Half year report

First half year 2013

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

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Part I

Report of the Executive Board

1.1 Financial results for H1 2013

- Profit for the period up 5% to € 110 million (H1 2012: € 105 million).
- Operating expenses down € 8 million, i.e. 3%, dropping from € 284 million to € 276 million.
- Gross premiums written down 5% to € 2,345 million (H1 2012: € 2,457 million).
- Cost-premium ratio insurance business at 9.9% (H1 2012: 9.4%).
- Combined ratio in Non-life segment at 104.0% (H1 2012: 100.6%).
- DNB solvency ratio inclusive of Ultimate Forward Rate (UFR) at 283% (year-end 2012: 293%).
- DNB solvency ratio exclusive of UFR at 249% (year-end 2012: 231%).

a.s.r. key figures (€ million)	H1 2013	H1 2012
Gross premiums written, Non-life segment	1,410	1,430
Gross premiums written, Life segment	1,013	1,104
Elimination own pension contract	-78	-77
Total gross premiums written	2,345	2,457
Operating expenses, Life and Non-life segments	-214	-218
Operating expenses, Other segment	-62	-66
Total operating expenses	-276	-284
Restructuring provision expenses	-6	-10
Profit for the period, Non-life segment	6	42
Profit for the period, Life segment	165	122
Profit for the period, Other segment	-61	-59
Profit for the period	110	105
Cost-premium ratio, insurance business	9.9%	9.4%
	30 June 2013	**31 December 2012**
Total equity (including revaluation of real estate)	3,491	3,537
Total equity	2,607	2,663
Return on equity	8.8%	8.9%
DNB solvency ratio	283%	293%
DNB solvency ratio (exclusive of UFR)	249%	231%
Total number of internal FTEs	3,812	4,088

Note to a.s.r. key figures
Return on equity is calculated annually as profit for the year attributable to shareholders divided by the average total IFRS equity attributable to shareholders (exclusive of changes in the value of real estate).

Developments in H1 2013

The Dutch economy slowed for the fourth consecutive quarter. Difficult market conditions also impact a.s.r. but despite these circumstances a.s.r. has managed to maintain its solvency levels. Managing risks is a top priority for a.s.r. in its investment policy.

In the non-life market, premium income is under pressure from factors such as reductions in consumer spending and lower capital expenditures. The cost of claims is rising, both in terms of frequency and in the amounts claimed. In the current market, pricing is increasingly a key factor for customers in deciding which insurance product to take out. a.s.r. invests in the long term by offering good, fair and transparent products that allow customers to cover risks responsibly. a.s.r. will also tighten its focus on risk selection and claims management. The steps that were taken earlier are beginning to bear fruit.
The contracting life market, where interest rates continue to be weighed down, remains an area of concern. The decision to opt for return over revenue affects a.s.r.'s sales volumes in the life market.

Gross premiums written

In H1 2013 gross premiums written by a.s.r. stood at € 2,345 million, a 5% decrease on H1 2012 (€ 2,457 million).
In the Non-life segment, gross premiums written were more or less stable at € 1,410 million (H1 2012: € 1,430 million). The decrease affected nearly all product lines except for Health insurance.
In a structurally stagnating life market, revenue was down 8%, falling from € 1,104 million to € 1,013 million. On a positive note, there were fewer customers who surrendered their individual unit-linked policies in H1 2013. Revenue from the Pensions and Funeral businesses was virtually stable (-1%).

Operating expenses and FTEs

Operating expenses dropped for the fifth consecutive year. Operating expenses were down € 8 million, i.e. 3%, on H1 2012, falling from € 284 million to € 276 million. The structural cost reductions were achieved thanks to constant focus on efficiency and cost awareness. a.s.r. also invested in strategic projects.
The total number of internal FTEs fell by 276, from 4,088 to 3,812. This decrease was attributable to recent organizational changes and the decision to outsource a number of back-office activities in the Life business. These measures marked further progress towards a more flexible cost structure.

Profit for the period

Profit for the period amounted to € 110 million, a € 5 million increase on H1 2012 (€ 105 million).
In the Non-life segment, profit for the period dropped from € 42 million to € 6 million. The combined ratio rose to 104.0% (H1 2012: 100.6%), which was mainly attributable to a fall in underwriting income in the Occupational Disability Insurance portfolio (WGA policy excess insurance in the context of the Dutch Return to Work (Partially Disabled) Regulations). Disregarding the impact of this portfolio, the combined ratio was below 100%.
Profit for the period in the Life segment stood at € 165 million (H1 2012: € 122 million). With underwriting income showing stability, the increase was due to a drop in operating expenses, an increase in capital gains and a decline in impairment losses.
The profit of € -61 million that was incurred in the Other segment was more or less the same as H1 2012 (€ -59 million).

Cost-premium ratio

The cost-premium ratio in the insurance business was up 0.5 percentage point in the reporting period, rising to 9.9% (H1 2012: 9.4%). This rise is attributable to the Non-life segment; it was partly caused by the integration of the Ditzo distribution activities into the Non-life segment, whose costs were previously recognized within the Other segment. In addition, gross premiums written are under pressure, which is a result of market developments. The cost-premium ratio in the Life segment was down thanks to a further drop in operating expenses.

Solvency and equity

The DNB solvency ratio, inclusive of the regulator-prescribed Ultimate Forward Rate (UFR), stood at 283% (year-end 2012: 293%). The solvency ratio exclusive of the UFR rose to 249% (year-end 2012: 231%).

Fitch Ratings downgraded France in July 2013, causing a dip in the ECB AAA curve. The adverse effect of this dip on the DNB solvency ratio at 30 June 2013 is expected to be about 20 percentage points. Given that France was downgraded in July, this effect was not factored into the solvency figures at 30 June 2013.

