annual report 2014

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

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2014 annual report

Contents

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Introduction

This Annual Report covers the period from 1 January 2014 to 31 December 2014. Where the data in this report does not match the 2013 Annual Report, this is indicated in the text. The Annual Report is based on factual information from internal sources.
The provided quantitative and qualitative information concerns a.s.r. as a whole, except where stated that information applies to one specific business unit or a division of organization.

This Annual Report has been prepared based on the G3.1 sustainability reporting guidelines of the Global Reporting Initiative (GRI) as well. These guidelines are leading benchmark for sustainability reporting. a.s.r.'s sustainability report is prepared according to the level B of the G3.1 guidelines. Appendix 2 contains a GRI-index table, indicating where in the Annual Report the reader can find GRI disclosures. Also, additional information is provided that has not been included in the Annual Report itself. The information contained in the GRI-index table has not been audited.

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Chapter 1

a.s.r. at a glance

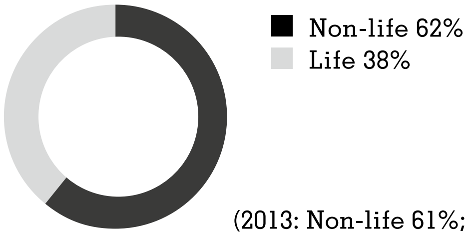
1.1 Profile and key figures

Gross written premiums

€ 3,787 mln

(2013: € 3,923 million)

Breakdown of premium income



(2013: Non-life 61%; Life 39%)

Operating expenses

€ 541 mln

(2013: € 547 million)

Profit for the year

€ 381 mln

(2013: € 281 million)

Cost-premium ratio (Insurance business)

9.8%

(2013: 10.9%)

Dividend proposal

€ 138,9 mln

(2013: 98,9 million)

DNB solvency including UFR

285%

(2013: 268%)

Return on equity

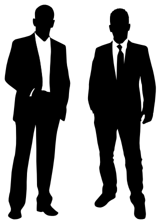
12.4%

(2013: 10.6%)

Headcount at year-end 2014

3,893

1,530



2,363

Combined ratio (Non-life)

94.9%

(2013: 104.6% (including additional WGA-ER loss item)

ASR Nederland N.V. and its subsidiaries, hereinafter jointly referred to as a.s.r., together form the Dutch insurance company for all types of insurance. Via the a.s.r., De Amersfoortse and Ditzo brands, and specialist labels such as Europeesche Verzekeringen and Ardanta, a.s.r. offers a wide range of financial products covering non-life, life and income protection insurance, group and individual pensions, health insurance, travel and leisure insurance, and funeral insurance. Except for a number of funeral portfolios in Belgium, a.s.r. has a presence in the Dutch market only.

Besides insurance products, the a.s.r. product range includes savings, bank savings and investment products. In addition, a.s.r. invests in real estate and in property development. Having generated € 3,787 million in gross written premiums in 2014 and servicing some estimated 1,7 million customers (a.s.r, De Amersfoortse and Ditzo), a.s.r. is the fourth largest insurance company in the Netherlands.

a.s.r. offers people certainty in uncertain circumstances. a.s.r. achieves this by ensuring financial continuity in people's lives and by allowing them to take out insurance for risks that they are unable or unwilling to carry alone, and by helping customers grow their assets for the future.

a.s.r. is confident that it can prove its right to exist by thinking in terms of customer interests and perception. This is something that all employees work towards each day. And it is the employees that give the service of a.s.r. a face and determine its quality, which a.s.r.'s products and services must match. Clarity and simplicity combined with efficient business processes and a robust financial position are essential. Customers may rest assured that their risks are covered by an insurer that operates sensibly and avoids waste, but also listens to them and puts itself in its customers' shoes.

In its policies, a.s.r. takes account of the interests of its customers and employees, and a broad group of external stakeholders (business partners, shareholders, regulators, politicians, regional governments, industry associations, trade unions, non-governmental organizations (NGOs) and local communities).

a.s.r.'s main office is located at Archimedeslaan 10 in Utrecht, the Netherlands. Other branches in the Netherlands are located in Amersfoort, Amsterdam and Enschede, and at Pythagoraslaan in Utrecht. Thanks to the New World of Work, a.s.r.'s nearly 3,893 employees have been given the opportunity to choose their own time and place of work.

Organizational structure

a.s.r. is managed by an Executive Board that bears full responsibility for the three reporting segments: Non-life, Life and Other.

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

The Life segment comprises all insurance policies that involve asset-building, asset reduction, asset protection, term life insurance for consumers and business owners, and funeral expenses. Products are offered under the a.s.r., De Amersfoortse and Ardanta labels. The vast majority of these policies are distributed via the intermediary channel. Funeral insurance, immediate annuities, term life insurance and pension insurance can also be taken out online.

The Other segment comprises the banking business, a.s.r. vastgoed ontwikkeling (real estate development), a.s.r. vastgoed vermogensbeheer (real estate investment management), SOS International (emergency assistance) and the holding companies. The banking business develops mortgages and savings and investment products.

Financial Markets and the real estate investment management business manage an investment portfolio worth more than € 40 billion for a.s.r., policyholders and institutional investors. They invest these assets in a responsible manner so that a.s.r. can meet its obligations at any given time.

The investment portfolio is broadly diversified and consists of holdings in equities, government and corporate bonds, mortgages and real estate. This type of risk diversification and the pursuit of an integrated investment policy that is geared to insurance liabilities allow a.s.r. to maintain its robust financial position and guarantee the obligations towards its customers.

a.s.r.'s operations are structured into the product lines non-life, life, pensions, banking, occupational disability, health, funeral, travel and leisure, real estate development, corporate departments and support services. Each of these divisions has its own Management Team, whose chair reports to a member of the Executive Board.

In terms of legal structure, a.s.r. consists of the parent company ASR Nederland N.V. and a number of operating companies and the service companies. An overview of the main legal entities is shown on page 156 and 157 of the financial statement.

1.2 Message from the CEO

Sustainable footing

2014 was a good year for a.s.r. in many respects, a year in which we have been able to focus even more on embedding the principle of treating customers fairly in our business practices. The outlines of our future as a sustainable insurance company, which demonstrates visibly that it has defined continuity and security for customers as its main priorities, are becoming increasingly clear. Not only are our products becoming easier to understand and better tailored to customer requirements, but our robust financial position also contributes to the trust that our customers have in us.

Looking at the insurance market, not much has changed over the past few years. Margins continue to be under pressure and the life portfolio is contracting. In addition to trust in the product and the insurer, pricing is becoming more and more important for consumers in their shopping behaviour. It is for this reason that a.s.r. has gone to great lengths over recent years to offer consumers value for money.

Our business continues to be built on a robust foundation. This is reflected in our profit for the year of € 381 million, a 36% increase on 2013. Our guiding principle is that we choose value over volume, which has resulted in a sound margin on premium income and a robust solvency ratio. a.s.r.'s DNB Solvency I ratio continues to be strong, rising to 285% at year-end 2014. Return on equity stood at 12.4%. Based on this solid performance, we will submit a motion to the Annual General Meeting of Shareholders for a dividend distribution of € 138.9 million to our shareholder.

All segments of the business are developing well. Premium income from Non-life was virtually stable; this segment's combined ratio is structurally below 100% for all product lines. We are pleased that the *Vernieuwde Voordeelpakket*, a package of non-life policies for private individuals, is a favourite among consumers. Sales of this package have increased significantly over the past year.

The occupational disability insurance business managed to shore up its position as market leader despite difficult conditions. The introduction of a new occupational disability insurance policy for self-employed persons clearly meets a need for the target group: adequate cover for the risk of occupational disability at a fair price.

We managed to improve our position in the pension market. The new *Werknemers Pensioen* (Employee Pension) meets a need in this market. 700 employers opted for this employee pension contract in 2014. We are also doing well at retaining existing customers. The buy-out of Stichting Chevron Pensioenfonds (the Chevron pension fund), which involved € 370 million in plan assets, put a perfect close to the year and represented a success for our pension business.

The life insurance market, which is contracting, continues to demand our attention. We are adapting the organizational structure of our life business to developments in this market. As a result, we eventually plan to let go of half our people in this business. This has been a difficult decision, but it needed to be taken to have our costs keep pace with the rate of contraction in this portfolio. Total costs will drop if we maintain the current price level for each policy.

Unit-linked policies continued to be a priority in the life business in 2014. We have now reached nearly 90% of our unit-linked policyholders. In the last quarter of 2014, we managed to catch up considerably and make contact with a specific group of 35,000 customers who hold non-accruing or low-accruing unit-linked policies. At year-end 2014, we had reached more than 80% of this customer group. A relatively small group of 6,000 customers now remains; we are committed to trying to rally them into action.

With a view to strengthening our balance sheet and capital position even more, we issued a hybrid bond loan of € 500 million in 2014. a.s.r. now not only amply meets the solvency II requirements, but this loan has also helped to optimize our capital structure and created the conditions for reducing our interest expense. The interest that investors showed in subscribing for the loan tells us that the market has faith in a.s.r.

The success of the ASR Dutch Prime Retail Fund was another financial milestone. After a fourth placement in 2014, the Fund's total externally placed assets rose to over € 530 million. A fifth placement was undertaken early in 2015.

The renovation of the a.s.r. building is in full swing. The entire building will have been renovated by the end of 2015. By that time, virtually all a.s.r. employees will have a workstation at Archimedeslaan 10 in Utrecht. This inspiring workplace will undoubtedly contribute to the provision of even better customer services. We are now entering the last phase of the renovation. Sustainability was the most important criterion in the award for Best Office Building in the Netherlands in 2014 received by a.s.r.

Our sustainable investment policy earned us the highest rating awarded by the Fair Insurance Guide twice in 2014. In a survey conducted by the Dutch Association of Investors for Sustainable Development (VBDO), a.s.r. achieved a top three position for the fourth year in a row. Development and sustainable employability also form the pillars of our HR policy. Although we are now offering a less generous pay-and benefits package, we are in fact stepping up our investments in employee training and development.

We can look back at two successful support campaigns. The online platform doorgaan.nl welcomed dozens of business owners with great business ideas, which we not only facilitated with crowdfunding, but also provided financial support to (to some of this business ideas). Over 2,000 investors raised more than € 500,000 in project finance. This helped various businesses to get their venture off to a successful start. *Andere Spelen* (Alternative Games) is an a.s.r. initiative that was launched in 2014. Its aim is to encourage more children to participate in physical exercise by introducing them to lesser known sports. In this context, a large event was organized in Utrecht in November.

a.s.r. is on its way towards an autonomous and healthy future. We made great strides in that respect in 2014 too. All things considered, I look back on the past year with a sense of contentment. The process of exploring a potential merger with VIVAT/REAAL has also left positive memories. After due deliberation and thorough investigation, we ultimately decided not to submit a final bid. In dialogue with NLFI, our shareholder, we will now continue to prepare for our privatization. The privatization process will start as soon as the Minister of Finance has informed the Dutch Parliament on his decision and after it has been discussed with the Parliament. We are confident about this process, not least because of the great interest that many investors have shown in a.s.r.

But there is a lot more to do of course, in 2015 too. We are proud of, and thankful for, our employees' tremendous commitment to our customers and the professionalism they exhibit on a daily basis. We are also happy to see a rise in our employee satisfaction rating. We will continue to invest in the personal development and professional competence of our people. After all, we need motivated and qualified employees to help ensure the future of our organization.

We will continue to safeguard our financial health by looking after our solvency levels, increasing cost flexibility and reducing costs where we can. And we will keep embracing our mission to improve our customer services every single day. What we want is for our customers to have a positive experience. We want them to share in the good feeling about a.s.r. that exists among our employees and everyone who believes in our organization.

Jos Baeten
Chief Executive Officer

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1.3 Highlights of 2014

In 2014, a.s.r. continued the new strategy it initiated in 2012 of being a socially minded and accepted insurance company offering easy-to-understand products at a fair price. This cannot be achieved without a robust financial base and cost-effective operations and the overall goal of providing excellent customer service.

Issues affecting a.s.r. in 2014

a.s.r. focused heavily on treating customers fairly in 2014. In the Non-life segment, dedicated customer desks were set up through which customers contacting a.s.r. are served more swiftly and more effectively. The pricing of car insurance in the *Vernieuwde Voordeel Pakket* discount package was improved. SMEs were offered better prices on their fire and third-party liability policies, and discounts were granted on motor vehicles insurance for vans.

The occupational disability business launched a new product especially designed for self-employed persons, featuring a limited life and an attractive premium. In 2014, the funeral expenses business introduced webcam consultations to make it more convenient for people who are interested in taking out funeral expenses insurance to talk to an adviser when and where it suits them.

a.s.r. spent a lot of energy encouraging unit-linked policyholders to come forward in 2014 too, focusing in particular on the most vulnerable group of customers who hold non-accruing policies. At year-end 2014, a.s.r. had managed to reach over 80% of all customers holding a non-accruing policy and encouraged them to come forward. Although a.s.r. will continue trying to reach all affected customers, this is proving to be a challenge. Despite all efforts, the last group is increasingly difficult to reach and spur into action.

a.s.r.'s transition is also reflected in the sustainable renovation of the office building located at Archimedeslaan in Utrecht. Two highlights were celebrated in 2014. The first renovated part of the building where the employees' workstations are located was put into use and the new conference centre opened its doors at the end of the year. As a result, a.s.r. now has over 1,000 new-generation workstations that meet every requirement of the New World of Work, as well as a multifunctional conference centre with 11 conference rooms seating between eight and 250 persons. The second stage of the renovation was completed early in 2015; this included the new cafeteria and the semi-public space with a bar and brasserie, which will be opened up to the public. The fact that the building was named 2014's best office building in the Netherlands shows that the renovation did not just make an impression on a.s.r.'s visitors, employees and neighbours. The judges of Intermediair.nl ruled that the a.s.r. building is unique in that it is perfectly in line with the organization's philosophy of transparency, sustainability and austerity.

Lastly, there were political developments involving a.s.r.'s imminent privatization with a view to the sales process of VIVAT/REAAL (formerly Reaal), another nationalized insurance company. Early in 2014, Dutch Finance Minister Dijsselbloem proposed to postpone a.s.r.'s privatization and offer a.s.r. the opportunity to submit a bid for SNS Reaal's insurance operations. He did so in a letter to the Dutch Parliament, in which he wrote that the idea is to refloat a.s.r., especially now that NLFI, the shareholder, has issued a recommendation stating that a.s.r. is ready to be privatized. At the same time, Minister Dijsselbloem suggested postponing a.s.r.'s privatization because he felt that the time was not right. In his reasoning, he referred to the IPO of other businesses, including Nationale Nederlanden, and his belief that a.s.r. should have a chance to bid for VIVAT/REAAL. To this end, the Minister allowed a.s.r. to attract external investors that could help to facilitate a potential bid for VIVAT/REAAL because he argued that a merger between a.s.r. and VIVAT/REAAL should be effected without financial back-up from the government. Minister Dijsselbloem's plan received support in a parliamentary debate. The process to sell VIVAT/REAAL was initiated and a.s.r. started to seriously explore whether or not to submit a bid. There turned out to be great interest from investors. a.s.r. spoke to about 30 international players that wanted to explore a potential joint bid for VIVAT/REAAL.

Together with a consortium of selected investors, a.s.r. thoroughly reviewed the options for submitting a bid. Based on the findings, it was ultimately decided in February 2015 not to submit a final bid. In dialogue with the shareholder NFLI, a.s.r. will now continue to prepare for a future in private hands and decide on a time schedule leading up to the privatization.

Financial milestones

Sound and sustainable results

The figures for 2014 reflect the positive developments in the results achieved by a.s.r. The combined ratio in the Non-life business stayed below 100% throughout 2014 for all product lines. Profit for the year was up from 2013. The solvency ratio continued to be robust in 2014. The occupational disability and non-life businesses managed to grow their market share and customers continued to be satisfied with a.s.r.'s products and services in 2014, as reflected in a stable NPS.

Buy-outs and contracts in the Pensions business

a.s.r. will start to underwrite the pension liabilities of Stichting Chevron Pensioenfonds as of 1 January 2015. The pension assets to be transferred within the scope of this buy-out are worth € 370 million. The existing pension entitlements of more than 1,800 members, who are employees and former employees of the Dutch operations of US oil company Chevron, will be administrated by a.s.r. pensions with effect from 1 January.

In addition, the pensions business signed a large number of contracts in 2014, for instance with GDF Suez E&P Nederland, the largest new customer in 2014. Natural gas extractor GDF Suez E&P Nederland signed a contract worth € 5.5 million in premiums per year.

Acquisition of Van Kampen Groep

a.s.r. announced in December that it was to acquire all shares in Van Kampen Groep (VKG), based in Hoorn, as of 1 January 2015. VKG keeps records for more than 3,000 financial advisers in the Netherlands and works in partnership with over 150 financial institutions. It has 161 people on its payroll.

ASR Dutch Prime Retail Fund

a.s.r. vastgoed vermogensbeheer, the real estate investment management business, completed the fourth placement of the ASR Dutch Prime Retail Fund. Aviva Investors Global Real Estate Multi-Manager invested over € 25 million, which brought the total capital raised since December 2011 to over € 530 million. At year-end 2014, a.s.r. still had a share of 56% in the fund.

Balance sheet optimization

a.s.r. raised € 500 million in new capital on the financial markets through a hybrid bond loan. By doing so, a.s.r. took an important and successful step towards further optimizing the balance sheet, particularly with a view to Solvency II. Most of the subscriptions for the loan are from Dutch and German long-term investors. The loan also attracted great interest from the UK, France and Switzerland.

Credit rating

Standard & Poor's confirmed a.s.r.'s A rating for its core insurance companies and awarded a BBB+ rating to the holding company (ASR Nederland N.V.). All ratings have a stable outlook.

Campaigning and marketing milestones

Below is a list of key initiatives that show how the a.s.r. brands help customers and what ‘helping by taking action’ actually means:

- **Doorgaan.nl.** Doorgaan.nl is a crowdfunding platform for businesses asking the public to join De Amersfoortse in investing in them. The number of projects financed in 2014 was 13, about half of the initial number. The website attracted more than 500,000 unique visitors in 2014 and 2,000 investors came forward. The crowd and De Amersfoortse together invested some € 500,000 in the featured businesses.

