31 Dec. 2011
Deferred tax assets	-	11
Deferred tax liabilities	-79	-69
Total deferred taxes	**-79**	**-58**

The available tax losses have been fully utilized in 2012 primarily due to the agreement with the Dutch Tax Services relating to corporate tax returns, see chapter 36.

13 Reinsurance contracts

The reinsurance contracts can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Non-life reinsurance contracts	445	461
Life reinsurance contracts	-	2
Total reinsurance contracts	**445**	**463**

Movements in insurance claims and benefits recovered from reinsurers classified as insurance liabilities can be broken down as follows:

	2012	2011
At 1 January	463	427
Changes in provision for unearned premiums	-3	-6
Changes in liabilities arising from insurance contracts (Life)	-2	-
Changes in provision for claims	-12	9
Other changes	-1	33
At 31 December	**445**	**463**

14 Other assets

The table below shows the composition of other assets:

	31 Dec. 2012	31 Dec. 2011
Deferred investment and interest income	481	564
Property developments	206	209
Tax receivable	-	12
Prepaid costs and other non-financial assets	31	7
Total	**718**	**792**
Impairments of property developments	-	-
Total other assets	**718**	**792**

Interest expenses incurred related to property developments amounting to € 4 million, were capitalized in 2012 (2011: € 5 million) and included in property developments.

15 Cash and cash equivalents

	31 Dec. 2012	31 Dec. 2011
Due from banks	757	1,773
Due from banks falling due within three months	1,799	800
Total cash and cash equivalents	2,556	2,573

All cash and cash equivalents, except for an amount of € 72 million related to cash collateral given, are freely available to the Group.

Included in the cash and cash equivalents is € 1,882 million (2011 € 1,716 million) related to the cash collateral received on derivative instruments and securities lending. This debt to repay the cash collateral is included in the amount due to banks (chapter 23).

16 Equity

16.1 Share capital

Share capital can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Authorized capital:		
- Ordinary shares; 1,000,000 at a par value of EUR 500	500	500
Of which: unsubscribed shares	-400	-400
Subscribed and paid-up capital: - Ordinary shares; 200,000 at a par value of EUR 500	100	100

The Dutch State has been the sole shareholder of ASR Nederland N.V. since 3 October 2008. On 29 September 2011, the Dutch State transferred all shares in ASR Nederland N.V. to NL Financial Investments (NLFI) in exchange for depositary receipts for the shares. There were no changes in share capital during the financial year.

16.2 Unrealized gains and losses recorded in equity

	Investments available for sale	Revaluation of associates	Cash flow hedge reserve	DPF Component	Total
31 Dec. 2012					
Gross unrealized gains and losses	1,900	10	-4	3	1,909
Related tax	-431	-	1	-	-430
Shadow accounting	-1,277	-	-	-	-1,277
Unrealized gains and losses related to segregated investment pools	-24	-	-	-	-24
Tax related to shadow accounting and segregated investment pools	325	-	-	-	325
Total	**493**	**10**	**-3**	**3**	**503**
31 Dec. 2011					
Gross unrealized gains and losses	419	-3	-3	3	416
Related tax	-78	-	1	-	-77
Shadow accounting	-360	-	-	-	-360
Unrealized gains and losses related to segregated investment pools	7	-	-	-	7
Tax related to shadow accounting and segregated investment pools	88	-	-	-	88
Total	**76**	**-3**	**-2**	**3**	**74**

Life insurance contracts have been entered into that, in addition to offering a guaranteed element, also give policyholders a right to additional benefits (see chapter 2.26). Expected claims for additional benefits under these insurance contracts with discretionary participation features (DPF) are included in the DPF reserve. This reserve is recognized as a component of the unrealized gains and losses recorded in equity. Expected claims for additional benefits under insurance contracts with DPF are included in the DPF component.

16.3 Other equity instruments

The issued hybrid Tier 1 instruments are classified as equity instruments. These issues were part of a financial restructuring in June 2009.

Position as at 31 december	2012	2011	Coupon date
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	84	84	Per quarter with effect from 26 October 2009
Hybrid Tier 1 instrument 6.25% fixed interest	12	12	Per quarter with effect from 30 September 2009
Hybrid Tier 1 instrument 10% fixed interest	382	382	Annually with effect from 26 October 2010
Hybrid Tier 1 instrument 7.25% fixed interest	37	37	Annually with effect from 30 September 2010
Total	**515**	**515**	

The Tier 1 instruments bear discretionary interest and have no maturity date, but can be redeemed at the option of a.s.r. on any coupon due date with effect from:

Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	26 oktober 2009
Hybrid Tier 1 instrument 6.25% fixed interest	30 september 2009
Hybrid Tier 1 instrument 10% fixed interest	26 oktober 2019
Hybrid Tier 1 instrument 7.25% fixed interest	30 september 2019

If the hybrid Tier 1 instrument at 10% fixed interest is not redeemed on 26 October 2019, the interest rate will be changed to 3-month Euribor plus 9.705%, with a quarterly coupon date with effect from 26 January 2020.

The following amounts were distributed to holders of equity instruments (x € 1,000):

	2012	2011
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	2,830	3,061
Hybrid Tier 1 instrument 6.25% fixed interest	967	577
Hybrid Tier 1 instrument 10% fixed interest	38,631	38,631
Hybrid Tier 1 instrument 7.25% fixed interest	2,731	2,731
Total	45,159	45,000

The tier 1 instruments are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r. Discretionary interest payments are adjusted against equity upon payment.

16.4 Non-controlling interest

Movements in non-controlling interest can be broken down as follows:

	2012	2011
At 1 January	-4	5
Share of total comprehensive income	-7	-8
Payments	0	-1
Acquisition of non-controlling interests	-2	0
As 31 December	-13	-4

The negative non-controlling interest relates to property development projects where non controlling shareholders have committed to increase capital when required.

17 Subordinated debt

The private loan of € 20 million was settled in terms of the agreement on 20 March 2012. The average interest rate on the subordinated loans was 6.6%.

18 Insurance liabilities

18.1 Liabilities arising from insurance contracts

Insurance contracts with retained exposure can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Provision for unearned premiums	416	507
Provision for claims	3,710	3,249
Non-life insurance contracts	**4,126**	**3,756**
Life insurance contracts	**21,314**	**19,975**
Total liabilities arising from insurance contracts	**25,440**	**23,731**

Changes in liabilities arising from non-life insurance contracts can be broken down as follows:

	Gross		Of which reinsurance	
	2012	2011	2012	2011
Provision for unearned premiums				
At 1 January	507	536	42	15
Changes in provision for unearned premiums	-92	-74	-3	-6
Other changes	1	45	-1	33
Provision for unearned premiums as at 31 December	416	507	38	42
Provision for claims				
At 1 January	3,249	2,999	419	410
Benefits paid	-1,580	-1,555	112	117
Changes in provision for claims	1,966	1,688	-124	-108
Changes in shadow accounting through equity	75	117	-	-
Provision for claims as at 31 December	**3,710**	**3,249**	**407**	**419**
Non-life insurance contracts as at 31 December	**4,126**	**3,756**	**445**	**461**

The provisions for claims comprises:

	Gross	
	31 Dec. 2012	31 Dec. 2011
Claims reported	3,240	2,814
IBNR	470	435
Total provision for claims	**3,710**	**3,249**

Changes in liabilities arising from life insurance contracts can be broken down as follows:

	2012	2011
At 1 January	20,105	18,977
Acquisition of insurance portfolios	-	202
Premiums received	859	1,086
Interest added	1,369	739
Benefits	-1,659	-1,984
Technical result	-71	-68
Release of cost recovery	-173	-137
Changes in shadow accounting through equity	839	202
Changes in shadow accounting through income	153	1,111
Other changes	-6	-23
At 31 December	**21,416**	**20,105**
Interest margin participations to be written down		
At 1 January	-142	-173
Discounts granted in the financial year	-	-11
Write-down recognized in profit or loss	30	41
Other changes	-	1
At 31 December	**-112**	**-142**
Provision for profit-sharing, bonuses and discounts		
At 1 January	12	13
Profit-sharing, bonuses and discounts granted in the financial year	-2	-1
At 31 December	**10**	**12**
Total life insurance contracts at year-end	**21,314**	**19,975**

At year-end 2012, the liabilities included a guarantee provision for a carrying amount of € 145 million (2011: € 129 million).