The revised IAS 19 regarding accounting for employee benefits came into force on 1 January 2013. As a result of this standard, an amount of € 363 million has been added to the post employee benefit obligation with effect from 1 January 2013. As of that date, equity dropped by € 272 million after tax to € 2,663 million. The comparative figures in the balance sheet as at 31 December 2012 have been restated to reflect this. For a.s.r., the revised IAS 19 does not impact the DNB solvency ratio.

Factoring in the revaluation of real estate, equity fell by 1% from € 3,537 million to € 3,491 million. This fall was primarily attributable to a € 88 million dividend distribution for 2012 and a decline in unrealized changes in value. The fair value of investment property exceeds its carrying amount by € 884 million on balance, which represents an increase in value by € 10 million against year-end 2012.

1.1.1 Non-life segment

- Profit for the period at € 6 million (H1 2012: € 42 million).
- Operating expenses up 6% to € 117 million (H1 2012: € 110 million), primarily due to the integration of Ditzo.
- Gross premiums written more or less stable at € 1,410 million (H1 2012: € 1,430 million).
- Combined ratio up to 104.0% (H1 2012: 100.6%). This increase is fully attributable to the Occupational Disability insurance business (WGA policy excess). The combined ratio for H1 2013 improved compared to H1 2012 in all other segments.

Key figures of Non-life segment (€ million)	H1 2013	H1 2012
Gross premiums written	1,410	1,430
Operating expenses	-117	-110
Restructuring provision expenses	-3	-4
Profit before taxes	5	51
Taxes	1	-9
Profit for the period	6	42
Profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to holders of equity instruments	6	42
New production	151	225
Claims ratio	78.0%	75.2%
Commission ratio	15.6%	16.2%
Expense ratio	10.3%	9.2%
Combined ratio	104.0%	100.6%

Note to key figures of Non-life segment

As reported at the time of publication of the 2012 annual results, the method for calculating the combined ratio improved in 2012. The combined ratio for H1 2012 included in the table above is a comparative figure. The combined ratio reported for H1 2012 was 101.2%.

Gross premiums written

Despite the challenging economic conditions and the resulting decrease in the non-life market, gross premiums written were more or less stable at € 1,410 million (H1 2012: € 1,430 million). With a few exceptions, the market is showing a decline. For example, in the first half of 2013 the number of new cars sold fell considerably and fewer homes were sold than in the corresponding period in 2012. Because of the recession, more customers are cancelling their occupational disability policies. In addition, the number of insolvencies has increased, which affects the commercial Non-life business. Measures to improve returns that were taken earlier, are beginning to bear fruit in the Non-life segment.

The Occupational Disability (WGA policy excess) and Health insurance businesses showed an increase in gross premiums written. The Health insurance business grew thanks to the Ditzo Zorg health insurance. The introduction of health insurance under the Ditzo label led to a peak in new policies sold last year, after which the number of policyholders rose by 8% this year.

The Occupational Disability Insurance (WGA policy excess) business achieved growth as well. A number of players are now withdrawing from this market, but a.s.r. plans to consolidate its presence, primarily by offering occupational disability policies (WGA policy excess) in combination with absenteeism insurance. Based on the belief that an integrated approach to absenteeism and a faster return to work for ill employees offers benefits for both employers and employees, a.s.r. expects this strategy to result in more control of the cost of claims. It goes without saying that a.s.r. will continue to monitor any developments in this market with great interest.

Operating expenses

Operating expenses stood at € 117 million (H1 2012: € 110 million). The increase was due, in part, to the integration of the Ditzo distribution activities, early in 2013, into the Non-life business and expenditures on strategic projects. The Ditzo distribution activities were previously recognized within the Other segment.

Profit for the period

Profit for the period of the Non-life segment amounted to € 6 million (H1 2012: € 42 million). The combined ratio increased from 100.6% to 104.0%. This was due entirely to WGA policy excess insurance, as a result of which policyholders claimed occupational disability benefits for longer periods than anticipated, fully, but not permanently, unfit claimants were overrepresented within this category, and reassessment of benefit claimants was not introduced on a sector-wide basis. The combined ratio improved in the other non-life divisions thanks to initiatives to improve returns, which are visible in divisions such as Individual Occupational Disability insurance, Travel and Leisure insurance, and in the captive portfolio of other Non-life – commercial and individual – insurance (including motor vehicle and fire insurance).

1.1.2 Life segment

- Profit for the period at € 165 million (H1 2012: € 122 million).
- Operating expenses down 10% to € 97 million (H1 2012: € 108 million).
- Gross premiums written down 8% to € 1,013 million (H1 2012: € 1,104 million).
- New life insurance contracts sold (APE) down to € 19 million (H1 2012: € 32 million).

Key figures of Life segment (€ million)	H1 2013	H1 2012
Regularly written gross premiums	868	916
Single premiums	145	188
Gross insurance premiums	1,013	1,104
Operating expenses	-97	-108
Restructuring provision expenses	-2	-5
Profit before taxes	207	154
Taxes	-42	-32
Profit for the period	165	122
Profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to holders of equity instruments	165	122
Cost-premium ratio	9.3%	9.7%
New production (APE)	19	32

Gross premiums written
In the Life segment, gross premiums written were down 8%, falling from € 1,104 million to € 1,013 million. Last year in particular, more customers decided to surrender their individual unit-linked policies because of the compensation offered by a.s.r. Premium income from single premiums also continued to drop due to a prudent single premium policy driven by the choice of return over revenue.
a.s.r. will continue to exercise restraint in the pension market because of low interest rates. This is the principal reason for the drop in the number of new insurance contracts sold, given that over the past six months, a.s.r. again chose not to incur losses on pricing, in line with its risk policy. Showing a 1% decline, premium income was relatively stable.
The Funeral business showed a 1% drop in gross premiums written. a.s.r. acquired 70,000 policies from the Facultatieve on 1 May 2013.

Operating expenses
Operating expenses dropped by € 11 million, falling to € 97 million in H1 2013 (H1 2012: € 108 million) and the cost-premium ratio was down 0.4 percentage point to 9.3%. The drop in operating expenses was due to organizational changes and more efficient business processes, including process outsourcing and a decline in the number of FTEs.