- **Andere Spelen.** This is an initiative to get children to lead more active lives. Rather than supporting large sports such as football or field hockey, this programme showcases smaller, relatively unknown sports in particular, including bossaball, frisbeeing, fierljeppen (jumping a body of water using a pole), sword-fighting and wall-climbing. A large event featuring these sports was organized in Utrecht on 9 November. The highly successful, sold-out event enabled more than 10,000 visitors to familiarize themselves with various alternative sports.

- **Samenheldenbouwen.nl.** Ardanta launched a special website allowing customers to check whether their funeral expenses policy is still adequate. Ardanta donated € 1 to the Dutch Heart Foundation for every policy checked. Ardanta wants to use this campaign to educate visitors about the value of their funeral insurance and to save lives at the same time. In addition to the donation to charity, customers who have checked their policy also receive an offer to sign up for a free resuscitation workshop. Ardanta had donated € 23,500 to the Dutch Heart Foundation by the end of the year.

- **Zorgmee.** Zorgmee, which translates as ‘care too’, is the name of Ditzo’s relief campaign. The campaign (see www.ditzo.nl/zorgmee) draws attention to helping people who need the most care. Ditzo customers who want to help others can choose to increase their monthly health insurance premiums. Ditzo doubles the amount of the increase and invests the money to benefit three target groups, i.e. young people, families and the elderly. The decision on how the money is spent is taken in dialogue with specialists and customers.

Other highlights of 2014

1. The amended employment conditions were formalized in a collective bargaining agreement. One of the new features is that variable pay has been eliminated for all employees as of 1 July 2014. With effect from 1 January 2015, there will be no more employee discounts on new mortgages and the pension scheme will be adjusted. For more details, see page 59.

2. The pensions business is set to outsource some of its processes to Infosys. This means that 87 colleagues will be transferring to Infosys, which specializes in administrating and improving knowledge-intensive processes. The purpose of this outsourcing is to reduce costs on a structural basis and to improve the quality of the administrative processes. It will also help to make costs more predictable and flexible.

3. Chris (H.C.) Figee (41) joined the a.s.r. Executive Board in the role of CFO on 1 May. He succeeded Roel Wijmenga, who left a.s.r. after five years. Chris (H.C) Figee’s previously worked at Achmea, where he served as Director of Group Finance. Earlier in his career, Chris Figee held positions at Aegon and McKinsey.

4. a.s.r. vastgoed ontwikkeling is ambitious. De Nieuwe Haagsche Passage in The Hague was completed in September. a.s.r. vastgoed ontwikkeling will develop about 200 homes near Utrecht central station. In Leidsche Rijn, near Utrecht, a.s.r. vastgoed ontwikkeling and Vesteda Project Development are developing an area with about 150 stores, hospitality outlets and commercial services, 10,000 m² of office space and more than 700 apartments. A multi-storey car park with 2,000 parking spaces will also be built. The work got off to a start in June.

5. In April, an international delegation of mayors, city planners, architects and city councillors from 11 cities in Central and Eastern Europe visited a.s.r. to learn about a.s.r.'s sustainable bicycle policy. The visit was part of a training programme concerning mobility, sponsored by the European Union.

Awards, prizes and other honours in 2014

In the process of a.s.r.'s development into a customer-oriented and transparent insurer, any awards and prizes received are recognition of the positive changes within the business. What follows is a selection of awards, prizes and other honours given to a.s.r. in 2014 or announced in 2014:

- a.s.r.'s liability insurance policy for private persons (Dutch acronym: AVP) received high ratings in the MoneyView comparison shopping test. Having been awarded five stars for 'Quality', the policy was referred to as unique in the market.
- MoneyView also gave the maximum of five stars to a.s.r.'s *Lijfrente Spaarrekening* (annuity savings account) and *Extra Pensioen Uitkering* (extra pension benefits). These products were regarded highly because of their pricing.
- MoneyView continued to rate De Amersfoortse's occupational disability insurance as a five-star policy on account of its flexibility.
- a.s.r. managed to retain the Customer-Oriented Insurance Quality Mark after undergoing a new audit. The Dutch Insurance Review Agency was positive about a.s.r.'s focus on customer interests, accessibility, expertise and quality.
- As shown in the 2013 survey on Treating Customers Fairly that was published by the AFM in August, a.s.r. scored 3.6 out of 5 on customer focus in its services, products and processes, which is slightly better than average. This score is an improvement upon last year (3.3) and higher than the average in the financial sector (3.5).
- The Ditzo *Kijk kanker de wereld uit* (Fighting Cancer) campaign, which was initiated in 2013, received various awards:
    - **SAN Accent.** The campaign received the only communication industry award for and by advertisers.
    - **Echo Award.** Ditzo received this international award for the best marketing campaigns in the world, which is presented annually by the Direct Marketing Association.
    - **Online Video Award 2014.** The Marketingfacts platform named the *Kijk kanker de wereld uit* video the most strikingly effective Dutch video of the decade.
    - **Esprix Awards.** Ditzo won both a silver and a bronze award at this annual marketing awards ceremony.
- a.s.r.'s sustainable investment policy earned the highest rating awarded by the Fair Insurance Guide twice in 2014. a.s.r. does better than others in this survey, particularly when it comes to increasing the sustainability of investments. In the annual VBDO (Dutch Association of Investors for Sustainable Development) survey, a.s.r. achieved a top three position for the fourth year in a row.
- *Elsevier* magazine again named a.s.r. vastgoed ontwikkeling as one of the best employers in the Netherlands. The real estate development business was awarded the highest score in the construction sector.

1.4 Strategy and positioning

a.s.r. offers people certainty in uncertain circumstances. a.s.r. achieves this by ensuring financial continuity in people's lives and by allowing them to take out insurance for risks that they are unable or unwilling to carry alone, and by helping customers grow their assets for the future. Customer trust is an important part of a.s.r.'s ambition. But trust goes further than the customer alone. It applies equally to successful cooperation with intermediaries, to offering employees an inspiring and interesting working environment, and to giving the shareholder the prospect of attractive returns based on responsible risk.

a.s.r. chooses to be an all-round insurance company with products and services that are primarily designed for the Dutch market. The Dutch insurance market is saturated and fiercely competitive. In this market, a.s.r. has opted for value over volume; we want to achieve cost reductions by preventing waste through continuous efficiency improvements under the motto 'first time right'. a.s.r. has deliberately chosen a multi-line model, offering a comprehensive range of insurance products to customers. In doing so, a.s.r. focuses on standardizing processes and products, increasing the level of Straight Through Processing and, where appropriate, outsourcing services to specialist partners. a.s.r. has chosen to introduce outsourcing in controlled stages.

a.s.r. is confident that it can prove its right to exist by thinking in terms of customer interests and customer perception. This is something that all employees work towards each day. And it is our employees, with their professionalism and customer focus, who give the service of a.s.r. a face and determine its quality. a.s.r.'s products and services are at the base. Clarity and simplicity combined with efficient business processes and a robust financial position are essential. Customers can rest assured that their risks are covered by an insurer that operates sensibly and avoids waste, listens to them and puts itself in their shoes.

Customers tell us that they want transparent products, clear communication and personalized service. a.s.r. has made it its top priority to meet these needs. This means that activities and objectives are assessed for whether or not they benefit our customers. New products are presented to customer panels and their feedback is incorporated into the product development process. Ultimately, we should see this reflected in the appreciation rating that customers give a.s.r. in terms of the Net Promoter Score (NPS).

Everyone at a.s.r. works each day according to the guiding principle that they can help make the insurance business better for customers. They use alternative business models and start from an alternative mindset. Back to the roots of insurance: helping people. Back to the mindset that collaboration provides certainty for all. 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. have put service in insurance on the map in the Netherlands. Our history goes back to 1720, and sharing risk was the founding principle. It still is for a.s.r. today.

1.5 Brand policy and distribution model

Featuring the a.s.r., De Amersfoortse, Ditzo, Europeesche Verzekeringen and Ardanta brands, a.s.r. offers a wide range of financial products: life insurance, non-life insurance, income protection insurance, group and individual pension products, health insurance, travel and leisure insurance, and funeral insurance.

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

a.s.r.

a.s.r. is the primary label for private individuals. Its core value is helping people by taking action. Life and non-life insurance policies, mortgages and savings and investment products are primarily sold through the intermediary channel, but customers can also approach a.s.r. directly if they want. This hybrid model has been designed to allow customers to make their own arrangements and solicit advice when they need it. Customers can always contact a.s.r., for instance by calling or sending an email about easily resolvable or administrative issues, or one of our intermediaries to ask for more personal and tailored advice. a.s.r. puts customers' interests first in developing insurance packages too. They are based on customers' life events, such as buying a house or children leaving home. This makes insurance personal and lays the foundation for different pricing methods. The a.s.r. label also comprises commercial lines. In addition, a.s.r. operates and develops real estate.

De Amersfoortse

De Amersfoortse is the brand for business owners. Its portfolio comprises income protection, health and pension insurance. De Amersfoortse's priorities are offering peace of mind, now and in the future, advice from a trusted adviser and convenience through online management and services. De Amersfoortse's products and services are sold through intermediaries only. Income protection insurance is sold exclusively via De Amersfoortse on the basis of business owners. Business owners are made a competitive offer when they are accepted for occupational disability and income protection insurance. De Amersfoortse also offers health insurance to private individuals.

Ditzo

Ditzo is the online provider of non-life and health insurance policies for people who like to arrange things online. Customers can take out household contents insurance, third-party liability insurance, residential premises insurance, travel and car insurance, and health insurance online. Ditzo is good at questioning things that do not seem logical and taking action to rectify them. Over the past few years, Ditzo has actively contributed to the public debate about healthcare in the Netherlands and invested in research by undertaking such initiatives as 'Kijk kanker de wereld uit' (Fighting Cancer) in 2013 and 'Zorgmee' (Care Too).

Ardanta

Ardanta is a specialist in funeral insurance. It mainly offers its products through independent insurance intermediaries.
In addition, Ardanta has launched a website by the name of www.doodgaanendoorgaan.nl (in Dutch), which educates customers well in advance about funeral arrangements and related issues.

Europeesche Verzekeringen

Europeesche Verzekeringen specializes in travel and leisure insurance. Europeesche Verzekeringen sells insurance policies through the intermediary channel and through specialist partners, which not only include tour operators, health insurers and insurance agents, but also federations, clubs and associations, such as the Dutch Ski Federation.

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Chapter 2

Report of the Executive Board

2.1 Themes in 2014

The Executive Board met at least weekly in 2014 for consultation. The following themes were given priority in the meetings of the Executive Board in 2014:

Routine topics	Specific issues
• Customers	• Treating Customers Fairly and AFM survey
• Employees and development	• MH17 air disaster
• Contacts with Works Council	• HR and talent development
• Commercial development and premium income	• Less generous pay-and-benefits package
• Developments in premium income/cost ratio	• Amendment and harmonization of pension plan
• Risk management and risk appetite	• Unit-linked policies
• Own risk and solvency assessment (ORSA)	• Acquisition of Van Kampen Groep
• Strategy, including future exit to private market	• Team dynamics in Executive Board (including new CFO)
• Financial performance (quarterly, interim and annual results)	• Privatization and VIVAT/REAAL
• Solvency	• Solvency II
• Contacts with regulators	• Renovation of Archimedeslaan offices
• Contacts with shareholder	
• Investment plan	
• Dividend proposal	
• Sustainability and role in society	
• Multi-year budget	
• Integrity reports	
• Audit reports	
• Governance	
• Complaint reports	
• ICT-projects	

In addition to recurring topics, the Executive Board also discussed a number of specific themes in its routine meetings in 2014, as well as scheduling many extra meetings to address these specific themes. A number of routine topics and additional themes are highlighted below.

Treating Customers Fairly and AFM survey

Helping customers is what lies at the heart of our business. Everyone at a.s.r. knows this and puts this principle into practice every day. Treating Customers Fairly (TCF) frequently comes up during internal sessions and is often covered in internal communications. Various reports, including the TCF Dashboard, complaint reports and the Net Promoter Score, are used to gain an understanding of developments in, and the performance on, TCF on a regular basis. A lot of attention is also paid to knowledge development by sharing and discussing best practices.

The TCF Dashboard, which is defined annually by the Netherlands Authority for the Financial Markets (AFM), yields highly useful information that helps to further improve a.s.r.'s customer focus. This survey by the regulator annually benchmarks the extent to which Dutch financial institutions focus on customer interests in their products, services and processes. a.s.r. achieved a score of 3.6 out of 5 for 2013 on the Dashboard (2012: 3.3), higher than the average in the financial sector (3.5). a.s.r. scored well above average on claims handling, complaints management and customer contacts in particular. Nonetheless, the Executive Board will keep a sharp focus on TCF while a.s.r. is continuously working to increase its customer focus.

MH17 air disaster

The crash of Malaysia Airlines flight 17 on 17 July killed all of its 298 passengers and crew. Some passengers had taken out policies with a.s.r., De Amersfoortse, Ditzo, Europeesche Verzekeringen and Ardanta. Immediately after hearing about the crash, the Executive Board decided that a.s.r. would not invoke the war clause. In dialogue with the Dutch Association of Insurers, the rest of the sector decided to do the same. a.s.r. formed a special team right after the air disaster; the team did all it could to help surviving relatives cope with the financial implications efficiently and make the necessary arrangements. Given the special circumstances of the crash, the Executive Board discussed on a regular basis how a.s.r. could be of as much assistance as possible to the surviving relatives.

HR and talent development

a.s.r.'s employees are the driving force of the organization. They are helping customers deal with unexpected and sometimes difficult circumstances, working every day to improve products and processes, dealing with customer queries quickly and efficiently, and thinking about and working towards the socially relevant insurer that a.s.r. aspires to be. The Executive Board discussed the talent development programme on various occasions in 2014. The Executive Board considers it is important that all employees and the group of trainees in particular are offered opportunities for investing in their own expertise and professionalism. In this context, it was decided in 2014 to launch the In Motion (in beweging) programme to increase our people's mobility.

We want our policy to be unambiguous and transparent, and we took up the challenge in 2014 to find a system that strikes the right balance between trust in the intrinsic motivation of all a.s.r. employees on the one hand and clear performance targets and employee appraisals on these targets the other. The Executive Board believes that a.s.r. can only be a sustainable organization and a socially relevant insurer if we employ the right motivated people; the focus should be on professional skills and financial incentives should not be leading. For this reason, we decided in 2014 to change our pay-and-benefits package and eliminate variable pay for nearly the entire staff base and converted, in line with an agreement with the trade unions, the variable part for a smaller fixed allowance. We are confident that a.s.r.'s pay-and benefits package is a good offering overall that will enable us to attract and retain good people.

Adjustment of pay-and-benefits package

a.s.r. wants to offer fair remuneration; it has chosen to benchmark its remuneration against the second quartile of the average remuneration level in the Netherlands across all industries (i.e. not just the financial sector). In the context of bringing the remuneration in line with the market, the Executive Board worked on amending the pay-and-benefits package; the amendments included eliminating variable pay and the mortgage interest discount on new mortgages (the latter with effect from 1 January 2015), and amending the pension plan. With these changes, a.s.r. has scaled back its pay-and-benefits package from about 15% above average to the median of this benchmark group over the past few years. The members of Executive Board have not been entitled to variable pay since 2011. This was motivated by the statutory provisions governing the bonus prohibition for state-aided enterprises. Now that variable pay has been eliminated, performance appraisals will take on a different dimension for nearly all employees. Together with HR, the Executive Board has fleshed out how to conduct a performance appraisal interview and how to set targets effectively.

Improving and maintaining the integrity and robustness of a.s.r. is key to the new remuneration policy, which was introduced in 2014, and the focus is squarely on the long-term interests of all our stakeholders. The aim of the remuneration policy is to motivate employees to work for the interests of customers and other stakeholders within the parameters of the duty of care.

The Executive Board also focuses specifically on the development of senior management. One of the ways of doing so is the annual senior management survey, in which context the individual members of senior management are first discussed within the Executive Board and then jointly with the Supervisory Board. The discussions focus on personal growth, combined with new opportunities within a.s.r. As part of this policy, three managing directors took on new roles in 2014, two left a.s.r. and one was recruited externally.

In 2014, the outcomes of the survey were discussed with all senior managers in their respective discipline. Based on these outcomes, a special training programme was developed for each target group. The simplified set-up of the survey offers greater transparency and a greater focus on development and mobility.

Unit-linked policies

Unit-linked policies are a recurring theme in Executive Board meetings; while the discussion is also about the financial impact of the issue, much more attention is devoted to investigating and offering alternatives to unit-linked policyholders.

Since a.s.r. was one of the first insurance companies in 2011 to actively offer alternatives to customers in addition to what had been agreed with the lobby groups, we have now made contact with 90% of our unit-linked policyholders and made arrangements with them. This issue was foremost in the minds of the members of the Executive Board and the relevant senior managers in 2014 too. As a result, arrangements had also been made at year-end 2014 with more than 80% of customers holding so-called non-accruing policies. These achievements are in line with the targets for 2014, but it remains our goal to contact all customers. In 2015 too, our efforts will continue to be focused on finding solutions for the small group of customers that are proving very difficult to contact. At the same time, the Executive Board has concerns about the fact that, in the debate about unit-linked policies, the fee issue does not seldom get mixed up with the discussion on (expected) investment returns. Unit-linked policies are the subject of a broad public debate that does not only involve insurance companies and customers. That is why we value the dialogue with, and the constructive input of, all stakeholders, including politicians, regulators, lobby groups and the media. In 2014, a.s.r. met with politicians and journalists, for instance, and working visits were organized to share with stakeholders what efforts a.s.r. is undertaking in this respect.