18.2 Claims development table, non-life

The table below is a ten-year summary of movements in cumulative benefits in connection with the non-life portfolio for the period from 2003 to 2012.

Gross claims (cumulative) As at 31 december 2012	Claims year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
At year-end:											
1st claims year	1,305	1,405	1,258	1,201	1,389	1,571	1,731	1,712	1,771	1,969	
2004	1,180	-	-	-	-	-	-	-	-	-	
2005	1,092	1,221	-	-	-	-	-	-	-	-	
2006	1,068	1,113	1,141	-	-	-	-	-	-	-	
2007	1,082	1,093	1,041	1,167	-	-	-	-	-	-	
2008	1,083	1,092	1,002	1,076	1,294	-	-	-	-	-	
2009	1,079	1,083	1,013	1,067	1,262	1,480	-	-	-	-	
2010	1,069	1,101	1,022	1,079	1,213	1,456	1,677	-	-	-	
2011	1,074	1,096	1,042	1,087	1,218	1,436	1,636	1,764	-	-	
2012	1,187	1,100	1,041	1,085	1,229	1,438	1,660	1,681	1,667	-	
Gross claims at 31 December 2012	1,187	1,100	1,041	1,085	1,229	1,438	1,660	1,681	1,667	1,969	
Cumulative gross paid claims	1,026	1,040	957	980	1,088	1,228	1,347	1,301	1,181	808	
Gross outstanding claims liabilities (including IBNR)	161	60	84	105	140	210	313	380	487	1,161	3,101
Claim liabilities prior years											345
Other claim liabilities											71
shadow accounting											193
Total claim liabilities											3,710

Gross claims (cumulative) As at 31 december 2011	Claims year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
At year-end:											
1st claims year	1,235	1,305	1,405	1,258	1,201	1,389	1,571	1,731	1,712	1,771	
2003	1,195	-	-	-	-	-	-	-	-	-	
2004	1,145	1,180	-	-	-	-	-	-	-	-	
2005	1,117	1,092	1,221	-	-	-	-	-	-	-	
2006	1,112	1,068	1,113	1,141	-	-	-	-	-	-	
2007	1,129	1,082	1,093	1,041	1,167	-	-	-	-	-	
2008	1,130	1,083	1,092	1,002	1,076	1,294	-	-	-	-	
2009	1,100	1,079	1,083	1,013	1,067	1,262	1,480	-	-	-	
2010	1,098	1,069	1,101	1,022	1,079	1,213	1,456	1,677	-	-	
2011	1,102	1,074	1,096	1,042	1,087	1,218	1,436	1,636	1,769	-	
Gross claims at 31 December 2011	1,102	1,074	1,096	1,042	1,087	1,218	1,436	1,636	1,769	1,771	
Cumulative gross paid claims	1,043	1,013	1,028	939	957	1,057	1,184	1,286	1,210	792	
Gross outstanding claims liabilities (including IBNR)	59	61	68	103	130	161	252	350	559	979	2,722
Claim liabilities prior years											251
Other claim liabilities											159
shadow accounting											117
Total claim liabilities											3,249

18.3 Liabilities arising from insurance contracts on behalf of policyholders

Movements in liabilities arising from insurance contracts on behalf of policyholders can be broken down as follows:

	2012	2011
At 1 January	9,202	10,488
Acquisition of insurance portfolios	-	8
Premiums received	936	908
Interest added	109	164
Benefits	-1,911	-1,594
Effect of fair value changes related to financial assets	826	-503
Technical result	-41	-10
Release of cost recovery	-163	-203
Other changes	-32	-56
At 31 December	**8,926**	**9,202**

At year-end 2012, the liabilities included a guarantee provision for a carrying amount of € 55 million (2011: € 110 million) and a provision related to unit-linked insurance contracts and pension contracts for a carrying amount of € 266 million (2011: € 371 million). These provisions relate to compensation for the cost of these contracts.

19 Employee benefits

Employee benefits can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Post-employment benefits pensions (Chapter 19.1)	2,145	2,102
Post-employment benefits other than pensions (Chapter 19.1)	30	33
Post-employment benefit obligation	**2,175**	**2,135**
Other long-term employee benefits (Chapter 19.2)	10	8
Total	**2,185**	**2,143**

ASR Levensverzekering N.V., an insurance company and a group entity, is the insurer of the post-employment benefit plan. As this company holds the separated investments that are meant to cover the employee benefit obligation, they do not qualify as plan assets in accordance with IAS 19 and are therefore included in financial assets.

The costs of post-employment and other long-term employee benefits are as follows:

	2012	2011
Post-employment benefits pensions	-119	-130
Post-employment benefits other than pensions	1	-1
Total	**-118**	**-131**
Other long-term employee benefits	-3	-1
Costs of post-employment benefits	**-121**	**-132**

The costs relate to all members of the a.s.r. post-employment benefit plan.

19.1 Defined benefit obligation and other post-employment benefits

A number of defined benefit post-employment benefit plans for its employees exist benefit. All employees are formally employed by ASR Nederland N.V. The a.s.r. post-employment benefit plans are based on an average-salary pension.
All employees who commenced service after 1 January 2006 are included in one post-employment benefit plan. All other employees remain active within the existing plan at the date of first employment ('Basic plan'). Furthermore older plans for 'sleepers and pensioners are still active.

The accrued rights of active members in all plans are subject to a conditional indexation, maximised at the level of the CAO wage index. The pensions of current pensioners and the accrued rights of sleepers are also indexed using various indexation provisions. The indexation for the basic plan is linked to the profit sharing of the assets with a maximum of the greater of consumer price index and 3%. The indexation of the other plans are also based on the profit sharing of the assets, however generally have with a maximum indexation ranging between 3% and 4%. The older plans with a limited number of active members have no maximum indexation.

As of 1 January 2013, the indexation for active members is conditional and depends on the realized surplus interest of the managed assets. As a result of this amendment a negative past service cost and curtailment (including actuarial gain and loss) is accounted for in 2012 amounting to € 75 million and € 26 million respectively. This has resulted in an amount of € 26 million being recognized in Other income in 2012 (see chapter 29).

The pension contributions are paid by a.s.r. and employees pay an own contribution of 6% of their pensionable salary.

The benefits under these plans are dependent on factors such as years of service and compensation. Pension obligations are determined using mortality tables, the rate of employee turnover, wage drift and economic assumptions such as inflation, and the discount rate. The discount rate is determined based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the duration of the pension obligation. The post-employment benefit plans for a.s.r.'s employees has been insured by ASR Levensverzekering N.V. since 2008.

Besides pension benefits, the costs of the defined benefits plans include personnel arrangements for financial products (such as mortgages), which remain in place after retirement.

The tables below provide further information on gross provisions, qualifying plan assets and the carrying amounts recognized in the balance sheet item for pensions and other post-employment benefits.