Profit for the period
Profit for the period stood at € 165 million (H1 2012: € 122 million). The increase was attributable to a drop in operating expenses, an increase in capital gains and a decline in impairment losses. Underwriting income was stable.

1.1.3 Other segment

- Profit for the period at € -61 million (H1 2012: € -59 million).
- Operating expenses down to € 62 million (H1 2102: € 66 million).
- Sales of new WelThuis Hypotheek mortgages increased to € 766 million (H1 2012: € 290 million).

The Other segment comprises all non-insurance business, i.e. the banking operations (a.s.r. Bank and hypotheken (mortgages)), SOS International (emergency desk) and a.s.r. vastgoed ontwikkeling (property development). The Ditzo distribution activities were integrated into the Non-life segment early in 2013.

Key figures of Other segment, including eliminations (€ million)	H1 2013	H1 2012
Operating expenses	-62	-66
Restructuring provision expenses	-1	-1
Profit before taxes	-85	-82
Taxes	25	18
Profit for the period	-60	-64
Profit for the period attributable to non-controlling interests	-1	5
Profit for the period attributable to holders of equity instruments	-61	-59

Operating expenses

The drop in operating expenses from € 66 million to € 62 million is attributable to the integration of the Ditzo distribution activities into the Non-life segment and lower operating expenses at a.s.r. Bank.

Profit for the period

The profit for the period in the Other segment stood at € -61 million. The financial performance was adversely affected by loan losses. a.s.r. vastgoed ontwikkeling incurred impairment losses on some land holdings and future construction projects, causing earnings to drop below those posted last year.
Earnings from the Banking business were up thanks, in part, to a decrease in operating expenses. Sales of new WelThuis Hypotheek mortgages accounted for € 766 million in H1 2013 against € 290 million in H1 2012, making a.s.r. the sixth largest mortgage lender in the Netherlands (H1 2012: ninth largest).
In a savings market, still growing despite low interest rates, the portfolio of savings deposits continued to increase to € 858 million (year-end 2012: € 808 million) thanks to deposits into annuity accounts.

1.2 Risk management

1.2.1 Market risk

The first six months of 2013 saw a 30-45 basis point increase in interest rates, a slight rise in equity prices and a fall in credit spreads. The value of a.s.r.'s real estate portfolio was more or less unchanged.

At 30 June 2013, the solvency ratio inclusive of the ultimate forward rate (UFR) stood at 283% (year-end 2012: 293%).

After stress scenarios were applied, the solvency ratio was 194% (year-end 2012: 216%). a.s.r. has chosen to look at the solvency ratio from various perspectives, i.e. inclusive and exclusive of the UFR. The solvency ratio exclusive of the UFR was 249% (year-end 2012: 231%). After stress scenarios were applied, the solvency ratio exclusive of the UFR was 179% (year-end 2012: 141%). This is higher than a.s.r.'s own minimum requirement of 150%.

Sensitivity of DNB solvency ratio to market risks:

Type of risk	scenario	30 June 2013	31 Dec 2012	30 June 2013	31 Dec 2012
		inclusive of UFR	inclusive of UFR	exclusive of UFR	exclusive of UFR
Equity risk	-20%	-22 ppt	-19 ppt	-22 ppt	-19 ppt
Interest rate risk	-1 ppt / +1 ppt*	-28 ppt	-18 ppt	-9 ppt	-32 ppt
Spread risk	0.75 ppt	-24 ppt	-25 ppt	-24 ppt	-25 ppt
Property risk	-10%	-15 ppt	-15 ppt	-15 ppt	-15 ppt
Total impact (undiversified)		-89 ppt	-77 ppt	-70 ppt	-90 ppt

* For the solvency ratio inclusive of the UFR, the interest rate shock of an upward shift of 1 ppt has a negative impact.
* For the solvency ratio exclusive of the UFR, the opposite applies, with the interest rate shock of a downward shift of 1 ppt having a negative impact.

The sensitivity of the solvency ratio inclusive of the UFR to the stress scenario declined in H1 2013, with the negative effect increasing from 77 percentage points to 89 percentage points. At the same time, the sensitivity of the solvency ratio exclusive of the UFR to the stress scenario improved, with the negative effect falling from 90 percentage points to 70 percentage points. This difference in direction can be attributed to a difference in interest rate sensitivity of liabilities owing to the application (or non-application, as appropriate) of the UFR in combination with the increased interest rate, and to a change in the method for the extrapolation of the yield curve (exclusive of the UFR) for maturities in excess of 30 years.

Equity risk

The impact of a 20% fall in equity prices on the solvency ratio rose by 3 percentage points compared to year-end 2012. This was due to growth in the equity portfolio, which rose from € 1,703 million at year-end 2012 to € 1,963 million at 30 June 2013.

Interest rate risk

In the event of a rise in interest rates, the solvency ratio inclusive of the UFR will decrease because liabilities decrease in value less rapidly than investments owing to the stabilizing effect of the UFR. This is a consequence of a.s.r.'s decision not to base its hedging policy solely on the yield curve inclusive of the UFR. At the same time, the sensitivity of the solvency ratio inclusive of the UFR to interest rate fluctuations increases as interest rates increase, because sensitivities of this kind are non-linear.
In H1 2013 interest rates rose by 30-45 basis points, as a result of which the impact of the interest rate shock of an upward shift of 1 percentage point increased, from a negative effect of 18 percentage points to a negative effect of 28 percentage points.

If the UFR is excluded, a fall in interest rates leads to a fall in the solvency ratio. The sensitivity of the solvency ratio exclusive of the UFR to an interest rate cut of 1 percentage point fell from a negative effect of 32 percentage points to a negative effect of 9 percentage points, partly as a result of a more realistic extrapolation of the yield curve used for maturities in excess of 30 years for which no market data are available.