Privatization and VIVAT/REAAL

The potential consolidation of the insurance sector and a.s.r.'s possible role in it was a high-priority item for the Executive Board in 2014. The Executive Board discussed the option of a.s.r. being admitted to the bidding process for VIVAT/REAAL. The Dutch Minister of Finance decided in June 2014 to temporarily postpone a.s.r.'s privatization process to allow a.s.r. to take part in the bidding for VIVAT/REAAL. A potential bid was subject to the condition of external funding. The Executive Board discussed this issue in a large number of routine and additional meetings, which – in close consultation with NLFI – led to the selection of a number of reputable national and international investors to help fund a potential binding bid for VIVAT/REAAL. After having issued a non-binding bid, a.s.r. was admitted to the next stage of the process, which involved conducting a due diligence review and interviewing VIVAT/REAAL managers and experts. Based on the findings, the Executive Board decided in 2015 not to issue a final bid for VIVAT/REAAL because it would not tie in with a.s.r.'s predefined criteria.

A lot of time and energy went into this process in 2014 and we saw great interest on the part of potential investors. The Executive Board is confident that prudent and well-substantiated arguments in every stage of this process have contributed to the robustness and soundness of a.s.r. as an organization and to its strategy, and that this is clear to internal and external stakeholders alike. The Executive Board is very grateful to the shareholder for offering a.s.r. the opportunity in 2014 to take part in the bidding process for VIVAT/REAAL.

The Executive Board looked extensively at a.s.r.'s potential return to private hands in 2014. The Executive Board knows what the Dutch State's views are on this issue. As NLFI established in May 2014, a.s.r. has been successful at building a track record where its ability to deliver is concerned. As a result, NLFI feels that a.s.r. is ready for an IPO (as one of the possible privatization options). At the same time, NLFI concluded, based on a number of general market conditions and more structural issues in the Dutch insurance market, that mid-2014 was not an opportune time for a.s.r. to be privatized. After we had decided not to issue a binding bid for VIVAT/REAAL, we went back to preparing for the privatization in dialogue with the shareholder NLFI. The privatization process will start as soon as the Minister of Finance has taken a decision and informed the Dutch Parliament of the time schedule and procedure leading up to a.s.r.'s return to private hands. We are confident about this process, not least because of the great interest that many investors have shown in a.s.r.

Solvency II

a.s.r. sets great store by robustness because it clearly tells the stakeholders that a.s.r. will be able to fulfil its obligations at any time, even in the more distant future. Robustness is one of the three strategic pillars that a.s.r.'s risk appetite is founded on. The Executive Board updated the risk appetite in 2014, which marked the next step towards compliance with the Solvency II requirements. Risk limits are formulated in line with S&P requirements, regulatory requirements and a.s.r. ambition levels. At year-end 2014, a.s.r. had adequate capital to meet the limits formulated in the a.s.r. risk appetite.

Solvency levels remain acceptable and more than adequate thanks to the organization's prompt and adequate response to external developments based on the chosen risk appetite and the associated risk-mitigating measures. The risk appetite was again an important criterion for the Executive Board in making both tactical and strategic decisions in 2014.

Team dynamics in Executive Board (including new CFO)

The composition of the Executive Board changed with the appointment of Chris Figee as our new CFO on 1 May 2014. The Executive Board explicitly discussed the resulting change in our a.s.r.'s dynamics on a number of occasions in 2014. Individual profiles of Executive Board members were prepared with the help of an external agency, as were team profiles of the 'old' and the 'new' team. The impact on team dynamics was discussed in the presence of both former CFO Roel Wijmenga and new CFO Chris Figee. The Executive Board regularly holds separate meetings to assess team dynamics, as well as effectiveness and decisiveness.

Developments in premium income/cost ratio

In order to secure the sustainable provision of insurance and banking products and high-quality services, total costs need to be managed, especially against the backdrop of contracting and highly changeable markets in terms of volume and well as fiercely competitive pricing. A survey conducted by the Dutch Central Bank (DNB) in 2014 only served to confirm this picture of the Dutch insurance market.

The Executive Board is seeking to make costs more flexible and to reduce them on a structural basis, while continuously working to improve service quality. To that end, the Executive Board has decided to use IT solutions (software as a service or SAAS) at low and variable costs for the back-office processes of new pension and health insurance propositions, to outsource some of the back-office processes of the existing pension portfolio and to migrate some of the back-office processes of the life portfolio to a SAAS solution.

The insurance market is fiercely competitive. Cutting costs is not enough; to stay relevant, a.s.r. not only needs to be able to offer its customers attractive prices, but also provide attractive service levels, both now and going forward. After all, insurance is all about creating a safety net for unforeseen circumstances. The Executive Board considers it of great importance that a.s.r.'s product and service offering remains of high quality in the future.

Works Council

The Executive Board values its relationship with the Works Council, which is characterized by great openness. The Works Council is informed of many issues at an early stage, allowing it to use its influence on the decision-making process in an effective manner. The Executive Board is highly appreciative of the constructive and open discussions, and of the time and energy that the Works Council spends on issues that are impactful for a.s.r. Key themes that were discussed with the Works Council in 2014 included the amendment of the pay-and-benefits package and the process of studying a potential bid for VIVAT/REAAL.

Governance, shareholder and supervision

The governance structure of some supervised entities has changed with effect from 1 January 2014. The executive and supervisory bodies of the supervised entities met at least four times in 2014. The seven relevant supervised entities are ASR Levensverzekering N.V., ASR Schadeverzekering N.V., N.V. Amersfoortse Algemene Verzekering Maatschappij, Europeesche Verzekering Maatschappij N.V., ASR Basis Ziektekostenverzekeringen N.V., ASR Aanvullende Ziektekostenverzekeringen N.V. and ASR Bank N.V. The standing agenda items included the financial (quarterly) results and the audit, compliance and risk reports. Other topics of discussion were entity-specific issues, including the impact of the changing markets for various entities.

The executives and non-executives of the first four entities are the same as those of ASR Nederland N.V. This is not the case for the other three entities.

With effect from 29 September 2011, the shareholder has been represented by Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI), a trust office. a.s.r. was in frequent contact with NLFI in 2014, which was intensified by our admission to the bidding process for VIVAT/REAAL.

a.s.r. attaches great value to a good relationship with the supervisory authorities. It is in frequent contact with both AFM and the Dutch Central Bank (DNB). Outside of the routine contacts, the Executive Board discussed the arguments in the bidding process for VIVAT/REAAL with DNB in 2014 and information was provided in a number of sessions within the scope of the DNB survey of the viability of the insurance sector. a.s.r. was in frequent contact with AFM about the status of offering solutions to unit-linked policyholders. The Executive Board also considers it important that the entire organization complies with the principles defined in the Dutch Banking Code and the Governance Principles (Dutch Insurance Code).

Strategic acquisition of Van Kampen Groep

The Executive Board monitors developments in the market with great interest and is open to strategic acquisitions and consolidation opportunities. In this context, agreement was reached in December 2014 on the acquisition of 100% of the shares in Van Kampen Groep Holding B.V., based in Hoorn, as of 1 January 2015. Van Kampen Groep runs the back office of about 3,000 affiliated intermediaries. a.s.r.'s investment will allow Van Kampen Groep to broaden its service offering and fund its strong growth. a.s.r. sees the acquisition as an investment in the strategically important intermediary distribution channel.

Closing remark from the Executive Board

The Executive Board is grateful to all employees for their unrelenting commitment to helping customers every single day and to making a.s.r. the valued and socially relevant insurance company that it aspires to be. The Executive Board also wants to express its appreciation to the Supervisory Board and the shareholder for their constructive input. The sessions and discussions about such issues as a.s.r.'s planned privatization and the opportunity to bid for VIVAT/REAAL were intensive and of great added value for our business. But most of all we owe a debt of gratitude to our customers who have chosen our products and services. Helping them is our reason for being. And they help us to develop a.s.r. into the socially relevant insurance company that we want to be.

Utrecht, the Netherlands, 2 April 2015

The Executive Board
Jos Baeten
Karin Bergstein
Chris Figee
Michel Verwoest

2.2 Financial performance

2.2.1 ASR Nederland N.V.

- Increase in profit for the year to € 381 million (2013: € 281 million).
  - Non-life segment: improvement in combined ratio to 94.9% thanks to policy aimed at claims prevention and control.
  - Life segment: lower profit for the year due to incidental expense items despite stable performance.
  - Other segment: improvement in earnings because of de-risking in real estate development business.
- Operating expenses from ordinary activities down 7%, dropping from € 535 million to € 499 million. Operating expenses (including additional non-recurring expense items) down to € 541 million (2013: € 547 million).
- Gross written premiums down 3% to € 3,787 million (2013: € 3,923 million) due, in particular, to contraction of life portfolio.
- DNB solvency I ratio continually robust at 285% (2013: 268%).

a.s.r. key figures (€ million)

	2014	2013
Gross written premiums, Non-life segment	2,359	2,392
Gross written premiums, Life segment	1,543	1,666
Elimination of own pension contract	-115	-135
Total gross written premiums	**3,787**	**3,923**
Operating expenses, Non-life and Life segment	-393	-439
Operating expenses, Other segment (including eliminations)	-148	-108
Total operating expenses	**-541**	**-547**
- Of which from ordinary activities [1]	-499	-535
Provision for restructuring expenses	-29	-24
Profit/(loss) for the year, Non-life segment	148	5 [2]
Profit/(loss) for the year, Life segment	258	367
Profit/(loss) for the year, Other segment (including eliminations)	-25	-91
Profit/(loss) for the year	**381**	**281** [2]
Cost-premium ratio, insurance business	9.8%	10.9%
Return on equity (IFRS)	12.4%	10.6%

1 Operating expenses from ordinary activities comprise total operating expenses exclusive of incidental items such as costs associated with preparing for the privatization of a.s.r. and investments in growth and strategic projects.
2 In 2013, this included the additional WGA-ER expense item of € 137 million.

	31 December 2014	31 December 2013
Total equity (including revaluation of real estate)	3,833 [1]	3,799
Total equity (IFRS)	3,027	3,015
DNB solvency I ratio	285%	268%
Total number of internal FTEs	3,513	3,789

1 The unrealized revaluation of real estate included in total equity amounted to € 806 million at year-end 2014 and to € 784 million at year-end 2013.

Developments in 2014

The insurance market is saturated; it has been fiercely competitive for a number of years and 2014 was no exception. Although consumer spending continues to fall, consumers are slightly more positive about insurance services than they have been for a long time. Insurance companies developed a greater focus on online services in 2014 and put more effort into approaching customers through social media channels.

Premium income from the Non-life segment was virtually stable; this segment's combined ratio was structurally below 100% for all product lines. The *Vernieuwde Voordeelpakket*, a package of non-life policies for private individuals, is a favourite among consumers. Sales of this package have increased significantly. In the commercial market, the number of large claims fell as a result of the policy a.s.r. has pursued over recent years.

The occupational disability insurance business managed to shore up its position as market leader despite difficult conditions. The introduction of a new occupational disability insurance policy for self-employed persons clearly meets a need for the target group: adequate two- or five-year cover for the risk of occupational disability at a fair price.

The life insurance market, which is contracting, continues to demand attention. The organizational structure of the life business is being adapted to developments in this market. One of the implications is that 50% of jobs in the life business will eventually be lost. This has been a difficult decision, but it needed to be taken to have our costs keep pace with the rate of contraction in this portfolio.

a.s.r. managed to improve its position in the pension market, where the new *Werknemers Pensioen* (Employee Pension) meets a need. 700 employers opted for this employee pension contract in 2014. a.s.r. is also doing well at retaining existing customers too. The buy-out of Stichting Chevron Pensioenfonds (the Chevron pension fund), which involved € 370 million in plan assets, put a perfect close to the year and represented a success for the pension business.

Unit-linked policies continued to be a priority in the life business in 2014. a.s.r. has reached nearly 90% of its unit-linked policyholders. In the last quarter of 2014, a.s.r. managed to catch up considerably and make contact with the specific group of customers who hold non-accruing of low-accruing unit-linked policies. At year-end 2014, more than 80% of these customers had been contacted.

With a view to strengthening the balance sheet and capital position even more, a.s.r. issued a hybrid bond loan of € 500 million in 2014. a.s.r. is now not only well on its way to meeting the Solvency II requirements, but this loan has also helped to optimize the capital structure and created the conditions for reducing the interest expense.

The success of the ASR Dutch Prime Retail Fund was another financial milestone. After a fourth placement in 2014, the Fund's total externally placed assets rose to over € 530 million.

The HR policy, in which development and sustainable employability have been defined as priorities, was fine-tuned in 2014. A less generous pay-and-benefits package was introduced in 2014, which included eliminating variable pay for most employees with effect from 1 July. The pension plan was amended as well. These measures were taken in combination with a step-up in investments in employee training and development.

Financial performance in 2014

Profit for the year
Profit for 2014 stood at € 381 million (2013: € 281 million), which reflects the fact that a.s.r. had a good year in 2014. This increase was mostly attributable to a drop in operating expenses from ordinary activities and an improvement in underwriting result achieved in the Non-life segment.

Earnings were affected in both 2014 and 2013 by a number of incidental items that resulted in a € 6 million increase in profit for 2014 overall.

In the Non-life segment, profit for the year soared from € 5 million in 2013 to € 148 million, thanks to better claims prevention and claims handling procedures, lower operating expenses and the incidental WGA-ER expense item in 2013. The combined ratio improved from 104.6% in 2013 to 94.9% in 2014. The skills and expertise of our people and our employee leaning and development programme are clearly bearing fruit.

In the Life segment, profit for the year fell by € 109 million, dropping from € 367 million to € 258 million. Disregarding incidental expense items, including an impairment of VOBA, earnings were up to a limited extent in 2014 thanks to higher investment returns and lower operating expenses. The impairment needed to be recognized on VOBA given the structural market developments in the life portfolios containing unit-linked policies.

In the Other segment, the loss for 2013 of € 91 million was reduced to a loss for 2014 (including eliminations) of € 25 million, an improvement by € 66 million. The improved performance was attributable in particular to an improvement in earnings from the real estate development business, other incidental income items and higher investment income. The increase was partially cancelled out by higher operating expenses.

Operating expenses
Total operating expenses continued to fall in 2014, landing at € 541 million. The drop was brought about despite various investments in growth and strategic projects as well as higher costs associated with preparing for a.s.r.'s privatization. Operating expenses from ordinary activities fell by 7%, dropping from € 535 million to € 499 million. This cost reduction was achieved thanks to continuous focus on efficiency, causing the number of FTEs to drop. The base of internal staff dropped from 3,789 FTEs in 2013 to 3,513 FTEs, a 7% fall.

Gross written premiums
Premium income was down 3% from 2013, falling to € 3,787 million (2013: € 3,923 million). This fall was mainly observed in the Life segment, which dropped by 7%. Besides being attributable to market developments, the fall was also caused by the impact of previously introduced measures in the motor vehicles, fire and other P&C portfolio in order to improve returns. The occupational disability and health insurance portfolios showed limited growth.

Solvency and total equity
The DNB solvency I ratio continued to be robust, rising from 268% at year-end 2013 to 285% at 31 December 2014. Based on the standard model, the Solvency II ratio (SCR), which was calculated using the parameters known to date, was circa 175%. The final required parameters will be adopted at European level in 2015 and 2016, which is why the Solvency II ratio at year-end 2014 was somewhat uncertain.

At 0.4%, the rate of growth in IFRS-based equity was limited, rising from € 3,015 million at 31 December 2013 to € 3,027 million at year-end 2014. Making allowance for the unrealized revaluation of investment property of € 806 million (2013: € 784 million), total equity stood at € 3,833 million (2013: € 3,799 million).

The € 34 million rise in total equity was due to various items. Routine movements included the addition of profit for the year of € 381 million and movements in unrealized revaluations. These positive effects were largely cancelled out by unrealized actuarial gains and losses. The lower discount rate for the a.s.r. pension contract (IAS19) reduced total equity by € 527 million in 2014. In addition, the dividend of

€ 99 million that was promised for 2013 was distributed in 2014.

Finally, a.s.r. issued a new Tier 2 hybrid loan of € 500 million in the second half of the year in the context of the capital optimization drive. Of the original hybrid Tier 1 capital of € 515 million, € 209 million remained at year-end 2014.

Outlook for 2015

a.s.r. has the ambition to return to the private market. The Dutch State has been a.s.r.'s sole shareholder since 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. never received state aid.

In mid-2014, Dutch Finance Minister Dijsselbloem decided to postpone the dual-track approach to a.s.r.'s privatization in order to allow a.s.r. to explore whether or not to submit a bid for VIVAT/REAAL. Together with a consortium of investors, which had been formed for the purpose of funding a potential bid, a.s.r. thoroughly investigated every aspect of a possible bid. Based on the findings of this investigation, it was ultimately decided in February 2015 not to submit a bid for VIVAT/REAAL.

a.s.r. has always taken the view that opportunities for consolidation within the Dutch insurance market need to be seriously considered. At the same time, a.s.r. is confident that it is perfectly capable of executing its strategy on its own. In dialogue with NLFI, the shareholder, a.s.r. will now continue to prepare for its privatization. Over the coming period, a.s.r. will consult with the shareholder to decide on a time schedule leading up to the privatization within the parameters of the dual-track approach that the Finance Minister shared with Parliament earlier.

The guiding principle in this process remains that, in the interest of all stakeholders, a.s.r. will continue on the same path in terms of strategy, positioning, corporate culture and business practices, and that a.s.r. will build itself up for a successful return to private hands, in whatever form.

2.2.2 Non-life segment

- Increase in profit for the year to € 148 million (2013: € 5 million).
- Combined ratio at 94.9% (2013: 104.6%).
- Gross written premiums virtually stable at € 2,359 million (2013: € 2,392 million).
- Operating expenses down 10% to € 215 million (2013: € 240 million).

Key figures, Non-life segment (€ million)

	2014	2013
Gross written premiums	2,359	2,392
Operating expenses	-215	-240
Provision for restructuring expenses	-14	-11
Profit before tax	193	2
Income tax expense	-45	3
Profit for the year	148	5 [1]
Claims ratio	70.0%	78.3%
Commission ratio	15.5%	15.8%
Expense ratio	9.4%	10.5%
Combined ratio, Non-life	**94.9%**	**104.6%**

1 Including the additional WGA-ER expense item of € 137 million.

Profile

The Non-life segment comprises all types of P&C insurance policies that a.s.r. offers to consumers and businesses. 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, Ditzo and Europeesche Verzekeringen, via both the intermediary and the direct channels.