At 31 december	Pension plans				
	2012	2011	2010	2009	2008
Present value of funded obligations	-	-	-	-	-
Present value of unfunded obligations	2,615	2,343	2,176	1,970	1,707
Defined benefit obligation	2,615	2,343	2,176	1,970	1,707
Fair value qualifying plan assets	-	-	-	-	-
Unrecognized past service costs	87	15	18	21	24
Unrecognized actuarial gain (loss)	-557	-256	-202	-93	154
Other net liabilities	-	-	-	-	-
Net liability	2,145	2,102	1,992	1,898	1,885
Amounts in the balance sheet:					
Liabilities	2,145	2,102	1,992	1,898	1,885
Assets	-	-	-	-	-
Net liability	2,145	2,102	1,992	1,898	1,885

At 31 december	Other post-employment benefits				
	2012	2011	2010	2009	2008
Present value of funded obligations	-	-	-	-	-
Present value of unfunded obligations	21	21	18	24	23
Defined benefit obligation	21	21	18	24	23
Fair value qualifying plan assets	-	-	-	-	-
Unrecognized past service costs	-	-	-	-	-
Unrecognized actuarial gain (loss)	9	12	16	17	18
Other net liabilities	-	-	-	-	-
Net liability	30	33	34	41	41
Amounts in the balance sheet:					
Liabilities	30	33	34	41	41
Assets	-	-	-	-	-
Net liability	30	33	34	41	41

Assets managed by group companies have not been included in the above figures. At year-end 2012, the fair value of these assets amounted to € 1,851 million (2011: € 1,684 million).

The table below shows movements in the defined benefit obligation:

	Pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Defined benefit obligation at 1 January	2,343	2,176	21	18
Current service cost, contributions by employer	40	33	1	1
Current service cost, contributions by employee	10	10	-	-
Interest cost	106	100	1	1
Actuarial losses (gains) on liabilities	308	54	1	3
Benefits	-85	-88	-3	-2
Past service cost	-75	-	-	-
Curtailments and settlements	-32	-	-	-
Other	-	58	-	-
Defined benefit obligation at 31 December	**2,615**	**2,343**	**21**	**21**

The following table shows the changes in unrecognized negative past service cost:

	Pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Unrecognized negative past service cost as at 1 January	15	18	-	-
Past service cost	75	-	-	-
Amortization of unrecognized past service cost	-3	-3	-	-
Unrecognized negative past service cost as at 31 December	**87**	**15**	**-**	**-**

The following table provides an overview of changes in total unrecognized actuarial (gains) losses on assets and liabilities:

	Pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Unrecognized actuarial gains (losses) at 1 January	-256	-202	12	16
Actuarial (gains) losses on defined benefit obligation	-308	-116	-1	-3
Actuarial (gains) losses on qualifying assets	-	-	-	-
Amortization of unrecognized actuarial (gains) losses on defined benefit obligation	7	-	-2	-1
Other	-	62	-	-
Unrecognized actuarial gains (losses) at 31 December	**-557**	**-256**	**9**	**12**

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets (back to 2008) and the defined benefit obligation.

	Pension plans					Other post- employement benefits				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
Experience adjustments to qualifying investments, gain (loss)	-	-	-	-	-	-	-	-	-	-
As % of qualifying investments as at 31 December	-	-	-	-	-	-	-	-	-	-
Experienced adjustments to defined benefit obligation, loss (gain)	60	-27	-13	4	-31	-	1	-1	-1	-
As a % of liabilities as at 31 December	2.3%	-1.3%	-0.7%	0.2%	-1.8%	-7.3%	3.5%	-2.9%	-2.3%	1.1%

The principal actuarial assumptions at year end were as follows:

	Pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Discount rate	3.8%	4.6%	1.8%	3.1%
Expected return on plan assets	-	-	-	-
Future salary increases (including price inflation)	2.0%	2.1%	-	-
Future pension increases (including price inflation)	2.0%	2.1%	-	-
Future mortgage interest (in connection with grantable discounts)	-	-	4.2%	3.8%

The portfolio of global investments (non-qualifying assets) held by ASR Levensverzekering N.V. to cover the employee benefit expense can be broken down as follows:

Asset category	2012	2011
Equities	13%	10%
Fixed-interest securities	82%	84%
Real estate	5%	5%
Cash	-	1%

As a financier of the post-employment benefit plans, a.s.r. has drawn up general guidelines for asset allocation based on criteria such as geographical location and ratings. To ensure that the investment strategy remains in line with the structure of pension obligation, a.s.r. regularly performs Asset Liability Management (ALM) studies. Assets are allocated based on these guidelines and on the outcomes of these studies.

Service cost and other costs of post-employment benefits have been broken down in the table below:

	Pension plans		Other post-employment benefits	
	2012	2011	2012	2011
Current service costs	-40	-33	-1	-1
Interest costs	-106	-100	-1	-1
Amortization of unrecognized past service costs	3	3	-	1
Depreciation of unrecognised actuarial losses (gains)	-	-	3	-
Gains on curtailments	26	-	-	-
Other defined benefit expense	-2	-	-	-
Total defined benefits expense	**-119**	**-130**	**1**	**-1**

Under IFRS, assets managed by insurance companies that form part of the group do not count as qualifying assets. Therefore, investment income from these assets has not been included in the above figures. Actual investment returns for 2012 amounted to € 52 million (2011: € 54 million). These returns have been recognized in investment income (chapter 28).

As an employer, a.s.r. is expected to pay the following contributions towards the post-employment benefits in the coming financial year:

	Pension plans with defined benefits	Other post-employment benefits
Expected contributions for next year	85	2

19.2 Other long-term employee benefits

Other long-term employee benefits consist of the employer's share of liabilities arising from long-service benefits.
The table below shows the changes in these liabilities:

	2012	2011
Net liability as at 1 January	8	7
Total expenses	3	1
Other	-1	-
Net liability as at 31 December	**10**	**8**

The underlying assumptions are as follows:

Actuarial year-end assumptions	2012	2011
Discount rate	3.8%	3.2%
Salary increases	2.0%	2.1%

20 Provisions

The table below shows movements in provisions:

	2012	2011
At 1 January	30	28
Additional foreseen amounts	35	15
Reversal of unused amounts	-2	-3
Usages in course of year	-32	-10
At 31 December	**31**	**30**

The provisions were created for:

- tax and legal issues;
- staff restructuring expenses; retention of disability risk instead of insuring it with UWV (Employed Persons Insurance Administration Agency).

The provision for legal issues is based on best estimates available at year end, making allowance for expert legal opinions. The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and the time required for the settlement of disputes.

The provisions for staff restructuring are based on arrangements agreed in the Collective Bargaining Agreement, restructuring plans, and on decisions made by a.s.r.'s management.

Of the provisions, an amount of € 23 million falls due within one year (2011: € 11 million).

21 Borrowings

As at year-end 2012, borrowings comprised loans having the following terms to maturity:

	31 Dec. 2012	31 Dec. 2011
Falling due within 1 year	83	13
Falling due between 1 and 5 years	26	78
Falling due after 5 years	17	16
Total borrowings	**126**	**107**

As at year-end 2011, the fair value of borrowings was € 126 million (2011: € 107 million). The average interest rate payable on other borrowings was 3.67% (2011: 4.26%).

These borrowings are used for investment purposes (property, group pension contracts), for balance sheet management, and for short-term cash flow management.

22 Due to customers

Amounts owed to customers can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Debts to policyholders, agents and intermediaries	591	891
Debts to reinsurers	19	36
Savings	513	549
Other liabilities	292	115
Total due to customers	**1,415**	**1,591**

All carrying amounts reflect the fair value as at the balance sheet date.

23 Due to banks

Amounts owed to banks comprises primarily cash collateral received under ISDAs concluded with counterparties, which is included in the cash and cash equivalents. There is no significant difference between the carrying amount of € 1,882 million (2011: € 1,716 million) due to banks and the fair value of these liabilities.

The average interest rate payable for the cash collateral received in 2012 is 0.23% (Eonia) (2011: 0.87%.). There are no specific terms and conditions, because they are dependent on the development of the value of the underlying instrument.

24 Other liabilities

Other liabilities can be broken down as follows:

	31 Dec. 2012	31 Dec. 2011
Deferred income	246	315
Accrued interest	113	102
Other liabilities	294	324
Short-term employee benefits	71	66
Trade payables	211	156
Tax payable	163	4
Total other liabilities	**1,098**	**967**

There is no significant difference between the carrying amount of other liabilities and their fair value.