Finally, in H1 2013 a.s.r.'s interest rate risk profile was changed as fixed-interest investments with a 15-year term to maturity were replaced by investments with a 30-year term to maturity. As a result, the cash flow profile of the investments is now a better match with the cash flow profile spread of the liabilities. This adjustment did not, however, have any consequences in terms of the impact of a parallel interest rate shock.

Spread risk

The impact of the scenario in which there is a 0.75 percentage point increase in the spread changed, from a negative effect of 25 percentage points at year-end 2012 to a negative effect of 24 percentage points. The changes in the fixed-income portfolio are summarized in the table below.

Fixed-income securities	30 June 2013 Exposure	Percentage	31 Dec 2012 Exposure	Percentage
Government	9,903	53%	10,482	54%
Financial institutions	4,705	25%	5,113	26%
Corporates	3,317	18%	3,352	17%
Structured instruments	682	4%	640	3%
Total	**18,607**	**100%**	**19,587**	**100%**

Hardly any changes were seen in the distribution of fixed-income securities among categories, although changes did occur within categories. The proportion of Dutch government bonds to German government bonds was adjusted in H1 2013 in favour of German bonds.

Government	30 June 2013	31 Dec 2012
The Netherlands	4,648	6,094
Germany	2,976	2,322
France	232	423
Austria	542	463
Supranationals	383	434
Scandinavia	233	237
Australia	176	182
Canada	126	129
Eurozone periphery	1	1
Other	586	197
Total	**9,903**	**10,482**

The total value of the government bond portfolio decreased owing to the rise in interest rates.

Fixed-interest securities issued by financial institutions continued to be reduced, and the quality of the portfolio was improved further. Reinvestments were made chiefly in residential mortgages and equities. Fixed-interest investments in financial institutions are shown in the table below. a.s.r. does not have any equity exposure to financial institutions.

Financial institutions	30 June 2013 Exposure	Percentage	31 Dec 2012 Exposure	Percentage
Senior	1,631	34%	1,695	33%
Tier 2	1,163	25%	1,336	26%
Tier 1	936	20%	956	19%
Covered	843	18%	951	19%
Other	132	3%	175	3%
Total	**4,705**	**100%**	**5,113**	**100%**

Property risk
The impact of a 10% fall in property prices on the solvency ratio was unchanged compared to year-end 2012, with a negative effect of 15 percentage points.

Downgrading of France
In July 2013, Fitch Ratings downgraded France's credit rating from AAA to AA+. As a consequence, France is no longer included in the ECB AAA curve. This has led to a dip in the ECB AAA curve, as French interest rates were higher than interest rates for other countries. a.s.r. uses this curve when valuing its insurance liabilities. The impact of the dip in the curve is estimated to have had a negative effect of some 20 percentage points for a.s.r.'s DNB solvency ratio at 30 June 2013. This effect has not been factored into the solvency figures at 30 June 2013 because the downgrading of France took place in July.

1.2.2 Insurance risk

Insurance risk is the risk that future payment obligations possibly cannot be covered by premium and/or investment income, owing to the application of incorrect and/or incomplete technical or other assumptions and principles when developing and pricing products, causing provisions to fall short.

a.s.r. has deliberately chosen to be a generalist insurer, resulting in the spreading, and hence diversification, of insurance risk in the portfolio. a.s.r. manages insurance risk by focusing on acceptance policy, pricing, a prudent provisioning policy and adequate reinsurance contracts.

The market for Non-life insurance has been greatly affected by economic conditions. Revenue is under pressure, partly as a result of reduced consumer spending and lower capital expenditures. Moreover, the cost of claims is rising, both in terms of frequency and in the amounts claimed.

During the first half of 2013, the impact of WGA policy excess insurance had a highly detrimental effect on the development of the combined ratio at a.s.r. This was due to policyholders claiming occupational disability benefits for longer periods than anticipated, the overrepresentation of fully, but not permanently, unfit claimants within this category and the lack of reassessment on a sector-wide basis. In the interim, a.s.r. has taken steps to adjust its prices and acceptance criteria. a.s.r. will continue to keep a close eye on developments in this market.

If the impact of WGA policy excess insurance is disregarded, the combined ratio is below 100%. The measures introduced in the area of risk selection with regard to acceptance, claims handling and claims management, are starting to bear fruit. Improvements can already be seen, particularly in the Individual Occupational Disability Insurance business and the captive portfolio of other Non-life insurance (including motor vehicle and fire insurance).

1.3 Executive Board Responsibility Statement

The Executive Board declares that, to the best of its knowledge:

1. the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and earnings of ASR Nederland N.V. and its consolidated entities; and
2. the half-year report of the Executive Board gives a true and fair view of the situation at the reporting date and of developments during the first six months of the year and their effects on the interim financial statements of ASR Nederland N.V. and its consolidated entities, and provides a description of the principal risks and uncertainties in the remaining six months of the year.

Utrecht, the Netherlands, 19 August 2013

The Executive Board
Jos Baeten
Karin Bergstein
Michel Verwoest
Roel Wijmenga

Part II

Condensed interim Financial Statements for the six months ended 30 June 2013

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Unless stated otherwise, all amounts presented in these financial statements are in millions of euros.