Market developments

Although there are signs of economic recovery, the non-life business is still faced with increased levels of insolvencies and/or policy cancellations. In the Non-life segment, the motor vehicles, fire and other P&C insurance portfolio was virtually stable. The occupational disability insurance business continues to suffer the consequences of the economic crisis, which has led to a fall in spending power for employers and self-employed persons. New policies sold are primarily comprised of renewals.
Health insurance policies are increasingly being taken out online. Customers mainly opt for relatively cheap policies and a high deductible. Coverage is more limited for top-up health insurance, resulting in lower premiums per policy. In the health insurance market, 6.8% of insured persons switched to a different insurance company in 2014. The travel insurance business is on a downward slope.

Financial performance

Profit for the year

Profit for 2014 stood at € 148 million (2013: € 5 million). Profit for the year improved for all product lines, thanks in part to a proactive claims prevention policy and a reduction in operating expenses.

Combined ratio

The combined ratio improved to 94.9% (2013: 104.6%). The combined ratio is below 100% in all product lines. The active claims prevention policy, including measures aimed at controlling claims and proactive portfolio management, brought about further increases in the underwriting result in 2014, particularly in the occupational disability, motor vehicles, fire and other P&C insurance portfolio.

The combined ratio in the occupational disability insurance business improved to 91.4% (2013: 118.0%), which was attributable mainly to the great expertise of our people in pricing risks, as well as in acceptance, prevention and reintegration, and claims handling.

The combined ratio in the health insurance business was stable at 98.9% (2013: 98.8%). Similar to previous years, the health insurance business did not distribute any dividend to ASR Nederland N.V. in 2014. Instead, earnings were used to limit premium increases for customers in 2015.

The combined ratio in the motor vehicles, fire and other P&C insurance portfolio dropped to 95.0% (2013: 98.9%). Thanks, in part, to the prevention policy and risk reassessments, the average amount of large – or top – claims was down on last year. The number of top claims was the same as the relatively low number filed in 2013. The mild weather in the first few months of 2014 contributed to the reduction in claims compared with last year.

Operating expenses

Operating expenses fell to € 215 million (2013: € 240 million). This decrease was the result of our continuous focus on costs. The expense ratio improved to 9.4% (2013: 10.5%) as a result.

Gross written premiums

Gross written premiums stood at € 2,359 million (2013: € 2,392 million). This slight drop mainly stems from active portfolio management and tighter acceptance procedures. Overall, the number of new policies was up in all non-life portfolios, particularly because of a lower rate of policy cancellations. The motor vehicles, fire and other P&C insurance portfolio saw the largest rise in premium income thanks to better pricing and the introduction of revamped products.

Gross written premiums rose in the occupational disability insurance market, in which a.s.r.'s De Amersfoortse label has led the market for years. The increase was mostly the result of single premium and regular premium hikes. Despite the fact that we took measures to improve returns earlier, customers also recognize and appreciate our clear focus on treating them fairly.

Gross written premiums also increased in the health insurance business thanks to the Ditzo online sales channel. Developments in sales of top-up health insurance policies reflect that customers are increasingly opting for policies with lower coverage at lower prices.

In the motor vehicles, fire and other P&C insurance portfolio, gross written premiums were down from last year as a result of measures designed to improve returns. The decision to focus on value creation has led to a higher underwriting result and a better combined ratio. Thanks, in part, to improved pricing and revamped products, more new policies were sold in the motor vehicles, fire and other P&C insurance portfolio.

After the introduction of a new pricing strategy for car insurance in mid-June, the number of applications for car insurance increased by nearly 50% in the second half of 2014, compared with the first six months of the year. In a contracting recreation insurance market, Europeesche Verzekeringen, a.s.r.'s travel and leisure insurance business, was named Best Travel Insurance Company in 2014.

Developments in 2014

Sales volumes of non-life products for private individuals were up thanks to the success of the Vernieuwde Voordeel Pakket (VVP) a private non-life insurance discount product that was introduced in 2013. The pricing of car insurance in the VVP discount package was improved. SMEs were offered better prices on their fire and third-party liability policies, and discounts were granted on motor vehicles insurance for vans. The intermediary portal for commercial P&C products (fire, traffic and liability) was improved.

a.s.r. has offered home owners the option of extending their home contents and liability cover to include letting cover since 2009. This cover was further broadened in 2014 and marketed more explicitly now that consumers are increasingly listing their homes as vacation rentals.

The occupational disability insurance market has become fiercely competitive and is highly price-driven; new policies in this market are mainly comprised of renewals. a.s.r. sees opportunities in this market by increasing accessibility to occupational disability insurance for self-employed persons with a new product especially developed for them. The product is reasonably priced and has a limited maximum indemnity period of two or five years.

As part of the drive to reduce partial occupational disability claims (WGA-ER), great efforts were made in 2014 to improve the collaboration with the Social Security Benefits Administration Agency (UWV), particularly where information exchange was concerned. a.s.r. consulted with this agency directly and through the Dutch Association of Insurers; these consultations resulted in a greater level of mutual understanding and more constructive teamwork.

A lot was invested in 2014 in creating the capacity to process the mandatory pooling of fixed and flexible partial occupational disability risks (WGA-ER) as of 1 January 2016. This broadening of the market demands great flexibility from insurers, especially because they hardly have any experience with insuring flexi-workers and the information about the sickness and occupational disability risk associated with this group is sketchy and unreliable. This makes the development of an accurate premium model for this group a challenging exercise. The Dutch Minister of Social Affairs & Employment has decided to postpone the introduction of this section of the new absenteeism and occupational disability law by one year; it will now take effect on 1 January 2017.

Health insurance policies are increasingly being taken out online. To reduce their premiums, consumers tend to choose a higher deductible and a less generous care package with no or little top-up insurance. a.s.r. managed to grow its total health insurance portfolio in this market too; Ditzo achieved growth for the third consecutive year. Rather than producing TV and radio commercials, the strategy chosen in 2013 was continued by opting for a different approach and focusing on ‘helping by taking action’ with the Zorgmee (Care Too) campaign. Ditzo believes that everyone has the right to affordable healthcare and should be able to choose their preferred healthcare provider. To achieve this, Ditzo offers consumers the option to not only arrange for their own healthcare, but to care for others as well. Ditzo customers – and other insurers’ policyholders too – can opt to pay a monthly contribution that goes towards specific care initiatives for young people, families and the elderly. The money is paid to providers offering concrete solutions in the way of prevention and follow-up, to benefit groups that are in danger of being left out as a result of the changes in the healthcare system over the year to come. Ditzo doubles the amount contributed and reports on how the money is spent.

In addition, the health insurance business wants to market itself more explicitly as a healthcare business rather than as a provider of health insurance alone. It aims to achieve this by engaging in more dialogue than ever with healthcare providers, consumers and special-interest groups as well as by taking initiatives such as Care Too.

The combined ratio in the Non-life segment improved to 94.9% (2013: 104.6%). The combined ratio is below 100% in all product lines. The active claims prevention policy, including measures aimed at controlling claims and proactive portfolio management, brought about further increases in the underwriting result for 2014. This caused the underwriting results to rise, particularly in the occupational disability insurance business and in the motor vehicles, fire and other P&C portfolio. The combined ratio in the occupational disability insurance business improved to 91.4% (2013: 118.0%). This was mainly attributable to the high level of expertise of our people in the areas of risk selection, acceptance, prevention and reintegration, and claims handling. The combined ratio in the health insurance business was stable at 98.9% (2013: 98.8%). Similar to previous years, the health insurance business did not distribute any dividend to ASR Nederland N.V. in 2014. Instead, earnings were used to limit premium increases for customers in 2015. The combined ratio in the motor vehicles, fire and other P&C insurance portfolio decreased to 95.0% (2013: 98.9%). The improvement in earnings was mainly attributable to the high level of expertise of our people in the areas of portfolio management, acceptance and claims handling. Thanks, in part, to the prevention policy and risk reassessments, the average amount of large – or top – claims was down on last year. The number of top claims was the same as the relatively low number filed in 2013. The mild weather in the first few months of 2014 contributed to the reduction in claims compared with last year.

Outlook for 2015

In the Netherlands, the economic outlook for 2015 is slightly better than for 2014. Consumers will remain critical of investments and businesses will weigh their options for self-insurance. The market for non-life products for private individuals will continue to be characterized by comparison shopping, which will force us to create adequate premium volumes by offering standardized products at competitive prices. Our home contents and buildings insurance will be updated in 2015 to include cover for solar panels and charging stations for electric cars. We will also overhaul our legal assistance insurance.

The occupational disability business wants to keep the combined ratio in check in 2015 too by seeking quicker and more frequent contact with business owners and self-employed persons who report an occupational disability. This will reduce the period of absenteeism. De Amersfoortse will continue to host the doorgaan.nl platform in 2015. In 2014, 2,000 interested parties jointly invested € 500,000 in 13 different business ideas. De Amersfoortse contributed € 50,000 itself.

In the health insurance business, the focus in 2015 will be on further improvements in customer services; the positioning of Ditzo as the consumer label and of De Amersfoortse as the insurance company for business owners will be fleshed out further. Both labels go by the principle that their customers should have the right to choose their preferred healthcare provider.

At present, there is a lack of focus on sustainability in contracting care. The health insurance business is considering this issue and exploring its options for prioritizing sustainability aspects in contracting care. The Contracted Care 2020 policy paper will be prepared in 2015. This policy paper will be written in collaboration with healthcare providers and will have due regard for mutual interests and objectives.

In the travel and leisure market, the decrease in holiday bookings and replacement purchases of recreational items will continue, which will have a direct effect on the travel and leisure insurance business. Customer services will increasingly be provided by colleagues with a personal preference for the product line they are in.

2.2.3 Life segment

- Fall in profit for the year down to € 258 million (2013: € 367 million).
- Operating expenses down 11% to € 178 million (2013: € 199 million).
- Gross written premiums down 7% to € 1,543 million in line with market developments (2013: € 1,666 million).
- New production (APE) up to € 140 million (2013: € 65 million).

Key figures, Life segment (€ million)

	2014	2013
Regular written premiums	1,308	1,421
Single premiums	235	245
Gross insurance premiums	**1,543**	**1,666**
Operating expenses	-178	-199
Provision for restructuring expenses	-12	-10
Profit/(loss) before tax	318	471
Income tax expense	-59	-104
Profit/(loss) for the year	259	367
Profit/(loss) for the year attributable to non-controlling interests	-1	-
Profit/(loss) for the year	258	367
Cost-premium ratio	10.7%	11.6%
New production (APE)	140	65

Profile
The Life segment comprises all insurance policies that involve asset-building, asset reduction, asset protection, term life insurance and funeral expenses for consumers and business owners. These operations are being conducted by ASR Levensverzekering N.V. Products are offered under the a.s.r., De Amersfoortse and Ardanta labels. The vast majority of these policies are distributed via intermediaries, but funeral insurance, immediate annuities and pension insurance can also be taken out online.

Market developments
The market for life insurance continues to contract; there is a shift from unit-linked policies and asset-building and asset reduction products to tax-efficient banking products, in which life insurers have only a limited role to play. Developments in the mortgage market have also slowed down the term life insurance business. More and more providers looking to grow their earnings and market share are starting to focus on this market, as a result of which it is increasingly being squeezed.

The surrender rate of unit-linked policies dropped after the peak in 2012; it has now returned to same level as before 2011. Income from single premiums saw a limited increase in individual immediate annuities, which was attributable in particular to a successful pilot project for online sales allowing customers to purchase a product directly and without having to seek advice.

The Dutch funeral insurance market is contracting. Ardanta has invested in new distribution channels since 2013. Although there is a trend towards customers taking out policies online, intermediaries still have an important role to play. In this market, the two distribution channels mix well and actually reinforce each other.

Financial performance

Profit for the year
In the Life segment, profit for the year fell from € 367 million to € 258 million due, in particular, to incidental expense items, including an impairment loss of € 70 million after tax on the VOBA of previously acquired unit-linked insurance portfolios. Disregarding incidental expense items, earnings showed a limited increase thanks to higher investment income. Furthermore, cost reductions helped to cancel out the lower contribution to profit for the year as a result of portfolio contraction. The underwriting result was stable.

Operating expenses
Operating expenses were down 11%, falling by € 21 million to € 178 million. This caused the cost-premium ratio to improve. This is in line with the policy of bringing about structural cost reductions and increasing cost flexibility, which is designed to have costs fluctuate with developments in premium income. In addition, steps have been taken to further reduce the variety of procedures that are being used for keeping policy records and running processes. Despite the contraction in the portfolio, the administrative expenses per policy were down. While premium income fell, the cost-premium ratio improved by 0.9%-points to 10.7% (2013: 11.6%).

Gross written premiums
In the Life segment, premium income fell from € 1,666 million to € 1,543 million (down 7%). Premium income from single premiums (€ 235 million) dropped by 4% and that from regular written premiums by 8% (€ 1,308 million). The drop occurred in the pension, life and funeral portfolios. The increase in new production to € 140 million (2013: € 65 million) was fully attributable to the bolstered position of the pension business. In addition to new policies stemming from renewals of existing pension contracts, 2014 also saw a few pension fund buy-outs.

In the pension business, premium income showed an 8% fall to € 626 million as a result of a lower indexation rate for existing pension contracts, a reduction in the cap on tax-facilitated pension accrual (from 2.25% to 2.15%) and the raising of the statutory retirement age to 67.

There was a sharp rise in the number of new production in 2014. The increase was attributable to the renewal of existing contracts as well as to newly signed pension contracts taken out by customers opting for the *Werknemers Pensioen* pension proposition that was introduced at the end of 2013. More than 700 employers, mostly SMEs, have now taken out this contract. In addition, a.s.r. assumed the pension obligations of a few pension funds through buy-outs in 2014; the premium income from the pension contract with Chevron will be reflected in premium income for 2015. These buy-outs tie in with a.s.r.'s strategy to raise its profile in the pension market.

Brand New Day Premiepensioeninstelling N.V., an IORP that is a 50% subsidiary of a.s.r., doubled in size in 2014 now that it counts nearly 1,000 employers among its customers (year-end 2013: just over 500).

The contraction in the Dutch individual life insurance market, which has dragged on for some years now, continued on into 2014. In a report about the viability of Dutch life insurers that was published in November 2014, the Dutch Central Bank, i.e. the regulator, expressed the expectation that this trend will continue and that the market will undergo major changes over the next decade. Regular written premiums fell in this market. Premium income from single premiums increased for immediate individual annuities thanks to a successful pilot for online sales. In addition, we offer savings or bank savings products to customers whose policies are about to expire. More and more customers are deciding to stay with a.s.r.

At € 109 million, a 2% drop from 2013, gross written premiums from the funeral insurance business were more or less stable, despite attrition in the portfolio. The share of online distribution in the funeral insurance business is on the increase. Nearly four in ten policies are now taken out online (2013: two in ten). The increase was due, in part, to online media initiatives by a.s.r., including the 'doodgaanendoorgaan.nl' website, which offers practical information on funeral arrangements. This website has welcomed over 250,000 visitors since it was launched late last year.

Developments in 2014

De Amersfoortse successfully introduced Werknemers Pensioen, an employee pension product. Since its introduction in October 2013, 700 contracts have been signed with employers. a.s.r also managed to retain existing customers, thanks to both pension contract renewals and the new Werknemers Pensioen product. The Brand New Day IORP nearly doubled in size in 2014. It has now signed just short of 1,000 pension contracts with employers.

The Dutch Payroll Tax Act was amended on 1 January 2015; some of the changes were that the cap on tax-facilitated accrual rates was lowered and that the threshold for the tax-exempt amount was changed. Another change was the introduction of a cap on pensionable earnings of € 100,000. All pension plans were required to meet these new requirements on 1 January 2015. Also, the statutory retirement age has gradually been raised to 67 with effect from 1 January 2013.

a.s.r. will make an offer that meets the new requirements to all its pension plan customers. In addition to incorporating the changes in tax regulations, a.s.r. will also give them the option to convert their pension plan to the new statutory retirement age of 67 free of charge.

The pension business organized *Het Amersfoortse Pensioenprogramma*, a programme for pension advisers in 2014. They need to take continuing education courses in order to meet the training requirements under the Dutch Financial Supervision Act. The programme consists of a combination of a series of knowledge sessions and software training, and is designed primarily for pension advisers from relatively small organizations. a.s.r. also promotes research into pension communications. As a sponsor of, and participant in, Netspar, a network of academics, government officials and pension administrators, a.s.r. contributes to the drive to improve pension communications with pension plan members. In 2014, a.s.r. also organized a youth debate with representatives of political parties, trade unions and pension specialists to engage in a dialogue about the future of the Dutch pension system.

Reflecting developments across the market, a.s.r. is also seeing contraction in its individual life business. The drop in regular premiums written is due to routine surrenders, expiry and a fall in demand for life insurance products. Income from single premiums saw a limited increase in individual immediate annuities.

The individual life business focused on three initiatives in 2014. The first was cost flexibility by streamlining systems, products and processes. The number of policies falls by 8% to 10% every year. Total costs will drop if we maintain the current price level for each policy. Costs per policy will eventually also be reduced. The second initiative was customer retention. By working in close collaboration with a.s.r. bank, the individual life business tries to get customers to deposit freed-up assets from expiring policies with a.s.r. bank or to retain them for the life business. It does so by gaining an understanding of customers' financial situation and advising them on the options that a.s.r. has on offer. This is an example of 'helping by taking action'. The third initiative was designed to spur customers who hold non-accruing policies into action. By focusing specifically on this group of customers in 2014, a.s.r. had managed to contact more than 80% of them by the end of the year. Over 90% of all unit-linked policyholders had been reached by the end of 2014.

The Dutch funeral insurance market contracted by 13% in the first half of 2014. This is the fifth consecutive year that this market is showing a decline. Ardanta managed to grow its market share to 17.9% in a contracting funeral insurance market.

a.s.r. is seeing a shift in distribution mix at Ardanta: nearly four in ten policies are now taken out online, which is double the figure for 2013. The doodgaanendoorgaan.nl website, which offers practical information about funeral arrangements, welcomed over 250,000 visitors in 2014, who awarded it a rating of 7.7.