Notes to the income statement

25 Gross insurance premiums

The table below shows the composition of gross insurance premiums:

	2012	2011
Non-life insurance contracts – gross earned premiums	2,579	2,427
Life insurance contracts retained exposure	877	1,171
Life insurance contracts on behalf of policyholders	926	913
Total life insurance contracts	1,803	2,084
Total gross insurance premiums	4,382	4,511

The table below provides an overview of total gross earned non-life insurance premiums. For further details on the individual business lines, see the segment information (see chapter 5.5).

Premiums non-life	2012	2011
Gross premiums written	2,487	2,353
Changes in provisions for unearned premiums	92	74
Non-life insurance contracts – gross earned premiums	2,579	2,427

25 Gross insurance premiums

Non-recurring and regular insurance premiums can be broken down as follows:

Premiums life	2012	2011
Retained exposure Group		
Non-recurring premiums written	66	91
Periodic premiums written	281	281
Group total	347	372
Individual		
Non-recurring premiums written	184	306
Periodic premiums written	469	493
Individual total	653	799
Total contracts retained exposure	1,000	1,171
On behalf of policyholders Group		
Non-recurring premiums written	47	31
Periodic premiums written	249	271
Group total	296	302
Individual		
Non-recurring premiums written	3	12
Periodic premiums written	504	599
Individual total	507	611
Total contracts on behalf of policyholders	803	913
Total life insurance contracts	1,803	2,084

Total life insurance contract premiums including the elimination of € 88 million in premiums related to the a.s.r. post-employment benefit plans (2011: € 82 million).

26 Reinsurance premiums

Reinsurance premiums can be summarized as follows:

	2012	2011
Gross premium, non-life	-155	-206
Gross premium, life	-7	-20
Total reinsurance premiums	**-162**	**-226**

27 Investment income

27.1 Total investment income

The table below shows a breakdown of investment income per category:

	2012	2011
Interest income	1,317	1,162
Dividend and other investment income	201	219
Total investment income	**1,518**	**1,381**

The table below breaks down interest income per category:

	2012	2011
Interest income from receivables due from credit institutions	127	122
Interest income from investments	625	698
Interest income from amounts due from customers	179	172
Interest income from trade receivables and derivatives	327	162
Other interest income	59	8
Total interest income	**1,317**	**1,162**

The effective interest rate method has been applied to an amount of € 921 million of the interest income from financial assets not classified as stated at fair value through profit and loss (2011: € 979 million).

Interest income includes € 27 million (2011: € 37 million) in interest received on impaired fixed-income securities and Other interest income includes an amounting of € 30 million related to the agreement reached with the Dutch Tax Administration (see chapter 36).

Dividend and other investment income per category can be broken down as follows:

	2012	2011
Dividend on equities	35	46
Rentals from investment property	140	157
Other investment income	26	16
Total dividend and other investment income	**201**	**219**

27.2 Realized gains and losses

The table below shows a breakdown of realized gains and losses per category:

	2012	2011
Investment property		
Realized gains	39	289
Realized losses	-2	-6
Investments available for sale		
Fixed-interest securities		
Realized gains	249	234
Realized losses	-32	-62
Equities		
Realized gains	46	110
Realized losses	-15	-88
Other investments		
Realized losses	-	-2
Total realized gains and losses	**285**	**475**

27.3 Fair value gains and losses

Fair value gains and losses per category can be broken down as follows:

	2012	2011
Derivatives	672	1,091
Financial assets at fair value through profit or loss	50	10
Additions to insurance liabilities due to shadow accounting	-153	-1,110
Total fair value gains and losses	**569**	**-9**

All changes in fair value presented here are changes to the so-called 'clean fair value'. This is the fair value net of accrued interest recognized in interest income and expense.

Fair value gains and losses and realized gains and losses on fixed-interest securities (chapter 27.2) amounting to € 690 million (2011: € 69 million) are recognised as provisions for liabilities arising for the life insurance contract and included in the net insurance claims and benefits (see chapter 30).

28 Fee and commission income

Fee and commission income consists of the following components:

	2012	2011
Asset management for third parties	5	6
Commission on reinsurance	50	67
Other fee and commission income	14	9
Total fee and commission income	**69**	**82**

29 Other income

Other income can be broken down as follows:

	2012	2011
Proceeds from property developments	92	68
Other income	91	67
Total other income	**183**	**135**

Other income includes income related to the curtailment of the a.s.r. post –employment benefit plans amounting to € 26 million (see chapter 19) recognized in 2012.

30 Net insurance claims and benefits

Net insurance claims and benefits can be summarized as follows:

Total non-life and life	2012	2011
Insurance claims and benefits	-5,707	-3,835
Insurance claims and benefits recovered from reinsurers	100	142
Net insurance claims and benefits	**-5,607**	**-3,693**

Non-life	2012	2011
Claims paid	-1,580	-1,555
Change in provision for outstanding claims	-386	-143
Amortization of VOBA (Chapter 6)	-1	-1
Insurance claims and benefits	**-1,967**	**-1,699**
Insurance claims and benefits recovered from reinsurers	101	126
Net insurance claims and benefits, Non-life	**-1,866**	**-1,573**

Life	2012	2011
Claims paid	-3,579	-3,609
Changes in liabilities arising from insurance contracts	-384	196
Changes in liabilities arising from insurance contracts on behalf of policyholders	240	1,294
Amortization of VOBA (Chapter 6)	-17	-17
Insurance claims and benefits	**-3,740**	**-2,136**
Insurance claims and benefits recovered from reinsurers	-1	16
Net insurance claims and benefits, Life	**-3,741**	**-2,120**

31 Operating expenses

Operating expenses can be broken down as follows:

	2012	2011
Salaries and wages	-250	-255
Social security contributions	-32	-29
Employee benefit charges	-38	-30
Employee discounts	-9	-9
Other short-term employee benefits	-3	-11
Total cost of own staff	**-332**	**-334**
Cost of external staff	-76	-96
Consultancy costs and fees	-66	-75
Marketing, advertising and public relations expenses	-24	-34
Technology and system costs	-46	-53
Amortization of software (Chapter 6)	-1	-4
Depreciation of property, plant and equipment (Chapter 8)	-12	-12
Other operating expenses	-28	-13
Total other operating expenses	**-253**	**-287**
Total operating expenses	**-585**	**-621**

Other operating expenses include travel and subsistence, telephone and personnel training expenses.

The distribution of a.s.r.'s workforce was as follows at 31 December:

Segment	2012	2011
Non-life	1,125	1,101
Life	667	797
Other	2,787	2,733
Total employees	**4,579**	**4,631**

As a result of continuing cost-cutting programmes, the total work force decreased by 52 to 4.579 (2011: 4.631). The 'total work force' consists of the number of internal and external FTEs. The number of internal FTEs decreased by 4% to 4,088 (2011: 4,264 FTE) and the number of external FTEs increased by 34% to 491 (2011: 367 FTE).

Operating expenses are allocated to the non-life and life segments. However, in the presentation of the a.s.r.'s workforce per segment, employees, administrative expenses and overheads have not been allocated to segments.

The operating expenses include an amount of € 756 thousand related to the 2012 "Crisisheffing" high income crisis levy of which € 132 thousand relates to the executive directors.

32 Acquisition costs

Acquisition costs can be broken down as follows:

	2012	2011
Commission fees	-494	-494
Recognized in deferred acquisition costs	1	9
Amortization of deferred acquisition costs	-91	-108
Total acquisition costs	-584	-593

33 Impairment of assets

The table below is a summary of impairments:

	2012	2011
Intangible assets	-3	-20
Property, plant & equipment	-11	-16
Investment property	-9	-22
Associates and joint ventures	-17	-2
Investments available for sale	-53	-263
Loans and receivables	-10	-35
Total impairments	-103	-358

Due to the credit and financial crises, impairments have been applied to equities, corporate bonds, associates and joint ventures, mortgage loans and investment property. Further impairments in 2012 related to goodwill and property plant & equipment.