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Consolidated interim balance sheet

(before profit appropriation)

	30 June 2013	31 December 2012 restated
Intangible assets	260	269
Deferred acquisition costs	283	271
Property, plant and equipment	88	75
Investment property	1,773	1,774
Associates and joint ventures	191	213
Investments	19,999	20,547
Investments on behalf of policyholders	7,738	8,217
Loans and receivables	7,826	7,197
Derivatives	1,448	2,201
Deferred tax assets	223	12
Reinsurance contracts	442	445
Other assets	684	718
Cash and cash equivalents	1,630	2,556
Total assets	**42,585**	**44,495**
Share capital	100	100
Share premium reserve	962	962
Unrealized gains and losses	426	503
Acturial gains and losses	-225	-224
Other reserves	731	504
Profit for the year	110	316
Total equity attributable to shareholders	**2,104**	**2,161**
Other equity instruments	515	515
Equity attributable to holders of equity instruments	2,619	2,676
Non-controlling interests	- 12	-13
Total equity	**2,607**	**2,663**
Liabilities arising from insurance contracts	24,764	25,440
Liabilities arising from insurance contracts on behalf of policyholders	8,573	8,926
Employee benefits	2,580	2,548
Provisions	48	31
Borrowings	112	126
Derivatives	370	366
Due to customers	1,414	1,415
Due to banks	1,187	1,882
Other liabilities	930	1,098
Total liabilities	**39,978**	**41,832**
Total liabilities and equity	**42,585**	**44,495**

As of 1 January 2013, the amendments to IAS 19 Employee Benefits have become effective. The most significant change in the amended standard is the immediate recognition in equity of 'actuarial gains and losses' which were previously reported using the 'corridor method'. Due to the retrospective treatment the comparative figures for 2012 have been restated accordingly (see chapter 2.2).

Consolidated interim income statement

	1H 2013	1H 2012
Gross premiums written	2,345	2,457
Change in provision for unearned premiums	-230	-174
Gross insurance premiums	**2,115**	**2,283**
Reinsurance premiums	-79	-84
Net insurance premiums	**2,036**	**2,199**
Investment income	751	734
Realized gains and losses	282	194
Fair value gains and losses	179	45
Result on investments on behalf of policyholders	212	340
Fee and commission income	30	34
Other income	60	87
Share of profit/(loss) of associates and joint ventures	11	6
Total income	**1,525**	**1,440**
Insurance claims and benefits	-2,610	-2,630
Insurance claims and benefits recovered from reinsurers	50	56
Net insurance claims and benefits	**-2,560**	**-2,574**
Operating expenses	-276	-284
Restructuring provision expenses	-6	-10
Acquisition costs	-228	-285
Impairments	-58	-63
Interest expense	-205	-195
Other expenses	-101	-105
Total expenses	**-874**	**-942**
Profit before tax	**127**	**123**
Income tax expense	-16	-23
Profit for the period	**111**	**100**
Attributable to:		
- Shareholders	109	104
- Holders of other equity instruments	1	2
- Tax on interest of other equity instruments	-	-1
Profit attributable to holders of equity instruments	**110**	**105**
Attributable to non-controlling interests	1	-5
Profit for the period	**111**	**100**

Consolidated interim statement of comprehensive income

	H1 2013	H1 2012 restated
Profit for the period	111	100
Remeasurements of post employment benefit obligation	-2	-13
Income tax on items that will not be reclassified	1	3
Total items that will not be reclassified to profit or loss	-1	-10
Unrealized change in value of available-for-sale financial assets	-561	481
Shadow accounting	465	-232
Share of other comprehensive income of associates and joint ventures	-7	6
Unrealized change in value of cash flow hedges	2	-
Tax relating to components of other comprehensive income	24	-52
Total items that may be reclassified subsequently to profit or loss	-77	203
Total other comprehensive income for the period, after tax	-78	193
Total comprehensive income	33	293
Attributable to:		
- Shareholders	31	297
- Holders of other equity instruments	1	2
- Tax on interest of other equity instruments	-	-1
Total comprehensive income attributable to holders of equity instruments	32	298
Attributable to non-controlling interests	1	-5
Total comprehensive income	33	293

As of 1 January 2013, the amendments to IAS 19 Employee Benefits have become effective. Due to the retrospective treatment the comparative figures for 2012 have been restated accordingly (see chapter 2.2). Shadow accounting allows a recognized but unrealized gain or loss on an asset to be transferred to insurance liabilities.

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Unrealized gains and losses	Actuarial gains and losses	Other reserves	Profit for the period	Equity attributable to shareholders	Other equity instruments	Non controlling interest	Total Equity
At 1 January 2013	100	962	503	-	613	255	2,433	515	-13	2,935
Change in accounting policy	-	-	-	-224	-109	61	-272	-	-	-272
Restated opening balance 2013	**100**	**962**	**503**	**-224**	**504**	**316**	**2,161**	**515**	**-13**	**2,663**
Profit for the period	-	-	-	-	-	110	110	-	1	111
Total other comprehensive income	-	-	-77	-1	-	-	-78	-	-	-78
Total comprehensive income			**-77**	**-1**	**-**	**110**	**32**	**-**	**1**	**33**
Dividend paid	-	-	-	-	-	-88	-88	-	-	-88
Profit carried over from previous financial year	-	-	-	-	228	-228	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-1	-	-1	-	-	-1
Income tax relating to discretionary interest on other equity instruments	-	-	-	-	-	-	-	-	-	-
At 30 June 2013	**100**	**962**	**426**	**-225**	**731**	**110**	**2,104**	**515**	**-12**	**2,607**
At 1 January 2012	100	962	74	-	506	212	1,854	515	-4	2,365
Change in accounting policy					-109		-109			-109
Restated opening balance 2012	**100**	**962**	**74**	**-**	**397**	**212**	**1,745**	**515**	**-4**	**2,256**
Profit for the period	-	-	-	-	-	105	105	-	-5	100
Total other comprehensive income	-	-	203	-10	-	-	193	-		193
Total comprehensive income	**-**	**-**	**203**	**-10**	**-**	**105**	**298**	**-**	**-5**	**293**
Dividend paid	-	-	-	-	-	-71	-71	-	-	-71
Profit carried over from previous financial year	-	-	-	-	141	-141	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-2	-	-2	-	-	-2
Income tax relating to discretionary interest on other equity instruments	-	-	-	-	1	-	1	-	-	1
							-			-
At 30 June 2012	**100**	**962**	**277**	**-10**	**537**	**105**	**1,971**	**515**	**-9**	**2,477**

The change in accounting policies is as a result of the amendment to IAS 19 Employee Benefits (see chapter 2.2). Unrealized gains and losses include shadow accounting adjustments to the insurance liabilities. The actuarial gains and losses recognised for post employment benefit obligations (due to the retrospective application of IAS 19 Revised as of 1 January 2012) are included in total equity. Other reserves amounting to € 731 million (30 June 2012: € 537 million) consists primarily of retained earnings.