To provide even better services, Ardanta implemented a webcam advisory tool, which is used for personal consultations with customers. It has proven to be a great success. The NPS for the webcam consultation was +33. The webcam tooling has also been made available to independent intermediaries, so that they can use it to provide efficient advice to their customers too.

Outlook for 2015

The low interest rates are expected to persist, which will have an adverse effect on the pension market. The law for pension communications will be amended; the initial letter will be replaced by Pension 1-2-3, which is intended for new, existing and prospective members of pension plans. This document is required to be provided by the pension plan administrator or the member's employer. Pension 1-2-3 is a joint initiative of the Federation of Dutch Pension Funds and the Dutch Association of Insurers. Research by the sector and by the Ministry of Social Affairs & Employment has shown that Pension 1-2-3 is an easy-to-understand, complete and attractive alternative to the initial letter.

a.s.r. will investigate a new pension option, i.e. the general pension fund (Dutch acronym: APF). An APF allows multiple pension plans to be administrated alongside each other, which saves on costs and helps to meet the strict governance requirements at the same time. An APF might be the answer to offering more affordable pension plans, particularly for relatively small pension funds that are unable to operate independently.

In the context of the continuous improvement of customer services and structural cost reductions, a.s.r. has outsourced the back-office processes involved in administrating a.s.r.-label pension plans to Infosys BPO with effect from 1 April 2015. 87 a.s.r. employees will transfer to Infosys BPO.

a.s.r. continues to be interested in opportunities for buy-outs in the pension market. After the announcement in December 2014 of the successful acquisition of Chevron pension fund for deferred members as of 1 January 2015, a.s.r. will continue to explore serious opportunities for acquiring pension funds in 2015 too.

To provide even better customer services, the individual life business will undertake extra efforts in 2015 to encourage the last group of customers with non-accruing policies, customers with mortgage-linked policies and customers with pension annuities to come forward. These customers have been actively approached before. By spurring them into action, a.s.r. wants to educate them about the product they have purchased and explain to them what action they could take if the product no longer meets its original objective.

The individual life business will also try to retain customers, whether for a.s.r. bank or for the life business, by telling them about available options. a.s.r. wants to prevent customers from surrendering their policies by contacting them and offering them appropriate advice. Customers will also be contacted to tell them about options that are available once their policy expires in order to retain the freed-up assets for a.s.r.

In 2015, the first life portfolio will be migrated to a new system, which will make the records more efficient, reduce costs per policy and make the policy costs more flexible. The other portfolios will be migrated over the years to come.

The funeral insurance market is expected to stabilize in 2015. Ardanta has 2 million customers in this market, who together hold 4 million policies; in many cases, the average insured amount is lower than the cost of a funeral. Research has shown that there are three categories of policyholders in this business. A third will never need the policy because they have sufficient savings. A third have taken out a policy, but the insured amount does not cover the cost of a funeral (about € 7,500 on average). A third need the policy because they do not have the financial resources to pay for a funeral. Ardanta will approach its customers in a targeted effort to ask them whether their policy is in line with what they actually want.

a.s.r. will streamline its funeral insurance business in 2015. The Onderlinge hulp uitvaartverzekering label will be dropped; the business will continue under the Ardanta label. Doodgaanendoorgaan.nl and Ardanta will be linked up more explicitly. Doodgaanendoorgaan.nl will be integrated into the Ardanta website; it will be included in the practical platform where Ardanta customers can arrange their insurance business.

2.2.4 Other segment

- Loss for the year reduced to €-25 million (2013: a loss of €-91 million), thanks mainly to a better performance of property development business and incidental income item as a result of amendments to own pension scheme.
- Increase in operating expenses to € 148 million (2013: € 108 million) due, among other factors, to costs associated with preparing for privatization, costs of own pension scheme and new strategic initiatives.

Key figures, Other segment (including eliminations) (€ million)

	2014	2013
Operating expenses	-148	-108
Provision for restructuring expenses	-3	-3
Profit/(loss) before tax	-38	-113
Income tax expense	10	17
Profit/(loss) for the year	-28	-96
Profit/(loss) for the year attributable to non-controlling interests	3	5
Profit/(loss) for the year	-25	-91

Profile
The Other segment comprises all non-insurance business lines, including the banking and mortgage businesses (a.s.r. bank and a.s.r. hypotheken), the emergency assistance desk (SOS International), the financial intermediary business (Poliservice), the real estate development and asset management businesses and holding companies.

Loss for the year
In the Other segment, the loss for the year improved from €-91 million to €-25 million. The loss reduction was mainly attributable to the real estate development business, where further de-risking resulted in fewer allocations to loss provisions. An incidental income item of € 59 million as a result of the amendment of the own pension scheme in accordance with IAS19 also boosted earnings. These positive developments were partially cancelled out by an increase in operating expenses, which were up in 2014 due, for instance, to preparations for a.s.r.'s privatization and investments in growth and strategic projects.

Developments in 2014
a.s.r. bank again saw its savings deposits rise in 2014 despite low interest rates. The 16% increase in the portfolio to € 1,032 million (2013: € 889 million) was chiefly attributable to deposits in annuity savings accounts. Customers appreciate the fact that a.s.r. bank offers a full online platform for them to take out and manage their annuity savings account, which is accessible around the clock.

Margins at a.s.r. bank were virtually stable thanks, in part, to an increase in volumes and active focus on the interest rate policy. Sales of new *WelThuis Hypotheek* mortgages amounted to € 1,033 million in 2014 (2013: € 1,411 million). The average market share of new mortgage products sold declined to 2.2% (2013: 4.3%). In the Dutch mortgage market, the benchmark for mortgages in arrears for more than 90 days is 1.0%. At a rate of arrears of just 0.43%, the quality of a.s.r. bank's *WelThuis Hypotheek* mortgage portfolio definitely qualifies as good. In line with the current trend, customers also made extra repayments on their *WelThuis Hypotheek* mortgages.

Earnings from the real estate development business improved in 2014. The growth of the Dutch economy in 2014 and increased consumer confidence had a positive effect on the housing market, which the real estate development business saw reflected in the sale of new residential units. By contrast, the retail market contracted, which resulted in a drop in shop rents and hence lower sales proceeds from shopping malls under development.

The real estate development business continued its de-risking policy in 2014 too, for instance by scaling back, postponing and terminating various developments. Total assets dropped from € 201 million to € 143 million in 2014, a 29% fall. Over the past two years, total assets have been reduced by 50%.

Outlook for 2015

a.s.r. bank will continue on its chosen path of moderate and sustainable growth in 2015. This approach is based on the strategy that a.s.r. bank aspires to be: a small and reliable savings and investment bank that offers transparent and easy-to-understand alternatives to annuities and asset-building products. a.s.r. bank sees potential for growing its tax-efficient bank savings products. The growth potential mainly stems from expiring annuities; holders of such annuities are actively approached. Given the market, investment returns will probably continue to be squeezed in 2015. Interest rates on savings deposits are expected to come under pressure. In addition to pursuing balance sheet expansion, a.s.r. bank will keep focusing on cost cuts. The cost reductions associated with the simplification of the system landscape will first manifest themselves in 2015. As a result, a.s.r. bank expects to operate on a cost-neutral basis in 2015.

In keeping with the strategy of the past few years, the real estate development business will continue to take important steps to reduce risk exposures in its portfolio. Going forward, property developments will primarily be undertaken in city centres. The real estate development business has therefore strengthened its strategic focus and expertise in this area.

2.2.5 Investments

In 2014, a.s.r.'s investment policy was aimed at striking a balance between generating returns and preventing risks. Protecting the solvency position is an important factor in this context. Overall growth in market value of the investment portfolio was nearly 22% in 2014 (from € 27.7 billion to € 33.6 billion). Of this increase of € 5.9 billion, € 5.2 billion was attributable to fixed income and € 0.7 billion to mortgages and other loans. The exposures to equities and real estate were similar to those at year-end 2013.

Assets (€ million, fair value)	December 2014	December 2013
Fixed income (fair value)	24,060	18,791
Equities (fair value)	1,925	1,957
Real estate (fair value)	2,965	2,849
Mortgages/other loans (carrying amount)	5,636	4,909
Adjustment of fair value vs. carrying amount (real estate & loans)	-1,066	-1,035
Other	86	228
Total investments (incl. derivatives)	**33,606**	**27,699**
Investments on behalf of policyholders	8,300	8,049
Other assets	8,988	6,688
Total assets a.s.r.	**50,894**	**42,436**

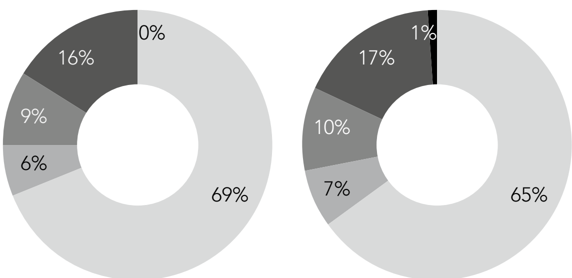
About three-thirds of the government bond portfolio of € 11.7 billion has been invested in Dutch and German sovereign bonds. In the course of 2014, the exposure to German government bonds was increased at the expense of Dutch debt instruments. The exposure to government bonds issued by peripheral eurozone countries (Italy, Ireland and Spain in particular) mounted to € 716 million.

The exposure to financials rose from € 4.6 billion to € 4.9 billion in the reporting period, mainly due to higher exchange rates. Within the financial portfolio, the exposure to Tier 1 paper fell significantly in favour of Tier 2 instruments. The share of covered bonds increased. The exposure to non-financials rose by 12% to € 3.8 billion.

The total fixed-income portfolio grew from € 18.8 billion to € 24.1 billion, which was chiefly attributable to the fall in interest rates. In 2014, the mortgage portfolio showed a 15% increase to € 5.6 billion. The interest rate risk on assets versus liabilities is actively hedged via an overlay portfolio. Because of the sharp fall in interest rates, the derivatives portfolio showed a major increase: its market value rose from € 0.5 billion to € 3.0 billion. At about € 2.0 billion, the equity portfolio was stable compared to last year, while the property portfolio climbed to nearly € 3.0 billion in terms of market value.

These steps have clearly benefited a.s.r.'s robust solvency position and reduced the sensitivity of the balance sheet to market risks over the past few years.

Investment portfolio



Breakdown of investment portfolio at year-end 2014

Breakdown of investment portfolio at year-end 2013

	2014	2013
Fixed income	69%	65%
Equities	6%	7%
Real estate	9%	10%
Mortgages/loans	16%	17%
Other	0%	1%

a.s.r. vastgoed vermogensbeheer

a.s.r. vastgoed vermogensbeheer, the real estate investment management business, invests for its clients in retail properties, residential units and agricultural land. The real estate investment management business seeks stable development of the value of real estate for users, investors and society at large, through active fund, asset and property management.

By creating property funds, a.s.r. has increased the flexibility of its investment property portfolio without affecting the portfolio's critical mass that has been built up in more than a hundred years. Boasting funds and in-house asset and property management specialists, the real estate investment management business has broad experience and a good reputation in the Dutch property market.

A number of developments that were completed in 2014 were included in the residential and retail portfolios. These pipeline acquisitions are in line with the strategy of the real estate investment management business to strengthen the quality of the residential and retail portfolios in accordance with the fund strategies.

The fourth placement of the ASR Dutch Prime Retail Fund was closed in 2014. As a result, the total share of the fund that has been placed since its creation now stands at over € 530 million. Early in 2015, there was a fifth closing, lifting the placed portion of the fund to nearly € 0.8 billion. The ratio of placed assets to a.s.r.'s assets was 41% to 59% at year-end 2014. After the fifth placement, this ratio stood at 60% to 40%.

The ASR Dutch Core Residential Fund was created on 1 January 2013. This fund offers a portfolio of apartments and single-family homes in the Netherlands with a fair market value of approximately € 750 million. The fund will see its first placement early in 2015.

a.s.r.'s portfolio of rural real estate continued to grow in 2014; its value rose above € 1 billion. Rural real estate is a sound investment and the quality of the portfolio is reflected in positive developments in value. The increase in the portfolio stems from growing interest in long-lease financing, in which process a.s.r. purchases agricultural land and leases it out to farmers.

a.s.r.'s diversified property portfolio is made up of a broad range of retail outlets and offices in prime locations, well-maintained middle-class homes (mainly in the Randstad conurbation) and high-quality rural real estate across the country.

2.3 Capital management

Capital policy and management

The a.s.r. capital policy ensures prudent monitoring and control of solvency ratios in the organization, at both the group and division level. Capital management comprises all activities that focus on controlling, managing and monitoring any available and required solvency.

a.s.r. continued its sound and prudent capital policy in 2014, the aim being to maintain a strong and robust capital position that contributes to the corporate targets. a.s.r.'s capital position is governed by various rules and limits that were instituted to absorb losses and to guarantee financial robustness. Compliance with the set rules and limits is monitored and enforced by internal management and control models. a.s.r. seeks to actively monitor capital risks and to streamline the capital position within the parameters defined by regulators and stakeholders. One of the priorities in this regard is securing an A rating at group level.

The regulator has based the current supervisory framework for capital policy and management on the Solvency I regime. The regulator will switch to the Solvency II regime as of 1 January 2016. a.s.r. has already prepared its structure and processes for the introduction of this new regulatory regime. The Solvency II regime requires a different methodology for measuring and managing available and required capital. a.s.r. regularly measures and manages its available and required capital under Solvency II; this process is an integral part of managing the capital position of a.s.r. as a whole.

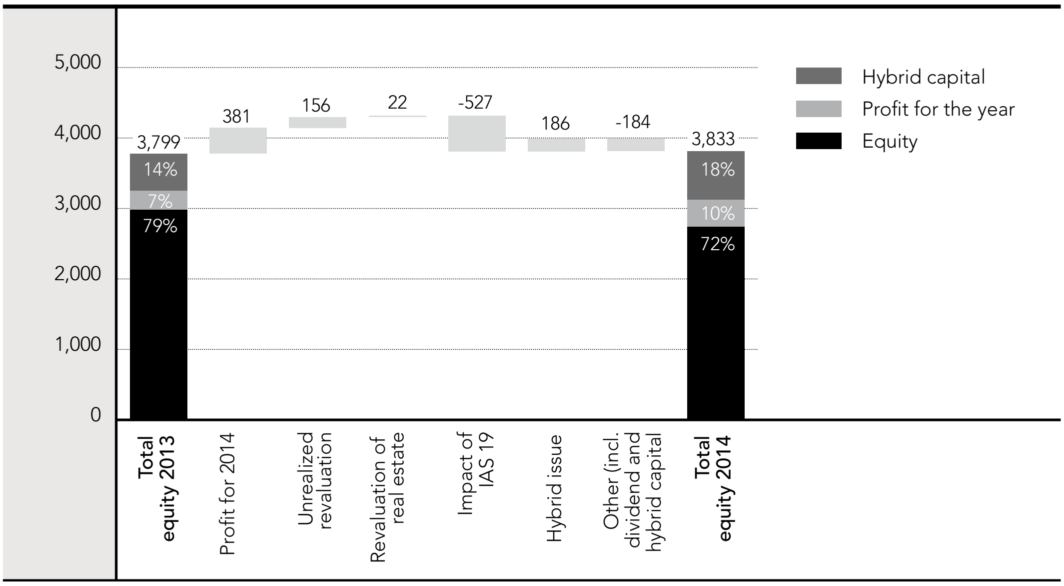
In addition to capital management based on Solvency II, the standard regime for European insurance companies, a.s.r. has fine-tuned the Solvency II regime and developed its own partial methodology (ECAP). The ECAP methodology, which quantifies a.s.r.'s integral risk in terms of economic capital, is a minor departure from the Solvency II standard model in that it uses self-developed methods for measuring a number of risks. This makes the ECAP methodology a better fit for a number of specific risks that a.s.r. incurs; it provides a more complete understanding of these risks and of the economic capital that is required to mitigate them. Besides the regimes mentioned above, the ECAP methodology also forms part of a.s.r.'s overall capital management. The self-developed ECAP methodology has been cascaded throughout the organization and is a standard element of the risk management framework.

a.s.r.'s robust financial position in terms of market value is guaranteed by the routine and integrated management of its capital position, based on Solvency I, the standard Solvency II model and ECAP alike. Treasury & Capital Management is responsible for implementing the capital management policy. This guarantees the independent position and the segregation of duties, and is in keeping with the a.s.r. governance structure. Treasury & Capital Management reports on capital management issues to the risk committee structure that was created especially for this purpose on a regular basis.

Capital and solvency

Equity, including changes in the value of real estate, was up 1%, rising from € 3,799 million to € 3,833 million. Profit for the year, unrealized changes in the value of equities and real estate, and capital optimization in the second half of 2014 contributed to the increase in equity. By contrast, unrealized actuarial losses caused a drop, as did the dividend distributed for 2013 and interest paid on hybrid instruments. The fair market value of investment property exceeded its carrying amount by € 806 million, a € 22 million rise on 2013. Disregarding these changes in value, equity was up to a limited extent, rising from € 3,015 million to € 3,027 million.

Developments in total equity



Available solvency rose by € 802 million in 2014. The increase in the UFR effect as a result of the fall in interest rates played a major role in this rise. In accordance with regulatory requirements, the UFR has been applied since June 2012. The DNB solvency ratio (incl. UFR) stood at 285% at year-end 2014 (2013: 268%). The solvency ratio (excl. UFR) fell from 236% to 204%. This high solvency ratio is a reflection of a.s.r.'s robust foundation. Based on the standard model, the Solvency II ratio (SCR), which was calculated using the parameters known to date, was circa 175%.

The effect of market risks on the solvency ratio was as follows (in %-p):

Type of market risk	Scenario	2014	2013
Total diversified			
Equities	-20%	-18%	-21%
Interest rate incl. UFR	-1%	34%	30%
Interest rate incl. UFR	+1%	-23%	-29%
Interest rate excl. UFR	-1%	-59%	-17%
Interest rate excl. UFR	+1%	27%	-1%
Credit spread	+0.75bps	-16%	-23%
Real estate	-10%	-12%	-13%

In the calculation of the sensitivity of the solvency ratio including UFR to interest, the UFR is kept constant. The shock on the discounting curve for the liabilities is mitigated for maturities longer than 20 year through the application of the UFR. As a result, the assets are more sensitive than the liabilities including UFR. The solvency ratio including UFR increases with 34% when the interest-rates drop 1%.