Changes in impairments of investments available for sale can be broken down as follows:

	2012	2011
Equities	-20	-41
Bonds	-229	-395
Collateralized debt obligations	5	8
Reversal of impairments on bonds as a result of disposal	191	165
Total impairments in investments	-53	-263

34 Interest expense

The table below is a breakdown of the interest expense:

	2012	2011
Interest on employee benefits	-107	-101
Interest on derivatives	-231	-113
Interest owed to banks	-18	-18
Interest owed to customers	-8	-6
Interest on borrowings	-7	-4
Other interest expenses	-34	-12
Total interest expenses	-405	-254

35 Other expenses

	2012	2011
Costs associated with sale of development property	-159	-80
Operation and depreciation of investment property	-60	-67
Other expenses	-46	-55
Total other expenses	-265	-202

Included in the costs associated with sale of development property is an amount of € 64 million related to provisions recognized for possible future loss related to land and property development projects held as other assets.

36 Income tax expense

The income tax expense can be broken down as follows:

	2012	2011
Current tax for financial year	-132	-
Current taxes referring to previous periods	92	118
Total current tax	**-40**	**118**
Deferred tax for financial year	84	-165
Impact of change in tax rate	-	-
Total deferred tax	**84**	**-165**
Income tax expense	**44**	**-47**

The table below shows a reconciliation of the expected income tax expense with the actual income tax expense. The expected income tax expense was determined by linking up profit before tax to the tax rate in the Netherlands. In 2012, this rate was 25.0% (2011: 25.0%). The enacted tax rate for 2013 will be 25.0%.

	2012	2011
Profit before tax	204	252
Current tax rates	25%	25%
Expected income tax expense	**-51**	**-63**
Effects of:		
Tax-exempt interest	6	7
Tax-exempt dividends	7	6
Tax-exempt capital gains	5	11
Changes in impairments	-11	-11
Adjustments for taxes due on previous financial years	87	4
Other effects	1	-1
Income tax expense	**44**	**-47**

In July 2012, a.s.r. concluded an agreement with the Dutch Tax Administration relating to corporate tax returns. This agreement clarifies the principles upon which the corporation tax returns commencing from 2001 to 2010 for a.s.r. and its tax entities are to be established. The group recognized tax income and related interest income amounting to € 90 million and € 30 million (see chapter 27.1) respectively in 2012 for the period 2001 to 2010.

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Other notes

37 Related party transactions

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. include the Dutch government, associates, joint ventures, members of the Executive Board, members of the Supervisory Board and their immediate family members. These parties further include entities over which these persons or entities exercise control or substantial influence, and other affiliated entities.

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits, commissions and reinsurance contracts, and are conducted on terms equivalent to those that prevail in arm's lenght transactions.

The remuneration and combined share ownership of the members of the Executive Board are described in chapter 38 (Remuneration of the a.s.r. Executive Board and Supervisory Board).

In the normal conduct of business, a.s.r. entities may issue insurance contracts, business credits, loans or bank guarantees to members of the Executive Board and the Supervisory Board or to these persons' immediate family members.

The table below shows the financial scope of a.s.r.'s related party transactions:

- associates;
- joint ventures;
- other related parties.

	Associates		Joint ventures		Other related parties		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Balance sheet items with related parties as at 31 December								
Associates	64	72	149	139	-	-	213	211
Loans & receivables	32	34	10	35	2	2	44	71
Other assets	10	10	-	-	-	-	10	10
Other liabilities	13	31	4	1	-	-	17	32
Transactions in the income statement for the financial year								
Interest income	2	1	1	1	-	-	3	2
Interest expense	-	-	-	-	-	-	-	-

Provisions for impairment amounting to € 4 million (2011: € 11 million) have been recognized on the loans and receivables. Mortgage loans to the Executive Board can be broken down as follows:

Amounts in euros x 1,000 Executive directors	Outstanding		Average interest %		Settlement	
	2012	2011	2012	2011	2012	2011
J.P.M. Baeten	734	738	4,0%	4,0%	-	
R.H.A. van Vledder	-	-	-	3,0%	-	450
Total	734	738	-	-	-	450

These mortgage loans held by the members of the Executive Board have been issued based on normal personnel conditions. The normal personnel conditions consists of limits and thresholds to which personnel interest rate discount applies.

For mortgage loans greater than € 340 thousand arm length conditions apply.
The normal employee conditions are applied to insurance contracts held by the members of the Executive Board.

38 Remuneration of the Executive Board and Supervisory Board

The remuneration of the executive and supervisory directors is determined in accordance with the current Articles of Association of ASR Nederland N.V.

38.1 Remuneration of supervisory directors

The annual remuneration for members of the a.s.r. Supervisory Board has been calculated as follows:

Amounts in euros x 1,000	2012			2011		
Supervisory directors	As a supervisory director	As a committee member	Total	As a supervisory director	As a committee member	Total
C. van der Pol	45	5	50	45	5	50
A.P. Aris	30	5	35	30	5	35
C.H. van den Bos*	30	13	43	30	10	40
M. Scheltema*	30	13	43	30	10	40
Total	135	30	171	135	30	165

* From 1 April 2012 the amount as a committee member also includes remuneration for services as supervisory director of ASR Bank N.V. amounting to 4,000 euro's per annum per supervisory director.

38.2 Remuneration of current and former executive directors

The remuneration of current and former executive directors is in accordance with the 2012 remuneration policy. This policy was approved by the shareholder.
In accordance with the new remuneration law "Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen", issued by the Dutch government, no variable remuneration has been disbursed to the Executive Board Directors for the fiscal year 2012. a.s.r. has opted for the opportunity as stated in this law to provide a one-time personal allowance to some Executive Board Directors, excluding the Chairmain. With this personal allowance, a.s.r. will remain well below the allowed maximum of 20%.

The remuneration can be broken down as follows:

Amounts for 2012 in euro's x 1,000 Executive directors	Fixed employee benefits	Short-term variable employee benefits	Post-employment benefits	Pension benefits[1]	Expense allowance	Termination benefits	Long-term variable remuneration	Total, including long-term variable remuneration	Total disbursed remuneration
J.P.M. Baeten	508	-	-	196	5	-	-	709	709
R.T. Wijmenga	391	-	-	135	5	-	-	531	531
K.T.V. Bergstein*	386	-	-	97	5	-	-	488	488
M.H. Verwoest**	34	-	-	9	-	-	-	43	43
R.H.A. van Vledder***	169	-	-	55	3	334	-	561	561
Total	1,488	-	-	492	18	334	-	2,332	2,332

Amounts for 2011 in euro's x 1,000 Executive directors	Fixed employee benefits	Short-term variable employee benefits	Post-employment benefits	Pension benefits[1]	Expense allowance	Termination benefits	Long-term variable remuneration	Total, including long-term variable remuneration	Total disbursed remuneration
J.P.M. Baeten	501	-	-	211	5	-	-	717	717
R.T. Wijmenga	334	-	-	122	5	-	-	461	461
K.T.V. Bergstein*	100	-	-	29	2	-	-	131	131
R.H.A. van Vledder***	334	-	-	116	5	-	-	455	455
J.W.M. van der Knaap****	237	-	-	95	4	-	-	336	336
Total	1,506	-	-	573	21	-	-	2,100	2,100

[1] This includes pension and VPL. In 2012 pension indexation has been changed from unconditional to conditional and pension benefits will be normalized accordingly in 2013.
* Joined a.s.r. on 1 September 2011 and the Executive Board on 15 September 2011. Contractually agreed, she will grow to the remuneration level of the other ordinary board members (not CEO) within a maximum period of two years.
** Joined the Executive Board on 1 December 2012.
*** Term of service as executive director ended on 31 December 2011. Term of service at a.s.r. ended on 30 June 2012. The termination benefit has been determined in 2012 in accordance with the Dutch Corporate Governance Code (article II.2.8) and contractual obligations and amounts to a one-year salary.
**** Term of service as executive director ended on 15 September 2011 and became chairman of ASR Bank.