Abridged consolidated interim statement of cash flows

	1H 2013	1H 2012
Cash and cash equivalents as at 1 January	**2,556**	**2,573**
Cash flows from operating activities	-797	563
Cash flows from investing activities	-25	-16
Cash flows from financing activities	-104	-53
Cash and cash equivalents as at 30 June	**1,630**	**3,067**

The negative operational cash flows in H1 2013 are mainly due to the repayments of received collateral on derivative instruments and securities lending.

Included in the cash and cash equivalents is € 1,088 million (31 December 2012: € 1,882 million and 30 June 2012 € 2,528 million) related to the cash collateral received on derivative instruments and securities lending. The debt to repay the cash collateral is included in the amount due to banks.

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 3,812 FTEs internal employees (31 December 2012: 4,088) and a.s.r. is a leading insurance company in the Netherlands. In 2013 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 interim financial statements of a.s.r. for the first six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted for use within the European Union (EU). They do not contain all of the information required for complete financial statements and must therefore be read in conjunction with the 2012 consolidated financial statements of a.s.r.

Except for the change in accounting policy as a result of the amendment to IAS 19 Employee Benefits (described in chapter 2.2 and 2.5) and the changes mentioned in 2.3, a.s.r. has prepared its interim financial statements in accordance with the same principles for financial reporting, presentation and calculation methods used for the 2012 consolidated financial statements. These are prepared in accordance with International Financial Reporting Standards (IFRS) - including the International Accounting Standards (IAS) and Interpretations - as adopted for use within the European Union (EU).

The interim financial statements were approved by the Supervisory Board on 19 August 2013. The interim financial statements have not been audited, nor has the independent auditor conducted a limited review.

2.2 Change in accounting policy as a result of the amendment to IAS 19 Employee Benefits

As a result of the amendment to IAS 19 Employee Benefits, € 363 million is added to the provision for employee benefits effective 1 January 2013. Per this date, Equity decreased by € 272 million after tax to € 2,663 million.
As a result of the retrospective treatment, the amendments are effective as of 1 January 2012 resulting in a restatement of the Balance sheet and interim statement of comprehensive income and the interim statement of changes in equity.
As of 1 January 2012, the other reserves (component of total equity) was reduced by € 109 million (net of taxation). The interim statement of comprehensive income and the interim statement of changes in equity have been restated as a result of the actuarial gains and losses as at 30 June 2012 amounting to € -10 million. As of 31 December 2012 the total equity (net of taxation) was reduced € 272 million (net of taxation). The breakdown as shown in the Consolidated interim statement of changes in total equity comprises actuarial gains and losses of € -224 million and other reserves amounting to € -109 million, which are partially offset by the increase in the profit for the year 2012 amounting to € 61 million. As the modification to the pension plans occurred in the second half of 2012, the H1 2012 income statement is not impacted and has therefore not been restated.

The amendments to IAS 19 relate primarily to the following components:

- unrealized actuarial gains and losses which were previously reported using the 'corridor method' whereby unrealized actuarial gains and losses remained outside the profit for the year and total equity. As of 1 January 2012, all actuarial gains and losses are recognized directly in 'Other comprehensive income' (component of total equity) and there is a revision in the computation of the unrealized actuarial gains and losses primarily as a result of the manner in which employee contributions are accounted for. The revised unrealized actuarial loss as of 1 January 2012, amounted to € 161 million (31 December 2012: € 299 million);
- as a result of amendments, when employee benefit plans are modified, the resulting changes are recognized directly in the income statement. Therefore upon transition, the negative past service costs amounting to € 15 million at 1 January 2012 was recognized directly in total equity (31 December 2012: € 87 million);

- the net impact of the above mentioned amendments resulted in a € 146 million increase in the employee benefits provision as of 1 January 2012 (31 December 2012: € 363 million);
- the change in accounting policy is applied retrospectively as from 1 January 2012. 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	Restated
Total equity	2,365	-109	2,256
Employee benefits	2,143	146	2,289
Deferred tax liabilities	69	-37	32

Balance sheet 31 December 2012	As reported	Changes as a result of IAS 19	Restated
Total equity	2,935	-272	2,663
Employee benefits	2,185	363	2,548
Deferred tax liabilities / (Asset)	79	-91	-12

Income statement for the year ended 31 December 2012	As reported	Changes as a result of IAS 19	Restated
Other income	183	81	264
Operating expenses	-615	-2	-617
Interest expense	-405	2	-403
Income tax gain / (expense)	44	-20	24
Profit for the year	248	61	309
Profit attributable to holders of equity instruments	255	61	316

2.3 Changes in the principles for financial reporting

In addition to the amendments to IAS 19 Employee benefits, the following changes in the EU-endorsed IFRS standards and IFRIC interpretations have been effective since 1 January 2013. These changes have no material effect on the financial statements of a.s.r.:

- IFRS 13 Fair Value Measurement: This standard explains how to measure fair value for financial reporting purposes and includes additional disclosure requirements. The changes to the extent that they are applicable for interim financial statements have been included in the 2013 interim financial statements.
- Annual Improvements to IFRSs 2009-2011 Cycle.
  The Annual Improvements is a collection of non-urgent amendments to IFRSs, in response to issues addressed during the 2009-2011 cycle.

The following changes in the EU-endorsed IFRS standards and IFRIC interpretations are effective from 1 January 2014. These changes have no material effect on the financial statements of a.s.r.:

- 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 on or more investees.
- IFRS 11 Joint Arrangements: This standard describes the accounting for joint arrangements and the classification into two types-joint operations and joint ventures.
- 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.
- 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.

- 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.

2.4 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.

2.5 Accounting policy for 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 at each reporting date by external 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. 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.

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 at each reporting date, 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 recognized in the actuarial gains and losses included in other comprehensive income (component of Total Equity).