In case the UFR is not applied, the liabilities are more sensitive to interest-rate movements. The shock on the discounting curve for the liabilities is not mitigated and the present value of the cashflow after 20 year is higher. The liabilities excluding UFR are more sensitive than the assets. The solvency ratio excluding UFR decreases with 59% when the interest-rates drop 1%.

The sensitivity to spread decreased, mainly due to a refined method to determine spread-duration. The sensitivities to interest changed as a result of the significant decline of the interest-rate curve.

The ultimate forward rate (UFR), as prescribed by the regulator, starts from the assumption that the curve used to discount the insurance liabilities will converge to a level of 4.2% between year 20 and year 60. From year 20, the difference between the economic curve (as observed in the capital market) and the curve inclusive of UFR will visibly increase. Given the current extremely low interest rates, the difference between the curve exclusive of UFR and the curve inclusive of UFR has grown exceedingly large.

a.s.r.'s interest rate risk policy seeks to manage the interest rate sensitivity of the balance sheet based on an economic curve. Because of the large difference between the economic curve and the curve inclusive of UFR, the difference between the solvency position inclusive and exclusive of UFR will increase in the event of an interest rate shock. a.s.r. upheld the policy for hedging the interest rate risk based on an economic curve in 2014 subject to the condition that the effect of an upward interest rate shock of 1 percentage point on the Solvency II ratio (inclusive of UFR) cannot exceed 10 percentage points. The Solvency II ratio is calculated based on the curve inclusive of UFR. As a result, the extremely low interest rate climate has caused the sensitivity of the solvency position exclusive of UFR to increase in the event of a drop in interest rates.

Funding

As an insurer with a robust capital and liquidity position, a.s.r. has only limited need for external funding. As a result, a.s.r. makes limited use of money and capital markets. a.s.r. does aspire to have access to a broad and balanced spectrum of funding options. Access and costs of the money and capital markets may vary over time. Given that a.s.r. always has a range of funding options, it can guarantee its strong liquidity position, even when the markets are poor and the business is under stress. This is in keeping with the prudent policy and financial robustness that a.s.r. pursues.

At present, a.s.r. achieves this both in terms of secured and unsecured financing by keeping its programmes up-to-date. This ensures access to the money and capital markets, which means that a.s.r. has plenty of options for meeting its financing requirements with the necessary flexibility where needed and appropriate.

Over the past year, the market lent itself very well to raising liquidity and capital because of record low interest rates. a.s.r. also saw opportunities for renewing the duration of its capital, and hence creating capital security, and for optimizing its capital structure. As a result, a.s.r. decided in 2014 to raise new capital; the issue of a € 500 million hybrid loan marked a successful step towards further balance sheet optimization within the scope of Solvency II. The proceeds from the bond loan were used mainly to repurchase existing bonds. In addition to a capital increase under all capital regimes (Solvency I, Solvency II, ECAP and S&P), the market transactions also resulted in lower average finance costs for a.s.r. overall and in further expansion of its already robust balance sheet.

a.s.r. also contracted a senior bank loan of € 250 million for the holding company in 2014. This liquidity was used mainly for general operational purposes, including the funding of a pension reserve that will be used to cover price inflation going forward. Combined with the financing options that are in place, a.s.r. currently has ample cash reserves to carry on its operations.

Dividend

The Executive Board intends to distribute € 138.9 million in dividend on ordinary shares. As in previous years, this represents 40% of the profit for the year after regular distributions on preference shares and hybrid instruments.

Ratings

a.s.r. seeks to secure an 'A' rating from Standard & Poor's for the required capital of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. On 15 August 2014, Standard & Poor's confirmed the 'A' rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V.

The Standard & Poor's ratings were as follows at year-end 2014:

Standard & Poor's ratings	Type	Rating	Outlook	Date
ASR Levensverzekering N.V.	CCR	A	Stable	21 August 2012
ASR Levensverzekering N.V.	FSR	A	Stable	21 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	21 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	21 August 2012
ASR Nederland N.V. (holdco)	CCR	BBB+	Stable	12 May 2014

For Standard & Poor's rating report, please visit the a.s.r. website: www.asrnl.com.

2.4 Risk management

Risk management is an integral part of our daily business activities. a.s.r. applies an integrated approach to managing risks, ensuring that our strategic objectives (customer interests, financial solidity and efficiency of processes) are realized. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met. Risk management supports a.s.r. in the identification, measurement and management of risks and monitors whether adequate and immediate actions are taken in the event of changes in our risk profile.

a.s.r. is exposed to the following types of risks: market risk, counterparty default risk, insurance risk (life and non-life), strategic risk and operational risk. The risk appetite is formulated at both group and legal entity level and establishes a framework that supports an effective selection of risks.

The notes to the financial statements contain a detailed description of the risk governance, the risk profile and the related trends in 2014 (see page 124).

Risk management in 2014

a.s.r. has managed the risk profile of a.s.r. group, its legal entities and its business lines in order to ensure that the risk profile remains within the risk appetite and the underlying risk tolerances and risk limits. The risk appetite is defined for financial and non-financial risks and describes the level of risk a.s.r. is willing to accept. The risk appetite statements were updated by the Executive Board and endorsed by the Supervisory Board in 2014. The risk profile is reported in the risk committees on a quarterly basis. The non-financial risk profile is reported in the Non-Financial Risk Committee (NFRC) and the financial risk profile is reported in the Financial Risk Committee (FRC). The integrated risk profile is reported in the group risk committee. In case of breaches, the committees are mandated to decide on corrective actions. In this way the risk governance ensures the effective monitoring of the risk profile and timely action if needed.

a.s.r. has conducted its own risk and solvency assessment (ORSA) at both group and legal entity level. The ORSA is a yearly process that measures the impact of adverse external developments or internally identified risks and threats to a.s.r.'s solvency position. Various strategic risks are transposed into scenarios that simulate the impact of the occurrence of these risks on the balance sheet, the solvency position and the income statement. Management actions are defined in order to mitigate the impact of the potential risks modelled in the various scenarios.

In 2014 a.s.r. also performed an update of the recovery plan. The goal of the recovery plan is to ensure that a.s.r. has effective measures in place to deal with potential severe financial stress, resulting from a wide range of causes and various circumstances. The recovery plan enables a.s.r. to improve the chances of successful intervention in such extreme scenarios and ensures that a.s.r. is better prepared for financial crisis situations.

a.s.r. has improved its system of internal control in 2014. The enterprise-wide internal control framework has been largely implemented in the business lines. Operational risks have been identified and controls were assessed and tested from an Enterprise Risk Management perspective. The implementation of the company-wide internal control framework has contributed to raising the awareness of operational risks. Internal control has become a tool of management and it continues to enhance the effectiveness of operational processes.

To be able to mitigate model risk, a.s.r. expressed the ambition in 2014 that at the end of 2015 the majority of Solvency II metrics such as the Solvency Capital Requirement and Technical Provisions should be established using internally validated financial and/or actuarial models. To be able to meet this ambition, a.s.r. has set up a model validation policy as well as a governance structure. Both model owners and model validation have worked out a detailed planning and secured the resources necessary.

Management of financial risks in 2014

A robust solvency position takes priority over profit, premium income and direct investment income. The FRC 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. At year-end 2014 a.s.r. has sufficient capital to meet the limits as formulated in the a.s.r. risk appetite.

In 2014, the exposure to market risk changed slightly. The exposure to equities and real estate remained (more or less) stable. The hedge of the interest-rate risk was improved over the maturity buckets by restructuring the portfolio of swaps and swaptions. The outstanding amount of mortgages increased by € 750 million during 2014.

Since 30 June 2012, DNB has prescribed 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 for the solvency position for a.s.r. For the sake of prudence, the solvency position is also assessed without the UFR.

a.s.r. periodically assesses whether the technical provisions are sufficient to cover insurance liabilities. These provisions were adequate at year-end 2014. The underlying assumptions for assessing the provision are periodically adjusted to economic and non-economic developments. Part of future expenses was modelled with a shorter duration than the portfolio and full scalability was assumed. Based on the 2014 assessment of the expense assumptions, all future expenses are recognized in the best estimate liability and the assumed benefits of scalability are not fully recognized at year-end 2014. a.s.r. also made changes to the calculation of the risk margin for Solvency I. The changes resulted in an increase of the risk margin. With this level of risk margin, the current Solvency I technical provisions (best estimate of Solvency I plus risk margin for Solvency I plus impact of surrender floor) exceed the Solvency II technical provisions (best estimate of Solvency II plus risk margin for Solvency II). As a result of the increase in life expectancy, the mortality table of the Dutch actuarial society ('De Prognosetafel AG2014') used for assessing the provision was updated in 2014.

Management of non-financial risks in 2014

The NFRC monitors whether non-financial risks are adequately managed, determines non-financial risk limits at group and legal entity level and monitors whether the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the NFRC takes mitigating actions. The NFRC is mandated by the Executive Board to decide on non-financial risk policies. The Chairman of the NFRC is the COO of the SME insurance market (member of the Executive Board). The NFRC reports to the a.s.r. Risk Committee.

In 2014 efforts were devoted to further aligning the risk profile of a.s.r. group and its business lines with the defined risk targets. The non-financial risk dashboard describes the performance of a.s.r. group, the underlying legal entities and business lines on certain key risk indicators. It is a tool that can be used by management to assess and identify key risk issues. The risk profile and performance of each business line on internal control are discussed on a quarterly basis with senior management in the business risk committees.

a.s.r. further improved its Management in Control system in 2014. This enterprise-wide internal control framework contains the key risks for a.s.r.'s most important operational processes. The framework has been largely implemented in all business lines. Operational risks have been identified and controls have been assessed and tested. Where needed, plans were designed to further increase the effectiveness of operational processes. The centralized Enterprise Risk Management department periodically reviews the quality of a.s.r.'s Management in Control framework. The NFRC decides if additional actions need to be taken to ensure that non-financial risks are managed appropriately.

A Control Risk Self-Assessment (CRSA) is conducted annually to identify the most important strategic risks for a.s.r. group and its business lines. Key risks threatening the achievement of the organization's strategic objectives are identified in the CRSA, including actions that need to be taken to mitigate these risks. These mitigating actions are defined such that they can be implemented within a one-year timeframe. The CRSA report and the mitigating actions are authorized by the management teams of the business lines and the Executive Board. Every year, senior management of each business line signs a Management in Control Statement (MCS), which is based on the CRSA findings and the results of their Management in Control process. Progress on mitigating actions to the risks identified in the CRSA is monitored on a quarterly basis in the Business Risk Committees and reported to the NFRC.

Major risks in 2014

The risk priorities of a.s.r. are defined annually by the Executive Board. Defining risk priorities is a bottom-up process. Risk priorities are based partly on the CRSAs of the business units. The actual status of the risk priorities and progress on the defined actions is reported to the a.s.r. Risk Committee on a quarterly basis.

The most important risk priorities are described below.

Fundamental changes in the insurance market

Changes in client behaviour and in the distribution channels, the diminishing insurance market, the current economic situation (low interest rates) and changing legislation will require a.s.r. to adapt to these developments. In addition, the current market is characterized by fierce competition and by growing client attention to prices. This pressure can manifest itself in an increase in non-life policy cancellations, loss of retention in the life business, a drop in sales of new insurance contracts and limited scalability of departments. It will be an increasing challenge to make timely adjustments to the product portfolio and the distribution channels and to realize the intended cost reductions with the decrease in premiums. These challenges put a.s.r.'s margins (profitability and solvency) and premium income under pressure.

Unit-linked policies

Court rulings and decisions by arbitration boards may have an industry-wide impact, as well as trigger widespread media attention, evoking negative sentiments among policyholders. This may increase the risks with regard to a.s.r.'s reputation. Although firm compensation agreements have been made in the current unit-linked dossier with the client associations to compensate policyholders, the risk of new claims remains. This risk may manifest itself as a result of an increasing claim culture in Dutch society and the new court rulings in the current legal disputes of other insurance companies. This risk is monitored constantly. During 2014, the technical provisions were not increased nor was solvency charged for additional claim risk.

Uncertain financial markets and economic climate

Because of weak economic growth in the eurozone, there is a high risk of long-lasting low economic growth, low inflation or deflation, low interest rates, high unemployment and lower investment returns. In the longer term, these lower investment results could erode a.s.r.'s profitability and solvency position. a.s.r. considers a scenario of stagflation to be possible as well. In a stagflation scenario, the inflation rate is high, the economic growth rate slows down and unemployment remains high. In this situation, the regulatory reported solvency and liquidity position of a.s.r. would come under pressure.

Impact of supervision, laws and regulations

The Dutch market is characterized by a strong increase in regulation and the introduction of new

legislation is taking place rapidly. As a result of this increasing pressure from politics and regulators, there is the risk that:
- The reputation of a.s.r. will come under pressure depending on the timeliness of compliance with the new requirements;
- The available resources will be devoted to organizational adjustments to legislation and cannot be employed to improve and innovate our core customer processes;
- Processes will be less efficient and pressure on the workforce increases;
- a.s.r. runs the risk of fines and penalties if a.s.r. is not able to meet these new requirements in a timely manner.

Information security risk
The information security risk has increased due to new technological developments, such as cloud computing, bring-your-own device, social networks and online transactions with customers. In order to prevent cyber-attacks and information security risks, a.s.r. needs to be sufficiently aware of potential threats. a.s.r. runs the risk that new technological developments require different expertise and different mitigating measures. The risk that confidential information becomes, intentionally or unintentionally, available to third parties, is a serious risk for a.s.r. and its customers and could cause significant reputational damage. A high degree of awareness about dealing with confidential information concerning our customers, employees, financials and strategy and the safeguarding of our assets is of utmost importance.

Solvency II

Solvency II is the regulatory framework for European insurance companies that will replace the current Solvency I regime as of 1 January 2016. The introduction of the new regime is intended to harmonize the European insurance market, increase protection of policyholders and improve risk awareness in both the governance and management of insurance companies. Solvency II sets more sophisticated solvency requirements and will form an integral part of the risk management of insurance companies.

In anticipation of the implementation date of 1 January 2016, EIOPA has published Preparatory Guidelines, in particular regarding Pillar 2 topics such as the System of Governance and Forward Looking Assessment of Own Risks and Pillar 3 Reporting guidelines. DNB has adopted these guidelines which apply to Dutch insurance companies as of 1 January 2014.

Solvency II at a.s.r. in 2014

In October 2014, the European Commission adopted the Delegated Acts containing implementing rules for Solvency II, which were approved by the European Parliament and Council in January 2015 and will become applicable in 2016. With the introduction of the Preparatory Guidelines and the Delegated acts, a.s.r. will continue with the preparations for Solvency II readiness as of 1 January 2016. a.s.r. will also adopt the Implementing Technical Standards and the guidelines that will be published in the course of 2015. a.s.r. is confident it will become Solvency II-compliant before the end of 2015.

Highlights in 2014

- Group Risk Management monitors, on a quarterly basis, the readiness of a.s.r. for the introduction of the Solvency II Directive on 1 January 2016. Results of this assessment are reported to the Audit & Risk Committee.
- a.s.r. participated in the stress test 2014. The stress test is an assessment by the European Supervisor (EIOPA) to test the resilience of insurance companies regarding market risks under a combination of historical and hypothetical scenarios.
- In 2014 a.s.r. implemented the preparatory phase Quantitative Reporting Templates (QRTs) as well as the narrative report. In 2015, a.s.r. will report according to the preparatory phase requirements for all a.s.r. and relevant legal entities.
- In 2015 a.s.r. will implement the remaining QRTs as published by EIOPA and prepare to comply with qualitative Solvency II reporting requirements in 2016, as prescribed by the regulator.

- a.s.r. has developed mature scenario analyses and stress testing techniques, such as the ORSA, Recovery Planning and Strategic Asset Allocation studies. These techniques measure the impact of external or internal identified risks and threats to a.s.r.'s solvency position. The 2014 ORSA results and the recovery plan for 2014 have again demonstrated the strong position of a.s.r. in terms of capitalization and a.s.r.'s ability to carry out our strategy, even in situations of increased financial stress.
- Risk management uses a set of metrics to monitor the capital of a.s.r. This monitoring also includes the impact of UFR. Limits and targets are in place for the capital metrics used. As a result of this process, solvency increased during 2014 and remains strong.
- a.s.r. applies shadow accounting in its accounting. As a result of shadow accounting and the additional interest rate hedges, the revaluation of those hedges is recognized as part of the IFRS technical provisions. As a consequence, a.s.r. still passes both the IFRS and WFT LAT without additional provisioning.
- Solvency increased during 2014 and remains strong. The UFR has a significant impact, but even without UFR the solvency position is still sufficient.
- During 2014 a.s.r., together with a consortium, had the opportunity to investigate and prepare a possible acquisition of VIVAT/REAAL insurance. Risk Management was involved during this process to assess the risks and opportunities of such a transaction and the possible impact on solvency.