An amount of € 94,399 (2011: € 272,955) being the final payments were made to former executive directors in 2012 under existing contractual obligations. The amount was agreed upon in 2005 and does not concern any of the persons mentioned in the tables above.

39 Acquisitions

On 5 July 2012, ASR Nederland Vastgoed Maatschappij N.V. acquired 100% of the shares of Terra Landelijke Eigendommen Exploitatie B.V. for an amount of € 43 million consisting primarily of investment property. a.s.r. recognized an amount of € 2 million in goodwill in addition to the fair value amount of the initially acquired shareholders' equity.

On 14 November 2011, ASR Levenverzekering N.V. acquired 100% of the shares of Paerel Leven N.V. for an amount of 1 Euro. This did not have any significant impact on the income statement for 2011. The legal merger of ASR Levensverzekering N.V. and Paerel Leven N.V. is effective as of 28 June 2012, retrospectively from 1 January 2012.

In November 2011, ASR Deelnemingen N.V. acquired 100% of the shares of Poliservice B.V. for an amount of 1 Euro. a.s.r. initially acquired Poliservice B.V. with the intention to resell and therefore accounted for these shares at fair value. In the second half of the year, management decided to hold Poliservice B.V. with the intention of continuing the activities. Following this decision, a.s.r. recognized an amount of € 3 million in goodwill in addition to the carrying amount of the shareholders' equity. This goodwill has been fully impaired in 2012 given the limited future benefits expected to be realized.

40 Contingent liabilities

Claims and disputes

The group is a respondent in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

Provisions are formed for such occurrences if, in management's opinion and after consultation with its legal advisers, a.s.r. is likely to have to make payments and the payable amount can be estimated with sufficient reliability (see chapters 18 'Insurance liabilities' and 20, 'Provisions').

As for other claims and legal proceedings against a.s.r. known to management (and for which, in accordance with the defined principles, no provision has been formed), management feels, after having sought expert advice, that these claims have no chance of success, or that a.s.r. can successfully mount a defence against them, or that the outcome of the proceedings is unlikely to result in a significant loss for a.s.r.

Investment obligations and guarantees

Where property developments are concerned, ASR Vastgoed Vermogensbeheer has assumed investment obligations for an amount of € 403 million (2011: € 350 million) and has issued guarantees to third parties for a total amount of € 330 million. a.s.r. has issued guarantees to third parties for a total amount of € 504 million (2011: € 517 million) for real estate development projects and the acquisition of property. Those guarantees were issued by principals for the execution of projects for the benefit of clients.

Lease commitments

The table below breaks down the commitments for non-cancellable operating leases as at 31 December:

Lease commitments	2012	2011
No later than 3 months	1	2
Later than 3 months and no later than 1 year	4	4
Later than 1 year and no later than 5 years	7	8
Later than 5 years	-	-
Total	12	14

Other commitments have been entered into primarily for service and ICT contract related to an amounting of € 37 million.

Company financial statements

41 Company balance sheet

	Note	31 Dec. 2012	31 Dec. 2011
Subsidiaries, joint ventures and associates	1	3,835	3,555
Loans to group companies	2	284	651
Loans and deposits	3	31	36
Receivables from group companies	4	2,057	2,445
Deferred tax assets	5	17	272
Other assets		5	8
Cash and cash equivalents	6	163	49
Total assets		**6,392**	**7,016**
Equity			
Share capital	7	100	100
Share premium reserve	7	962	962
Statutory reserves	7	398	72
Other reserves	7	718	508
Profit for the year	7	255	212
Total equity attributable to shareholders		**2,433**	**1,854**
Other equity instruments	7	515	515
Equity attributable to holders of equity instruments		2,948	2,369
Subordinated debt	8	-	20
Employee benefits	9	2,185	2,143
Provisions	10	19	22
Borrowings	11	30	30
Loans from group companies		582	781
Debts to group companies		364	1,458
Derivatives		-	1
Other liabilities	12	264	192
Total liabilities		**3,520**	**4,647**
Total liabilities and equity		**6,392**	**7,016**

42 Company income statement

	2012	2011
Share of profit/(loss) of group companies	219	238
Other income and expenses after tax	36	-26
Profit for the year	255	212

43 Notes to the company financial statements

General

The consolidated financial statements of a.s.r. for 2012 have been prepared in accordance with IFRS – including the International Accounting Standards (IAS) and Interpretations – as accepted within the European Union. In accordance with Section 362(8), Book 2 of the Netherlands Civil Code, the ASR Nederland N.V. Executive Board has decided to apply the same accounting policies to the consolidated financial statements as to the company financial statements. This has been the practice since 2005.

Investments in group companies are carried at net asset value, in accordance with the accounting policies used in a.s.r.'s consolidated financial statements. The share of profit of group companies is reported in conformity with the accounting policies used in a.s.r.'s consolidated financial statements.

ASR Nederland N.V. has availed itself of the option offered by Section 402, Book 2 of the Netherlands Civil Code to prepare an abridged income statement.

Unless stated otherwise, all amounts presented in these financial statements are in millions of euros.

43.1 Notes to the company balance sheet

1. Subsidiaries, joint ventures and associates	2012	2011
At 1 January	3,555	3,499
Additions to capital	77	400
Share of profit	219	238
Dividend received	-421	-275
Revaluations	324	-271
Change in DPF component	-	-3
Other changes	81	-33
At 31 December	**3,835**	**3,555**

2. Loans to group companies	2012	2011
At 1 January	651	611
Issues	272	2,551
Repayments	-639	-2,511
At 31 December	**284**	**651**

The loans to group companies consist primarily of deposits with group companies of € 214 million (2011: € 577 million) repayable within one year and loans of € 30 million (2011: € 74 million) with a maturity term within 3 years and an average interest rate of 4.5% and loans of € 40 million with a maturity term longer than 3 years and an average interest rate of 5.9% (2011: 5.2%).

3. Loans and deposits	2012	2011
At 1 January	36	37
Repayments	-5	-
Impairments	-	-1
At 31 December	**31**	**36**

4. Receivables from group companies

Receivables from group companies are payable on demand. This amount includes the receivable with respect to non-qualifying plan assets (see chapter 19) administrated by ASR Levensverzekering N.V. amounting to € 1,984 million (2011: € 1,795 million).

5. Deferred tax assets

The deferred tax assets relate primarily to employee benefits of € 34 million (2011: € 68 million) off set by the equalization reserve of € 14 million. The unutilized tax losses as at 31 December 2011 amounting to € 207 million have been fully utilized in 2012.

6. Cash and cash equivalents

Cash and cash equivalents are stated at face value. They are fully and freely available to the company.

7. Equity

	Share capital	Share premium reserve	Unrealized gains and losses	Statutory reserves	Other reserves	Profit for the year	Equity attributable to shareholders	Other equity instruments	Equity
At 1 January 2011	100	962	-	342	210	317	1,931	515	2,446
Profit for the year	-	-	-	-	-	212	212	-	212
Unrealized change in value	-	-	-	-271	15	-	-256	-	-256
Change in reserves required by law	-	-	-	1	-	-	1	-	1
Profit carried over from previous financial year	-	-	-	-	317	-317	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-45
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	11
At 31 December 2011	100	962	-	72	508	212	1,854	515	2,369
At 1 January 2012	100	962	-	72	508	212	1,854	515	2,369
Profit for the year	-	-	-	-	-	255	255	-	255
Unrealized change in value	-	-	-	324	103	-	427	-	427
Dividend paid	-	-	-	-	-	-71	-71	-	-71
Result carried over from previous financial year	-	-	-	-	141	-141	-	-	-
Change in reserves required by law	-	-	-	2	-	-	2	-	2
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-45
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	11
At 31 December 2012	100	962	-	398	718	255	2,433	515	2,948

The statutory reserve relates to the revaluation of investments in group companies. Expected claims for additional benefits under insurance contracts with DPF are included in the Other reserves amounting to € 3 million (2011: € 3 million).