When employee benefit plans are modified, all costs resulting from the changes are recognized directly in the income statement.

The financing cost related to employee benefits is recognized in interest expense. The employee benefit charges are included in operating expenses.

3 Segment information

3.1 General

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 policy-holders. 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. 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.;
- ASR Vastgoed Ontwikkeling N.V.;
- ASR Vastgoedvermogensbeheer B.V.;
- B.V. Nederlandse Hulpverleningsorganisatie-SOS International.

As from 2013, Ditzo B.V., the distribution channel, has been fully included in the Non-life segment. Previously the underwriting income and expenses were recognized in the Non-life segment and the income and expenses related to the distribution were included in segment other.

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 the consolidated financial statements of a.s.r.

Intersegment transactions are conducted at arm's length conditions. In general, costs related to centralized services are allocated to the segments based on the utilization of these services. As of 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.

3.2 Segmented balance sheet

As at 30 June 2013	Non-life	Life	Other	Eliminations	Total
Intangible assets	2	255	3	-	260
Deferred acquisition costs	90	193	-	-	283
Property, plant and equipment	-	60	28	-	88
Investment property	259	1,500	14	-	1,773
Associates and joint ventures	-	149	42	-	191
Investments	4,068	15,655	2,269	-1,993	19,999
Investments on behalf of policyholders	-	7,738	-	-	7,738
Loans and receivables	260	6,750	969	-153	7,826
Derivatives	1	1,447	-	-	1,448
Deferred tax assets	-	1	222	-	223
Reinsurance contracts	442	-	-	-	442
Other assets	-7	563	189	-61	684
Cash and cash equivalents	342	1,191	168	-71	1,630
Total assets	5,457	35,502	3,904	-2,278	42,585
Equity attributable to holders of equity instruments	846	2,372	-599	-	2,619
Non-controlling interests	-	-	-12	-	-12
Total equity	**846**	**2,372**	**-611**	**-**	**2,607**
Subordinated debt	15	30	-	-45	-
Liabilities arising from insurance contracts	4,363	22,377	-	-1,976	24,764
Liabilities arising from insurance contracts	-	8,573	-	-	8,573
Employee benefits	-	-	2,580	-	2,580
Provisions	-	2	46	-	48
Borrowings	5	114	143	-150	112
Derivatives	-	368	2	-	370
Deferred tax liabilities	56	-156	100	-	-
Due to customers	27	464	1,017	-94	1,414
Due to banks	2	1,185	-	-	1,187
Other liabilities	143	173	627	-13	930
Total liabilities	**4,611**	**33,130**	**4,515**	**-2,278**	**39,978**
					-
Total liabilities and equity	5,457	35,502	3,904	-2,278	42,585

3.2 Segmented balance sheet

(continued)

As at 31 December 2012 (restated)	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	-67	-33	112	-	12
Reinsurance contracts	445	-	-	-	445
Other assets	95	921	-260	-38	718
Cash and cash equivalents	252	2,285	310	-291	2,556
Total assets	**5,432**	**38,442**	**3,627**	**-3,006**	**44,495**
Equity attributable to holders of equity instruments	947	2,717	-988	-	2,676
Non-controlling interests	-	-	-13	-	-13
Total equity	**947**	**2,717**	**-1,001**	**-**	**2,663**
Subordinated debt	15	30	-	-45	-
Liabilities arising from insurance contracts	4,126	23,263	-	-1,949	25,440
Liabilities arising from insurance contracts	-	8,926	-	-	8,926
Employee benefits	-	-	2,548	-	2,548
Provisions	-	1	30	-	31
Borrowings	4	363	667	-908	126
Derivatives	-	363	3	-	366
Deferred tax liabilities	-	-	-	-	-
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	**4,485**	**35,725**	**4,628**	**-3,006**	**41,832**
Total liabilities and equity	**5,432**	**38,442**	**3,627**	**-3,006**	**44,495**

The comparative figures for 2012 have been restated (see chapter 2.2).

3.3 Segmented income statement

H1 2013	Non-life	Life	Other	Eliminations	Total
Gross premiums written	1,410	1,013	-	-78	2,345
Change in provision for unearned premiums	-230	-	-	-	-230
Gross insurance premiums	**1,180**	**1,013**	**-**	**-78**	**2,115**
Reinsurance premiums	-72	-7	-	-	-79
Net insurance premiums	**1,108**	**1,006**	**-**	**-78**	**2,036**
Investment income	73	645	42	-9	751
Realized gains and losses	54	226	2	-	282
Fair value gains and losses	-3	179	3	-	179
Result on investments on behalf of policyholders	-	212	-	-	212
Fee and commission income	21	-	9	-	30
Other income	1	-	60	-1	60
Share of profit/(loss) of associates and joint ventures	-	10	1	-	11
Total income	**146**	**1,272**	**117**	**-10**	**1,525**
Insurance claims and benefits	-954	-1,766	-	110	-2,610
Insurance claims and benefits recovered from reinsurers	45	5	-	-	50
Net insurance claims and benefits	**-909**	**-1,761**	**-**	**110**	**-2,560**
Operating expenses	-117	-97	-62	-	-276
Restructuring provision expenses	-3	-2	-1	-	-6
Acquisition costs	-195	-34	-	1	-228
Impairments	-19	-28	-11	-	-58
Interest expense	-2	-120	-55	-28	-205
Other expenses	-4	-29	-73	5	-101
Total expenses	**-340**	**-310**	**-202**	**-22**	**-874**
Profit before tax	**5**	**207**	**-85**	**-**	**127**
Income tax expense	1	-42	25	-	-16
Profit for the period	**6**	**165**	**-60**	**-**	**111**
Profit attributable to non-controlling interests	-	-	-1	-	-1
Profit attributable to holders of equity instruments	6	165	-61	-	110

3.3 Segmented income statement

(continued)