Chapter 3

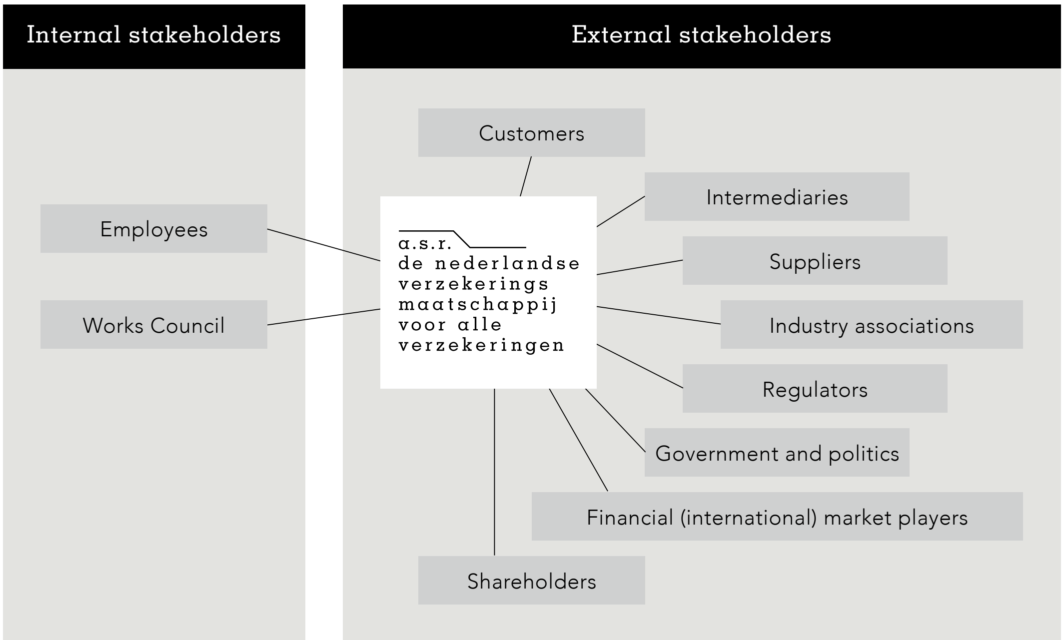
Corporate social responsibility

3.1 Sustainable business practices

a.s.r. takes account of sustainability in its business operations wherever possible. This is in keeping with the role that a.s.r. wants to play in society as a responsible insurer.

a.s.r. has identified five areas of priority within its sustainability policy: These areas are insurance, people, investment, environment and society. a.s.r. maintains close contact with a broad group of external stakeholders, including customers, regulators (AFM and DNB), a.s.r.'s shareholder, politicians and ministers, trade bodies and NGOs.

a.s.r. internal and external stakeholders



3.1.1 a.s.r. as an insurer

Offering certainty to our customers is our reason for being. Customers need to be able to rely on a.s.r. always meeting its financial obligations because we enter into long-term liabilities such as pension contracts. That is why sustainable financial robustness is essential and one of a.s.r.'s top priorities.

The products and services a.s.r. offers meet the needs of our customers; in addition to being subject to in-house testing (PARP), they are also reviewed by consumers and employers or a selection of customers. Market surveys, social media, customer behaviour surveys and customer panels are just some of the instruments a.s.r. uses to find out about its customers' needs.

a.s.r. attaches great value to offering the most transparent products and services. That is why a.s.r. is open and honest about its rating in the AFM's Treating Customers Fairly Dashboard. This survey by the regulator annually benchmarks the extent to which Dutch financial institutions focus on customer interests in their products, services and processes. a.s.r. achieved a score of 3.6 out of 5 for 2013 on the Dashboard, better than a year earlier (2012: 3.3) and higher than the average in the financial sector (3.5). a.s.r. scored well above average on claims handling, complaints management and customer contacts.

Continuous improvement

a.s.r. is continuously looking to improve the processes that are in place to help customers, for instance by helping unit-linked policyholders and by simplifying the product offering. a.s.r. is constantly making sure that prospective and existing customers can access and understand the information a.s.r. provides. The customer information improvement plan outlines the steps that a.s.r. is taking to make information more accessible and easy-to-read. a.s.r. does so by rewriting its style guides and offering training courses in language level B1/customer-friendly information. The a.s.r. core values and the various rules of conduct for sustainability in actions and habits contribute to this too. a.s.r. has already developed a number of new products that tie in perfectly with this ambition.

Product Approval & Review Process (PARP)

All new product propositions introduced at a.s.r. go through the PARP process, which ensures that they are developed in such a way as to meet the needs of customers and square with treating customers fairly in a number of different scenarios. An important element of the process is making sure that a proposition is geared to the target group. The duty of care and the duty to inform are also part of the process. A similar, but different process is in place for existing products, which are assessed on the basis of a risk assessment. Even products no longer being offered are evaluated using today's set of standards.

a.s.r. added a number of sustainability criteria for product development to the PARP in 2014. The criteria included in the phases of the PARP process are:

Phase 1:	Innovation
Phase 2/3:	Customer research, business case and proposition development
Phase 4:	Proposition review

This is how sustainability was officially introduced as a criterion in the product development process and the product review process.

The PARP Board meets every six weeks to discuss products that are up for their biennial review.
In 2014, ten new propositions and 20 product adjustments were submitted to the PARP Board for approval. The review of six existing products was also submitted to the PARP Board for approval. These products are also tested for their cost effectiveness, usefulness, safety and reliability.
A review also takes place to establish whether the cover, costs and benefits of products and services are relevant and whether they are clearly explained and understood. If not, the product is adjusted accordingly.

The PARP Board is chaired by the Marketing Director. People with the knowledge and skills required in a product development process have been given specific responsibility for the various sub-steps. Treating customers fairly is central to every step of the process, and Risk Management and Compliance have each been given special responsibility. No product can be launched without the approval of these corporate functions. Other departments involved in this process are Product Management & Processes, the Business Actuarial Function, Sales, Legal Affairs, IT&C, Control, the Customer Contact Centre, Audit and Intermediary Distribution.

Customer research

All new or substantially revised texts are first tested among customers, using qualitative reading tests, among other tools. The tested documents are rated for how easy they are to read by being assigned a colour label (green, orange or red). Every colour comes with an action point:

- If a document is assigned a green label, it is easy to read and only minor adjustments are needed.
- Orange-labelled documents are not hard to understand for the most part, but several significant passages need to be changed. Depending on the impact of the findings, the edited passages are tested again or submitted to an expert.
- Documents that are assigned a red label do not put across the message well or well enough. These documents need to be completely rewritten and tested again.

Customer-Oriented Insurance Quality Mark

The Customer-Oriented Insurance Quality Mark is a measure of the quality of the level of service and customer focus of insurance companies. Customers of insurers holding the quality mark can trust that they receive easy-to-understand information, insurance products that are appropriate to their circumstances and the best possible service. The quality mark allows insurance companies to demonstrate that they truly have customer focus and that they are audited for being customer-friendly. The a.s.r., De Amersfoortse, Ditzo and Europeesche Verzekeringen labels have all been awarded the quality mark.

Customer appreciation rating

In order to gauge how customers perceive a.s.r.'s products and services, a.s.r. uses the Net Promoter Score (NPS), among other tools. In winter 2014/2015, a.s.r.'s NPS stood at -41, the same as in winter 2013/2014. Just like last year, this is the highest score a.s.r. has achieved since the first rating in 2009. These results are not satisfactory to a.s.r. and a.s.r. will continue to work to improve them.

Complaints management

The Complaints Management Team monitors the implementation of the standard complaints policy and manages the Complaints department accordingly. Complaints are handled at the level of the product and business lines. The key objectives of complaints management within a.s.r. are as follows:

- a.s.r. is open to complaints, which is why it is easy for customers to file a complaint.
- a.s.r. communicates clearly about its views and about the resolution of the complaint.

Contacting Complaints Management

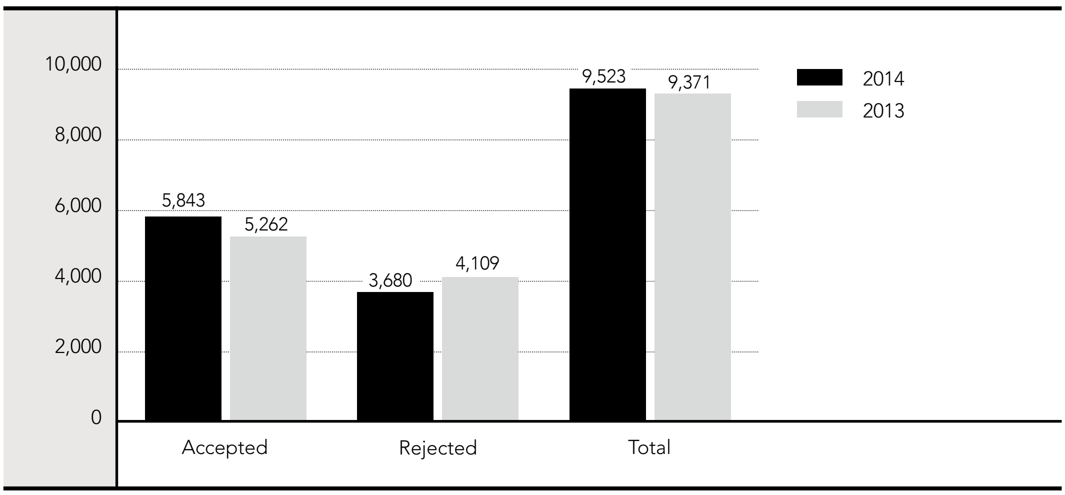
The websites of all a.s.r.'s labels have a complaints form that customers and other stakeholders can use to file a complaint. Complaints can also be phoned in or filed by letter, email and social media. Irrespective of how a complaint has been filed, it is always dealt with in accordance with the complaints handling procedure.

Complaints handling as a skill

Complaints help a.s.r. to learn from mistakes and to understand customers better. Every customer who filed a complaint about a.s.r. in 2014 was assigned a dedicated complaints handler. Complaints handlers have the power, knowledge and skills to handle complaints in accordance with the complaints handling procedure. In 2014, a lot of effort went into professionalizing the role of complaints handler and strides were made, particularly in the area of interview techniques, by offering customized courses.

Tying in with a.s.r.'s core values of accountable and personal, the complaints handlers seek out personal (i.e. verbal) contact with customers whenever they can. This allows customers to clarify their complaint and the complaints handler to discuss the suggested resolution with customers. Among banks and insurance companies, a.s.r. receives the best customer ratings for complaints handling on Klachtenkompas.nl, an online complaint platform initiated by the Dutch Consumers Association: 73% of people who rated the handling of their complaint were satisfied with how it was resolved.

Complaints handled



3.1.2 a.s.r. as an employer

a.s.r. encourages employees to make the most of their potential. a.s.r. connects customers, the business and Human Resources to allow every employee to be a proud representative of the organization, both internally and externally. a.s.r. aspires to be a sustainable employer by:

- recruiting, developing and retaining the best people;
- creating an environment of objective and transparent leadership, allowing responsibility to be given and taken;
- ensuring a focus on trust, so that engagement and performance go hand in hand;
- investing in the empowerment and sustainable mobility of people, both within and outside the organization.

Diversity

At a.s.r., diversity comes in various shapes and forms. Employees are encouraged to be active in all manner of business networks in order to broaden their horizons and advance their personal growth. a.s.r. also makes an effort to create jobs for people from vulnerable groups. It had 18 young people on disability benefits on its payroll in 2014 (nine of whom work as gardeners at Archimedeslaan). In addition, a group of women was hired to work as receptionists or catering assistants. This initiative is part of a job creation programme launched by Stichting Taal doet meer, a foundation for Dutch language acquisition, and the Utrecht Volunteer Centre to help unemployed women on benefits find gainful employment.

a.s.r. also continues to focus on hiring, promoting and retaining women in management positions. The Executive Board is actively driving this issue forward with initiatives such as extra places for women on trainee programmes and a special focus on hiring women in management positions.

The ratios of women on the Executive Board and the Supervisory Board of a.s.r. at year-end 2014 were 25% and 50%, respectively. These ratios are the same as in 2013 and are still well above the national average.

	2014	2013
Women in the workforce	1,403 (38.5%)	1,443 (37.3%)
Women in pay scale 10	101 (27%)	103 (28%)
Women in pay scale 11	81 (26%)	89 (27%)
Women in pay scale 12	36 (21%)	35 (20%)
Women in senior management (pay scale 13 and above)	24 (29%)	25 (25%)
Women on the Executive Board	1 (25%)	1 (25%)
Women on the Supervisory Board	2 (50%)	2 (50%)

Rules of conduct

a.s.r. has rules of conduct setting out guidelines on how employees should interact with customers, other stakeholders and each other, and how they should approach specific situations. These include an integrity code, rules on handling price-sensitive information and private investment transactions (insider rules), and a whistle-blowing procedure. a.s.r. also supports the industry's codes of ethics (such as the Dutch Insurance Code). In addition, internal codes are in place relating to various themes, including Customer Due Diligence (know your customer before doing business with them), an Intermediaries Code (which includes an obligation to report suspicions of inappropriate conduct by an intermediary) and a Financial Services Code (which includes a duty of care and an incentives policy).

Fraud prevention

Fraud undermines the public trust in a.s.r. and in the financial sector as a whole. a.s.r. attaches great value to its integrity and good reputation as a financial services provider, as well as to preventing fraud. a.s.r. subscribes to the sector-wide policy that insurance companies have adopted to combat crime.

a.s.r. fraud prevention policy

a.s.r. does not tolerate any unfair or fraudulent practices and pursues an active fraud prevention policy, basing itself on internal procedures as well as on regulations stipulated by the Dutch Association of

Insurers. This policy promotes compliance with relevant laws, regulations, ethical standards and the related internal procedures. The policy is designed to prevent, recognize, report and investigate fraud and/or unethical conduct, and to address it uniformly and adequately.

a.s.r.'s fraud prevention policy is structured based on the three-lines-of-defence model. Security, which is part of the Integrity department, is responsible for the integrated approach to fraud control within a.s.r. and for addressing fraud and unethical conduct displayed by employees and intermediaries. The management of the business lines is responsible for fraud coordination at entity level, for which purpose they make use of fraud contact persons. Audit is the third line of defence.

a.s.r. seeks to create a high level of integrity awareness and an environment in which employees feel free to report any suspicious circumstances or incidents directly to Security and the business lines. This is reflected in such policies as the whistle-blowing procedure and the tool for reporting incidents online.

Engagement

The engagement scan is a key indicator of how employees feel about a.s.r. at a time of transition as we prepare for the imminent privatization. Committed employees are an essential condition if we are to be an insurer that is trusted by our customers. In addition to asking questions about employee engagement, trust and team dynamics, in 2014 the scan also surveyed how employees interpret the concept of treating customers fairly and how they put it into practice.

The results of the engagement scan are used to review the past period, but also and more particularly to determine how employee engagement can be strengthened going forward. Within this context, managers and their HR advisers evaluate the engagement scan, they attend a workshop to prepare for team meetings and the results are discussed with the teams.

Results in 2014

In 2014, the engagement scan was completed by 80.2% of employees. 49.5% responded that they feel committed to a.s.r. Although this is a 5.6-percentage point drop from 2013 (55.1%), the level of trust employees have in a.s.r. has risen substantially: 33.9% of employees indicated that they rate their trust in a.s.r. as 9 out of 10 (10 being the highest score), up from 20.6% in 2013. Employees also said that they are free to treat customers fairly (7.3) and that their managers actively encourage them to do so (7.5).

Health and vitality

Employees were given the opportunity to take part in a vitality scan in 2014. The scan – a preventative medical test – is designed to test employees' general health, but also covers issues such as employees' level of perceived support (both at home and at work), their own performance and their job satisfaction. This tells a.s.r. something about their work/life balance and helps a.s.r. understand what invigorates them and what drags them down. Every employee who took part was given individual feedback with tips and advice for improving his or her vitality. If warranted by the test results, employees were invited to meet with a representative of ArboNed, a nation-wide occupational health and safety board specializing in absenteeism, prevention and sustainable employability. Managers only received feedback at aggregated level.

Work/life balance

a.s.r.'s partially renovated offices at Archimedeslaan in Utrecht offer an inspiring and pleasant work environment. The New World of Work (NWW) provides a better work/life balance and increases employees' motivation. Most a.s.r. employees have had the resources to work where they want and whenever they want since the end of 2013. On average, 1,000 employees log onto the network remotely every day.

Training and development

Besides the standard offering of required or role-related courses, similar to 2013, each employee has a budget of up to € 500 to spend on courses of his or her own choosing in the area of sustainable employability, such as workshops on verbal complaints handling and language courses designed to help employees to write better and clearer letters and emails when communicating with customers.

Career counselling
a.s.r. is a dynamic organization; employees move with the internal – and external – job market, meaning that they are employable on a sustainable basis. The Career Centre provides career counsellors who help employees identify what their talents and skills are. Questions that employees are invited to ask themselves are 'who am I?', 'what do I really want?' and 'where do my strengths lie?'. All a.s.r. employees can make use of the services of the Career Centre. They can choose between individual and group coaching sessions. The Career Centre also teaches job interview and presentation skills, and offers workshops on how to network and use social media such as LinkedIn.

Talent development
A new training programme got off the ground on 1 May 2014. Over the course of one year, seven trainees will take on three different projects within a single business line. This will allow the trainees, who are university-educated, to build up specific knowledge and experience. The programme has been divided into an insurance and a finance curriculum because these two areas are the pillars of the a.s.r. organization. This two-way split was also motivated by the outcome of prior talks with the management of these business lines about the scope for the trainees after completing the programme in May 2015.

Recruitment & Selection
a.s.r. has a base of broadly employable and flexible employees because it encourages mobility in the organization. It gives priority to internal candidates when filling vacancies (and employees who have been made redundant are given priority over employees in work). All vacancies are posted on the vacancy database for at least two weeks, before being advertized externally, for instance on the corporate website www.werkenbijasr.nl. The 'Mijn vacatures' (my vacancies) tool in the vacancy database allows employees to perform a pointed search of suitable vacancies. All vacancies that meet the search profile are automatically forwarded to the employee's mailbox.

People hired	2014	2013	2012	2011	2010
Internal candidates	116	146	170	187	170
External candidates	132	106	155	189	199
Total hired	**248**	**252**	**325**	**376**	**369**

Adjustment of pay-and-benefits package
a.s.r. eliminated variable pay on 1 July 2014. Since that date, employees have been entitled to fixed pay only, except for a small group of 139 sales employees who fall under the a.s.r. CBA job classification and pay structure for front-office positions. This group qualifies for a target-related pay component of up to 20%.

In the context of scaling back the pay-and-benefits package, variable pay was substituted by fixed pay to a limited extent only as of 1 July 2014. The increase in fixed pay was based on pay scales, with ranges between 2% (gross)(pensionable) and a fixed allowance of 4.4% (non-pensionable) for junior staff, to a maximum 7.7% (gross)(non-pensionable) and a fixed allowance of 13.9% for a small group of senior staff. All increases are in line with an agreement with the trade unions for employees governed by the Collective Bargaining Agreement (CBA).