Share capital can be broken down as follows:

	Number of shares		Amount in millions of euros	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
Authorized capital	1.000,000	1.000,000	500	500
Of which: unsubscribed shares	800,000	800,000	400	400
Subscribed capital	200,000	200,000	100	100

Other equity instruments

The other equity instruments relate to four different hybrid Tier 1 instruments that are classified as equity (see chapter 16.3).

8. Subordinated debt

The private loan of € 20 million was settled in terms of the agreement on 20 March 2012. The average interest rate on the subordinated loans was 6.6%.

9. Employee benefits

Employee benefits can be broken down as follows (see chapter 19 for further details):

	31 Dec. 2012	31 Dec. 2011
Post-employment benefits pensions	2,145	2,102
Post-employment benefits other than pensions	30	33
Other long-term employee benefits	10	8
Total employee benefits	**2,185**	**2,143**

10. Provisions

The table below shows movements in provisions:

	2012	2011
At 1 January	22	21
Additional provisions	28	12
Reversal of unused amounts	-	-1
Utilized in course of year	-31	-10
At 31 December	**19**	**22**

Provisions primarily relate to provisions for:

- staff restructuring; and
- retained disability risk.

The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and time required for the settlement of disputes.

11. Borrowings

The residual term to maturity of the borrowings from group companies amounting to € 30 million (2011: € 30 million) is 19 months (2011: 36 months). The average interest rate is 3.8% (2011: 3.8%).

12. Other liabilities

	31 Dec. 2012	31 Dec. 2011
Other liabilities	62	71
Accrued interest	3	5
Short-term employee benefits	10	9
Trade payables	26	10
Tax payables	163	97
Total other liabilities	**264**	**192**

43.2 Notes to the company income statement

Auditor's fees

Auditor's fees are paid to auditors by the company, its group companies and other consolidated companies. The fees paid for the years 2012 and 2011 can be broken down as follows:

- fees for audit engagements: these include fees paid for the audit of the consolidated and company financial statements, quarterly reports and other reports;
- fees for non-audit services: these include fees for support and advisory services provided during acquisitions.

A breakdown of these fees is provided below:

Amounts in euro's 1,000	2012	2011
Examining and auditing the financial statements under the articles of association and other group company audits under the articles of association	2,243	2,428
Other audit services	552	719
Tax advisory services	42	173
Other non-audit services	229	682
Total audit fees	**3,066**	**4,002**

43.3 Contingent liabilities

Joint and several liability

Since 3 October 2008, the company and its subsidiaries have been part of the tax entity a.s.r. for corporation tax purposes. Until 2 October 2008, the company and its subsidiaries were part of the Fortis Utrecht N.V. tax entity for corporation tax purposes. All companies within the tax entity are joint and several liable for the corporate tax debt.

Up to 31 December 2008, a.s.r. was a member of a VAT tax group of a.s.r. companies and other former Fortis group companies that had their registered offices in the Netherlands. Since 1 January 2009, there has been a new VAT group of a.s.r. companies. By law, the individual members of the tax group are jointly and severally liable for one another's VAT debts.

A statement of joint and several liability under section 403, Book 2 of the Netherlands Civil Code has been issued by ASR Nederland N.V. for the companies identified in the other information part 7.3.

Investment obligations and guarantees

ASR Nederland N.V. has issued guarantees to third parties for a total amount of € 323 million (2011: € 323 million) for real estate development projects and the acquisition of property.

Lease commitments

The table below breaks down the commitments for non-cancellable operating leases as at 31 December:

Lease commitments	2012	2011
No later than 3 months	1	2
Later than 3 months and no later than 1 year	4	4
Later than 1 year and no later than 5 years	7	8
Later than 5 years	-	-
Total	12	14

ASR Nederland N.V has commited to a capital increase of ASR Bank N.V. amounting to € 17 million for the period 2013 to 2017. The amount will be paid in tranches when required by ASR Bank N.V. depending on its required solvency.

Utrecht, 28 March 2013

Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Margot Scheltema

Executive Board
Jos Baeten
Karin Bergstein
Michel Verwoest
Roel Wijmenga

Part VII

Other information

7.1 Independent auditor's report

To: the Executive Board and Supervisory Board
of ASR Nederland N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of ASR Nederland N.V., Utrecht. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information.
The company financial statements comprise the company balance sheet as at 31 December 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the annual report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the annual report part I,II,III,IV and V, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the annual report part I,II,III,IV and V, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 28 March 2013

KPMG Accountants N.V.
W. Teeuwissen RA

7.2 Events after the reporting date

There have been no material events after the balance sheet date that would require adjustment to the consolidated financial statements of a.s.r. as at 31 December 2012.

7.3 List of principal group companies and associates

All group companies and associates are located in the Netherlands.

Company name	Equity interest	Rate of control	Seat	Segment
ASR Levensverzekering N.V.[1,2]	100.00	100.00	Utrecht	Life
Deltafort Beleggingen I B.V.	50.00	50.00	Amsterdam	Life
N.V. Polder Jannezand	100.00	100.00	Belguim	Life
Sycamore 5 B.V.[1]	100.00	100.00	Utrecht	Life
Sycamore 6 B.V.[1]	100.00	100.00	Utrecht	Life
Brand New Day Premiepensioeninstelling N.V.	50.00	50.00	Utrecht	Life
ASR Nederland Vastgoed Maatschappij N.V.[1]	100.00	100.00	Utrecht	Life / Non-Life
Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.[1]	100.00	100.00	Amersfoort	Non-life
Amersfoortse Verzekeringen N.V.[1,3]	100.00	100.00	Amersfoort	Non-life
ASR Aanvullende Ziektekostenverzekeringen N.V.[1,2]	100.00	100.00	Amersfoort	Non-life
ASR Basis Ziektekostenverzekeringen N.V.[1,2]	100.00	100.00	Amersfoort	Non-life
ASR Schadeverzekering N.V.[1,2]	100.00	100.00	Utrecht	Non-life
ASR Ziektekostenverzekeringen N.V.[1]	100.00	100.00	Amersfoort	Non-life
Europeesche Verzekering Maatschappij N.V.[2]	100.00	100.00	Amsterdam	Non-life
N.V. Amersfoortse Algemene Verzekering Maatschappij[1,2]	100.00	100.00	Amersfoort	Non-life
ASAM N.V.[1]	100.00	100.00	Utrecht	Other
ASR Bank N.V.[3]	100.00	100.00	Utrecht	Other
ASR Betalingscentrum B.V.[1]	100.00	100.00	Utrecht	Other
ASR Deelnemingen N.V.[1,3]	100.00	100.00	Rotterdam	Other
ASR Hypotheken B.V.[1,3]	100.00	100.00	Utrecht	Other
ASR Nederland Beleggingsbeheer N.V.[3]	100.00	100.00	Utrecht	Other
ASR Nederland N.V.	100.00	100.00	Utrecht	Other
ASR Pension Fund Services N.V.[1]	100.00	100.00	Utrecht	Other
ASR Service Maatschappij N.V.[1]	100.00	100.00	Rotterdam	Other
ASR Vastgoed Ontwikkeling N.V.[3]	100.00	100.00	Utrecht	Other
ASR Vastgoed Vermogensbeheer B.V.[1,3]	100.00	100.00	Utrecht	Other
ASR Verzekeringen N.V.[1,3]	100.00	100.00	Utrecht	Other
B.V. Nederlandse Hulpverleningsorganisatie-SOS International.[3]	100.00	100.00	Amsterdam	Other
Ditzo B.V.[1]	100.00	100.00	Zeist	Other
PoliService B.V.	100.00	100.00	Zeist	Other
Servicemaatschappij "De Hoofdpoort" N.V.[1]	100.00	100.00	Rotterdam	Other
United Reforce I B.V.[1]	100.00	100.00	Utrecht	Other

[1] These are companies for which a statement of joint and several liability under section 403, Book 2 of the Netherlands Civil Code has been issued.
[2] Registered insurance companies
[3] Other DNB registered companies.