H1 2012	Non-life	Life	Other	Eliminations	Total
Gross premiums written	1,430	1,104	-	-77	2,457
Change in provision for unearned premiums	-174	-	-		-174
Gross insurance premiums	**1,256**	**1,104**	**-**	**-77**	**2,283**
Reinsurance premiums	-79	-5	-	-	-84
Net insurance premiums	**1,177**	**1,099**	**-**	**-77**	**2,199**
Investment income	81	640	27	-14	734
Realized gains and losses	38	152	4	-	194
Fair value gains and losses	-	42	3	-	45
Result on investments on behalf of policyholders	-	340	-	-	340
Fee and commission income	28	-	6	-	34
Other income	3	20	68	-4	87
Share of profit/(loss) of associates and joint ventures	-	6	-	-	6
Total income	**150**	**1,200**	**108**	**-18**	**1,440**
Insurance claims and benefits	-978	-1,750	-	98	-2,630
Insurance claims and benefits recovered from reinsurers	53	3	-	-	56
Net insurance claims and benefits	**-925**	**-1,747**	**-**	**98**	**-2,574**
Operating expenses	-110	-108	-72	6	-284
Restructuring provision expenses	-4	-5	-1	-	-10
Acquisition costs	-218	-71	-	4	-285
Impairments	-8	-55	-	-	-63
Interest expense	-2	-128	-51	-14	-195
Other expenses	-9	-31	-66	1	-105
Total expenses	**-351**	**-398**	**-190**	**-3**	**-942**
Profit before tax	**51**	**154**	**-82**	**-**	**123**
Income tax expense	-9	-32	18	-	-23
Profit for the period	**42**	**122**	**-64**	**-**	**100**
Profit attributable to non-controlling interests	-	-	5	-	5
Profit attributable to holders of equity instruments	**42**	**122**	**-59**	**-**	**105**

4 Financial 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 financial 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.

Financial assets and liabilities can be broken down as follows:

	31 June 2013	31 December 2012
Investments		
Available for sale	19,929	20,467
At fair value through profit and loss	70	80
	19,999	20,547
Investments on behalf of policyholders		
At fair value through profit and loss	7,738	8,217
Loans and receivables	7,826	7,197
Derivatives	1,448	2,201
Cash and cash equivalents	1,630	2,556
Total financial assets	38,641	40,718
Derivatives	370	366
Total financial Liabilities	370	366

The derivatives have decreased in 2013 by € 753 million. This decrease in fair value can be attributed primarily to the interest-rate derivatives due the increase of the long term yields and restructuring of the interest rate derivatives portfolio as a result of risk mitigating measures. The realized fair value gains are added to the insurance liabilities in accordance with the shadow accounting.

Fair value hierarchy
The following three hierarchical levels are used to determine the fair value of financial instruments when accounting for financial assets and liabilities at fair value and disclosing the comparative fair value of the financial assets and liabilities:

Level 1. Fair value based on 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.

Level 2. Fair value based on observable market data
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).

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.

Further information on the methods and assumptions that were used by the Group to estimate the fair value of the financial assets and liabilities and the fair value hierarchy is disclosed in the 2012 a.s.r Consolidated Financial Statements in Note 2.9 ‘Fair value of assets and liabilities’.

The breakdown of Investments and derivatives recognized at fair value in accordance with the fair value hierarchy levels are as follows:

30 June 2013	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investments available for sale				
Short-term government securities	-	-	-	-
Government bonds	8,731	-	-	8,731
Corporate bonds	7,579	417	-	7,996
Debt certificates covered by mortgage	423	-	-	423
Debt certificates covered by other assets	283	-	-	283
Unlisted equities	-	-	94	94
Listed equities	2,228	-	-	2,228
Other investments	76	98	-	174
	19,320	**515**	**94**	**19,929**
Investments at fair value through profit and loss				
Unlisted equities	**-**	**-**	**70**	**70**
	-	**-**	**70**	**70**
Derivatives				
Exchange rate contracts	-	4	-	4
Interest rate contracts	-	1,440	-	1,440
Equity index contracts	4	-	-	4
Credit derivatives	-	-	-	-
Derivatives held for hedging	-	-	-	-
Total positive fair value	**4**	**1,444**	**-**	**1,448**
Interest rate contracts	-	-366	-	-366
Credit derivatives	-	-2	-	-2
Derivatives held for hedging	-	-2	-	-2
Total negative fair value	**-**	**-370**	**-**	**-370**
	4	1,074	-	1,078
Total	19,324	1,589	164	21,077

31 December 2012	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on 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 loss				
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
Interest rate contracts	-	-363	-	-363
Credit derivatives	-	-	-	-
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

The breakdown of Investments on behalf of policyholders at fair value through profit or loss in accordance with the fair value hierarchy levels are as follows:

30 June 2013	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investment on behalf of policyholders at fair value through profit and loss				
Government bonds	288	-	-	288
Corporate bonds	51	328	-	379
Listed equities	6,970	-	-	6,970
Other investments	-	101	-	101
Total	7,309	429	-	7,738

31 December 2012	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data	
	Level 1	Level 2	Level 3	Total fair value
Investment on behalf of policyholders at fair value through profit and loss				
Government bonds	342	-	-	342
Corporate bonds	52	339	-	391
Listed equities	7,290	-	-	7,290
Other investments	87	107	-	194
Total	7,771	446	-	8,217

Fair value of financial assets not based on observable market data (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
	2013	2012	2013	2012
At 1 January	80	74	55	31
Changes in value of investments, realized/unrealized gains and losses:				
- Fair value gains and losses	3	3	-	-
- Realised gains and losses	-	-	1	3
- Recognised in Other comprehensive income (unrealised gains and losses)	-	-	-	-3
Purchases	4	6	40	25
Sales	-17	-3	-2	-7
Reclassification of investments from/to Level 3 valuation technique	-	-	-	6
At 30 June 2013 (31 December 2012)	**70**	**80**	**94**	**55**

The financial instruments in this category mainly consist of private equity investments. The main non-observable market input is the net asset value of the investment. 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.

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