7.4 Other equity interests

For notes to equity interests in associates and joint ventures, see chapter 10.

The list of equity interests required under Sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the Trade Register of the Chamber of Commerce in Utrecht.

7.5 Provisions of the Articles of Association regarding profit appropriation

Article 21 of the Articles of Association reads as follows:

1. The Company may distribute any profit to shareholders and other persons entitled to profits only if its net assets exceed the sum of the paid and called-up portion of its capital plus the reserves that must be maintained by law.
2. Annually the annual general meeting of shareholder determines either on the recommendation of the management board and with the approval of the supervisory board or on its own initiative, which part of the profit will be retained or distributed.
3. The annual general meeting of shareholders may, with respect to the stipulations in paragraph 1, either on the recommendation of the management board and with the approval of the supervisory board or on its own initiative make a distribution to be chargeable to the distributable part of the net assets.
4. The annual general meeting of shareholders may either on the recommendation of the management board and with the approval of the supervisory board or on its own initiative pay an interim dividend distribution subject to the conditions set out under paragraph 1 above as evidenced by an interim statement of assets and liabilities as referred to in Section 105 paragraph 4, Book 2 of the Civil Code.
5. No profit shall be distributed to the Company in respect of shares held by the Company in its own capital.
6. When calculating the profit, the shares held by the Company on which pursuant to paragraph 5 no distribution to the Company is made shall be disregarded.
7. The claim of the shareholder for payment shall be barred after five years have elapsed.

7.6 Profit appropriation

The Executive Board will propose to the Annual General Meeting of Shareholders to distribute € 88 million in dividend on ordinary shares for 2012.

7.7 Glossary

Amortized cost
The amount at which the financial asset or the financial liability is measured at initial recognition minus principal repayments, plus or minus the accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Associate
An entity over which a.s.r. has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Basis point (BP)
One-hundredth of one percent (0.01%).

Cash flow hedge
A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Claims ratio
The cost of claims, net of reinsurance in non-life, excluding the internal costs of handling non-life claims, less interest accrual on reserves, and margin of prudence for health, expressed as a percentage of net earned premiums.

Clean fair value
The fair value of an asset or liability (see below), exclusive of the unrealized part of accrued interest.

Combined ratio
The sum of the claims, commission and expense ratios.

Commission ratio
Net commissions charged for the year, expressed as a percentage of net earned premiums.

Core capital
Equity capital and disclosed reserves available at group level, based on the definition of the Tier 1 ratio (core equity capital expressed as a percentage of total risk-weighted assets).

Deferred acquisition costs
Deferral of costs of acquiring new and renewal customers, mainly involving commissions and expenditure relating to underwriting, intermediaries and the issue of new contracts, over the duration of the insurance contract. These costs vary and relate mainly to acquiring new customers.

Derivative
Afinancial instrument with all three of the following characteristics:
(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
(c) it is settled at a future date.

Discounted cash flow method
A valuation technique whereby expected future cash flows are discounted at a rate that expresses the time value of money and a risk premium that reflects the extra return that investors demand in order to be compensated for the risk that the cash flows might not materialize.

Discretionary Participation Feature (DPF)
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, that are contractually based on the performance of a specified pool of contracts or type of contract, realized and/or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

Embedded derivative
A component of a hybrid instrument that also includes a non-derivative host. The host contract may be a bond or share, a lease, an insurance contract or a contract of purchase and sale.

Embedded value
The present value of future profits plus adjusted net asset value.

Employee benefits
All forms of consideration given by an entity in exchange for service rendered by employees.

Expense ratio
Expenses, including internal costs of handling non-life claims, less internal investment expenses and less restructuring provision expenses, expressed as a percentage of net earned premiums.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing partners in an arm's length transaction.

Fair value hedge
A hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, on an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Finance lease
A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Goodwill
An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

Gross premiums written
Total revenues (earned or otherwise) expected to be received for insurance contracts over the life of the contract, including reinsurance premiums.

Hedge accounting
Hedge accounting recognizes the offsetting on profit or loss of changes in the fair value of the hedging instrument and the hedged item.

IFRS
Acronym of International Financial Reporting Standards (previously International Accounting Standards, IAS). As of 1 January 2005, these Standards have been the generally accepted international accounting policies that apply to all listed companies in the European Union. They make annual results easier to compare and offer a better understanding of a company's financial position and performance.

Impairment
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The asset's carrying amount is reduced to its fair value and recognized in profit and loss.

Insurance contracts
A contract under which one party (a.s.r.) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Intangible asset
An identifiable, non-monetary asset without physical substance.

Investment contract
A life insurance contract that transfers financial risk with no significant insurance risk.

Investment property
Property held to earn rentals or for capital appreciation or both.

Joint venture
A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Market capitalization
Market capitalization is a measurement of size of an enterprise equal to the share price times the number of outstanding shares.

Notional amount
An amount of currency, a number of shares, a number of units of weight or volume or other units specified in a derivatives contract.

Operating lease
A lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset.

Option
A financial instrument that conveys the right to buy (call option) or sell (put option) a security at a reference price during a specified time frame.

Private equity
An asset class consisting of equity securities of companies that are not publicly traded on a stock exchange. Transfer of private equity is strictly regulated. In the absence of a marketplace, any investor looking to sell their stake in a private company personally has to find a buyer.

Provision
A liability of uncertain timing or amount. Provisions are recognized as liabilities if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations (assuming that a reliable estimate can be made).

Recoverable amount
The recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Securities lending
This refers to the lending of securities by one party to another, which agrees to deliver back the securities on a specified future date. The borrower usually provides the lender with collateral. Securities lending allows the owner of the securities to generate extra income.

Shadow accounting
Shadow accounting allows a recognized but unrealized gain or loss on an asset to be transferred to insurance liabilities.

Subordinated debt
Loans (or securities) that rank after other debts should the company fall into receivership or be closed.

Subsidiary
An entity that is controlled by ASR Nederland N.V. (the parent).

Test margin
The test margin for the regulatory solvency available is the excess of the liability arising from the insurance contract and the outcome of the DNB liability adequacy test (DNB LAT).'

Transaction date
The date at which a.s.r. enters into the contractual terms of an instrument.

Value in use
Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value Of Business Acquired (VOBA)
The present value of future profits embedded in acquired insurance contracts. VOBA is recognized as an intangible asset and amortized over the effective life of the acquired contracts.

7.8 List of acronyms

ALM
Asset Liability Management

CCR
Counterparty Credit rating (Standards & Poor's)

CDO
Collateralized debt obligation

CDS
Credit default swap

CRSA,
Control Risk Self Assessment

COSO
The Committee of Sponsoring Organizations of the Treadway Commission

CSA
Credit Support Annex

DAC
Deferred acquisition costs

DNB
The Dutch Central Bank (De Nederlandsche Bank)

DNB LAT
Dutch DNB (regulatory) liability adequacy test (Toereikendheidstoets)

DPF
Discretionary Participation Features

ECAP
Economic Capital

Eonia
Euro Over Night Index Average

Euribor
Euro Interbank Offered Rate

FIRM
Financial Institutions Risk Analysis Method

FTE
Full-time equivalent

IAS
International Accounting Standards

IBNR
Incurred But Not Reported

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

IFSR
Insurer Financial Strength rating (Standards & Poor's)

ISDA
International Swaps and Derivatives Association

LAT
Liability Adequacy Test

ORSA
Own Risk and Solvency Assessment

OTC
Over The Counter

QIS
Quantitative Impact Studies (Solvency II)

SCR
Solvency Capital. Requirement

UFR
Ultimate Forward rate

VPL
Early retirement and life cycle "VUT (Vervroegd UitTreden), Prepensioen en Levensloop"

VOBA
Value of Business Acquired

WFT
The Dutch Act on Financial Supervision which regulates the supervision of financial institutions in the Netherlands (Wet op het financieel toezicht)

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