The members of the Executive Board had already not been entitled to variable pay since 2011. This was motivated by the statutory provisions governing the bonus prohibition for state-aided enterprises.

The arrangements with the trade unions also include the following:
- The Redundancy Plan will be extended to 1 January 2016;
- The trade unions will organize a 'trade union month' at a.s.r., during which they will be given the opportunity to recruit members. a.s.r. will pay the membership fee of new members for one year.

Other changes to pay and benefits
The other proposals for changes to the pay-and-benefits package concern issues that have been discussed with the Works Council. This has resulted in the following changes:
- A number of aspects of the pension scheme will be adjusted as of 1 January 2015, including the rate of accrual, which will be reduced from 1.90% to 1.875%, and the increase in retirement age from 65 to 67;

- Employees will no longer be entitled to a mortgage interest discount as of 1 January 2015. They will also have to pay fees for advice relating to mortgages and life insurance with effect from 1 January 2015;
- The fixed net expense allowance was dropped as of 1 September 2014;
- The 40% discount on non-life policies will continue to be available to employees as long as the combined ratio is lower than 100%. This is reviewed every three years;
- The company lease car scheme was scaled back on 1 September 2014 to allow lease car drivers to opt for a mobility budget;
- With effect from 1 January 2015, the birthday fund will be replaced by a donation, which will be linked to an event to be selected by the Executive Board;
- The education and training budget will be increased from 1% to 2% as of 1 January 2015.

HR in 2015

HR has set the following priorities for 2015: work climate, meaningful work and career perspective. What follows is a list of key projects in 2015:

New Staff Survey: During the annual Staff Survey (formerly: round-table), an inventory is made of the staff base by discussing the performance and potential of managers and employees, and entering them in a matrix. The results serve as input for strategic capacity planning. HR will adjust the Staff Survey in 2015 to accommodate all employees and managers. Another matrix will be introduced as well. Thanks to the new approach, the process will become simpler and more transparent; it will be easier to benchmark performance and potential, and to link follow-up actions to them.

Changes to performance appraisal methodology and policy: HR is working on new performance appraisal methodology. Now that the financial incentive of variable pay has been dropped, a.s.r. needs a performance appraisal system that:

- focuses on competencies, development, deliverables and behaviour;
- offers options for linking personal targets more explicitly to corporate targets;
- accommodates more interaction to make it easier to hold each other accountable.

As it turned out, it was not feasible to introduce a new system as early as in 2015, both from a technical and organizational perspective. In order to get a head-start, a number of functional changes (i.e. simplifications) will be implemented this year. In this context, the performance appraisal cycles for employees and managers will be synchronized to run from 1 March to 1 March.

In Motion: This is an HR programme that allows colleagues to take charge of their future, whether it concerns talent development, mobility (sustainable employability within or outside a.s.r.) or dealing with redundancy. The goal is to spur employees into action, to facilitate their development and to increase their chances on the labour market (within or outside a.s.r.). What HR is working towards is the prevention of redundancies (in the long term); after all, employees have taken ownership of their own careers long before the redundancy issue will even come up. One of the initiatives in this context is a new talent development programme.

New job classification system: HR is working on a new job classification system that will accommodate every role within a.s.r. The current system consists of more than 1,000 different job descriptions, which are highly detailed, mostly task-driven and leave limited scope for ambition and deliverables. a.s.r.'s new job classification system will be made up of nine groups of roles and about 32 subgroups. This makes the system simple and transparent as well as allowing for comparison between roles and the demands associated with them. The changes in the job classification system will not affect employees' actual duties, pay scale and salary.

Development portal and changes to education and training policy: HR will revamp the 'Mijn Ontwikkeling' development portal and amend the education and training policy. By entering employees' course history, HR can approach employees proactively and offer them courses. The quality of the offering will improve and costs will be saved by pooling all course requests in the development portal and working with preferred suppliers.

Oath or affirmation: As a sustainable insurer, a.s.r. wants all its employees to act in an ethical manner. With effect from 1 April 2015, everyone working in the financial sector will be asked to take an oath or affirmation. This is an important instrument in creating the envisaged new culture in this sector. By taking the oath or affirmation, employees promise to observe a.s.r.'s code of conduct.

Dutch Financial Supervision Act: Starting 1 January 2016, a set group of front-office staff are required to meet the requirements of the new professional competence framework of the Dutch Financial Supervision Act, meaning that they need to have earned professional qualifications and demonstrate that they are taking continuing education courses. HR helps employees and their managers to duly meet the requirements by providing information and reports, and organizing information sessions and courses.

Engagement: The annual engagement scan, which measures the level to which employees feel committed to a.s.r., will be performed again in 2015. Three types of reports will be generated, i.e. organization-wide, per business line and per team. The scan will cover employee engagement, trust, team dynamics and treating customers fairly. The outcome of the scan forms the starting point for any actions designed to increase employee engagement that are deemed necessary.

HR communication and dashboard: By informing employees and managers as fully, fairly and clearly as possible about HR issues and duties, and involving them in projects at an early stage, HR hopes to improve internal procedures and garner more support for its initiatives. The information provision is largely channelled through the HR officers. Another key information channel is 'Mijn HR' on the intranet, which will be overhauled. HR is also working on an HR Dashboard that provides an understanding of the composition of the staff base and staff turnover, and provides insight into absenteeism statistics and growth figures based on the wage bill. This is important steering information for managers.

Employee representation

The new Works Council and its committees took office on 1 March 2015, after elections were held early in the year. Over the past few years, we have found that an effective employee representation body is vital to the success of the organization. The Works Council has tried where possible in recent years to carefully weigh varying interests with a view to working towards a future-proof insurance business. This has not always been easy. The debate between the Works Council and the Executive about changing the pay-and-benefits package comes to mind as being particularly contentious. The Works Council also played a key role in the creation of the current Redundancy Plan and its extension to 1 January 2016.

The Works Council looks back on turbulent times in which it took leave of colleagues - also within the employee representation body. The members know, however, that this is the new reality and that these very circumstances demand active and committed employee representation.

Vision of employee representation

The insurance market and the labour market alike are undergoing drastic changes. Business models are being viewed with different eyes. Labour capacity is coming under pressure or is interpreted differently. Considerations stemming from the new reality often result in planned decisions that are submitted to the Works Council or its committees. This requires the members of the Works Council and its committees to have the appropriate knowledge and skills to review these issues and to serve as a true sparring partner to the Executive. What is more, an effective structure should be in place to allow the employee representation body to review the multitude of issues (a proper balance between deliverables and efforts). The members of this body also need to be able to have a vision for the future a.s.r. and its employees in order to be able to review the issues before them.

Is the current employee representation model still appropriate for the organization? Are the Works Council and its committees capable of reaching the employees they represent and securing their commitment to change? These are questions that prompt us to look more critically than before at how our employee representation body actually works.

Outlook

The new term of office of the Works Council and its committees took effect on 1 March 2015. This is the perfect time to put the vision of employee representation described above into practice. Obviously, matters will depend, in part, on what a.s.r.'s future will shape up to be.

3.1.3 a.s.r. as an investor

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

a.s.r. formalized its Socially Responsible Investment (SRI) policy in 2007. Since then the policy has evolved over time to capture the progress of the market and changes in society. The a.s.r. SRI policy describes the ethical and sustainability criteria that are applied to all a.s.r. investments, covering internal investments in government bonds and corporates (through equities and corporate bonds), as well as externally managed portfolios. The full a.s.r. SRI policy has been posted on www.asrnl.com.

The a.s.r. SRI policy has been integrated into the investment practice by way of:

3.1.3.1 Exclusion criteria for countries and companies
3.1.3.2 ESG integration for best-in-class investments
3.1.3.3 Engagement
3.1.3.4 Impact investments
3.1.3.5 Voting
3.1.3.6 National and international covenants

3.1.3.1 Exclusion criteria for countries and companies

a.s.r. pursues a strict exclusion policy based on controversial activities that is applied to the entire internally managed portfolio, both for countries and companies. Among other players, this policy covers producers of controversial or offensive weapons, nuclear energy, gambling and tobacco. a.s.r. also requires businesses to comply with international conventions on human rights and labour rights, and applies criteria relating to gender equality, freedom of union, exclusion of child labour, indigenous people's rights, etc.

By the end of 2014, 122 of the screened companies had been excluded due to their involvement in human rights violations (22), labour rights violations (8), armament (58), tobacco (14), gambling (19) and nuclear activities (6).

With regard to investments in sovereign debt, a.s.r. has excluded 74 countries that are poor performers in the annual report of Freedom in the World or have a low score on the Corruption Perceptions Index.

Screening process

Vigeo (www.vigeo.com/csr-rating-agency), an external and independent screening agency accredited by Arista, screens companies for their SRI policy. The Arista Standard sets guidelines and rules to assess evidence of transparency, quality, accountability and verifiability of the processes involved in Responsible Investing research. In addition, Forum Ethibel (http://forumethibel.org/content/home.html) offers independent and external certification including an audit of SRI principles in a.s.r.'s investment portfolio and the engagement process on a semi-annual basis.

3.1.3.2 ESG Integration for best-in-class investments

Best-in-class investing is part of the a.s.r. selection process of companies based on best practices and best products according to environmental, social and governance (ESG) criteria. We favour companies that excel in the area of ESG policy and implementation. They are classified as pioneering, best-in-class and sustainable companies using a relative, sector-based ranking for six domains of analysis: Human Resources, Environment, Market Ethics, Good Governance, Social Impact, and Human Rights.

Because of ESG integration a.s.r. invests more in companies that perform better on the ESG criteria within their respective sectors. This is why the a.s.r. investment portfolio has a more sustainable profile than the relevant investment benchmark. A detailed description of these criteria has been posted on the a.s.r. corporate website (www.asrnl.com).

3.1.3.3 Engagement
a.s.r. believes in engagement through constructive dialogue with the companies a.s.r. (potentially) invests in with the aim of increasing both shareholder value and social benefit in the long term. As (potential) owners, we want the companies we invest in to address ESG risks as well as opportunities.

For a.s.r., there are three types of engagement:
- Engagement for the purposes of monitoring. In 2014, we engaged in dialogue with around 20 companies, i.e. mostly our largest holdings. These companies represent nearly 35% of the internally managed equities portfolio. During each company meeting, a.s.r. puts the corporate social responsibility policy of these businesses on the executive agenda and addresses potentially controversial activities. a.s.r. was also invited by a number of companies it invests in to elaborate on our views and requirements in the area of sustainability.
- Engagement for the purposes of influencing. A dialogue with a company identified in our ESG analysis as being involved in controversial activities is meant to enhance their sustainable behaviour. If this dialogue is not brought to a positive conclusion, it will result in the exclusion of the company from the investment portfolio. Our engagement for the purposes of influencing in 2014 resulted in the continuation of our relationship with ENI, with which we are in the process of discussing their activities to resolve, compensate and prevent environmental and human rights breaches in Nigeria and Kazakhstan, and in the exclusion of McDonald's from our investment portfolio due to their lack of responsiveness to our request to address their labour rights conflicts with the US unions.
- Public engagement. In 2014, a.s.r. participated in various industry initiatives to promote sustainability and sustainable investments, e.g. in a Research Project led by the Dutch Association of Investors for Sustainable Development (Dutch acronym: VBDO) involving efficient investor engagement and a round table designed to brainstorm on how to improve the sustainability performance of the insurance sector.

3.1.3.4 Impact investments
In the investment process, a.s.r. devotes special attention to impact investing. Impact investments are investments in companies, organizations and/or funds with the intention to generate a beneficial impact on society and the environment at an acceptable financial return. Through these investments, a.s.r. makes a sustainable contribution to society, for instance by processing or recycling waste, using renewable energy (solar and wind), reducing its environmental impact or energy consumption, and that – just as a.s.r. does – make a contribution to the circular economy. Examples of these investments include the Robeco Clean Tech Fund, the Glenmont Clean Energy Fund or the Life Science Partners funds. A total of € 35 million has now been invested in non-listed impact investments, representing nearly 2% of the total equity portfolio.

Further initiatives were taken in 2014, including the creation of a platform for financial support for Dutch start-ups that match our impact investing criteria (www.doorgaan.nl).

3.1.3.5 Voting policy
The right to vote is an essential part of a well-functioning corporate governance system. We exercised this right whenever relevant. a.s.r.'s voting policy (www.asrnl.com) has been developed in accordance with the Dutch Corporate Governance Code and a.s.r.'s SRI policy. This policy is applied to all internally managed and exchange-traded equities. In 2014, we voted at nearly 83% of shareholder meetings held by our equity investments.

The voting accountability report provides a semi-annual review of how a.s.r. exercised its voting rights at shareholder meetings. The full report for 2014 is also available from www.asrnl.com.

3.1.3.6 National and international covenants
a.s.r. has undertaken a public commitment to act as a responsible insurer and investor. In evidence of this, it has signed the following national and international standards and covenants:
- United Nations Principles for Responsible Investment (UNPRI), signed in 2011. The report on our activities and progress towards implementing the UNPRI is public. It is available on the a.s.r. corporate website and the UNPRI website (http://www.unpri.org/viewer/?file=wp-content/uploads/Merged_Public_Transparency_Report_ASR-Nederland-N.V._2014.pdf).

- The UN Global Compact (UNGC), signed in 2011. By signing these principles, a.s.r. has undertaken to embrace, support and implement within its sphere of influence a number of principles relating to human rights, labour standards, the environment and the fight against corruption. The report is available on the a.s.r. corporate website and on the UNGC website (www.unglobalcompact.org/participant/15923-ASR-Nederland-N-V-)
- 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 are required to take into account the ESG aspects of the entities in which they invest.
- a.s.r. signed the United Nations Principles for Sustainable Insurance (UNPSI) in 2013, the goal being to promote sustainable insurance products by reducing risk, developing innovative solutions, improving business performance, and contributing to environmental, social and economic sustainability. The report is available on the a.s.r. corporate website and the UNPSI website (http://www.unepfi.org/psi/wp-content/uploads/2014/09/ASR_Disclosure_1.pdf)
- In 2014, a.s.r. signed the Anti-Corruption Call for Action initiated by the United Nations Global Compact, in which the financial community asks governments to strength their anti-corruption policies, laws and enforcement mechanisms to create a level playing field and incentivize good behaviour.

External recognition

The SRI policy was further enhanced in 2014; the most recent version of the Socially Responsible Investment policy can be found on the website: www.asrnl.com.

For the fourth consecutive year, a.s.r. was ranked third in the annual survey conducted by the Dutch Association of Investors for Sustainable Development (VDBO) among 30 insurers in the Netherlands. This assessment includes policy, implementation, transparency of investments and governance (management and supervision of the investments).

In September 2014, the Fair Insurance Guide (FIG) published the third report on the sustainability of the Dutch insurance sector. The FIG is an initiative of Friends of the Earth Netherlands (Milieudefensie), the Dutch Society for the Protection of Animals (Dierenbescherming), PAX, Oxfam Novib, Amnesty International and the FNV trade union. The guide benchmarks the sustainability aspects of the ten largest life insurance companies in the Netherlands. In the latest two guides (www.eerlijkeverzekeringswijzer.nl), a.s.r. received the highest total score among all surveyed insurers and was praised for its policy on weapons, human rights and labour rights. The aim of FIG is to encourage insurers to make their investment policy more sustainable and to optimize sustainability policy implementation. This has resulted in a number of useful suggestions that a.s.r. followed up in 2014.

ISAE 3402 type II assurance certification

Under Section 4.16 of the Dutch Financial Supervision Act, financial institutions are required to demonstrate that they are in control of their outsourced processes. This implies that a financial institution will always ask its suppliers to submit a Service Organization Control (SOC) report before they can provide services to this institution. ISAE3402 is the international standard for SOC reports. The ISAE3402 report serves to demonstrate that the financial institution is in control of any processes it has outsourced.

To demonstrate that a.s.r. is in control of the processes, Financial Markets and Rural Real Estate (a division of a.s.r. real estate investment management) are ISAE 3402-certified. An independent auditor performed an audit of the processes of these departments and issued an ISAE 3402 type II assurance certificate. This quality mark is a key indicator that a.s.r. has full and adequate insight into investment processes, including their execution and controls. The Financial Markets department has been awarded ISAE 3402 type II certification every year since 2010. The ASR Dutch Prime Retail Fund (DPRF) has been awarded the ISAE 3000 Type II assurance certificate.

Real estate

a.s.r. vastgoed vermogensbeheer

a.s.r. vastgoed vermogensbeheer, the real estate investment management business, invests for its clients in retail properties, residential units, offices, agricultural land and country estates. Sustainability is firmly embedded in its business processes.

About a third of a.s.r.'s investment property concerns rural real estate, e.g. agricultural land, country estates and wooded areas spread across the Netherlands. Boasting a portfolio of more than 33,000 hectares of land, a.s.r. is the largest private land owner in the country.

Sustainability is an important criterion in these investments.

- The investments in rural real estate offer sound and sustainable returns at low risk. Thanks to the nature and composition of the portfolio, the investment returns have hardly been affected by the economic crisis of the past few years, if at all. Working from a long-term vision and the principle of stewardship, the investments offer sustainable investment and commercial value.
- The agricultural land is leased out on long-term leases to agricultural businesses that produce soil-bound foods and green base materials.
- About 15% (i.e. 5,000 hectares) of the portfolio rural real estate concerns country estates and wooded areas. a.s.r.'s forestry management complies with the principles of sustainable forestry, diversifying between wood production, nature and landscape conservation, and recreation. The forestry management has been certified and works in accordance with the principles of the Dutch Code of Conduct for Forestry Management.
- A new zoning plan for the oldest and largest country estate owned by a.s.r., i.e. Landgoed De Utrecht near Esbeek, was adopted by the two competent municipalities of Hilvarenbeek and Reusel-de Mierden. This zoning plan is designed to ensure that the country estate will be preserved for many more years. Over the coming years, the estate will become home to more than 30 hectares of newly created natural areas and valuable natural areas will be restored. The recreational facilities will be expanded to include new walking trails and bicycle paths. There will also be room for 13 new residential units on the estate.
- a.s.r. vastgoed vermogensbeheer supports two charities: Stichting Ambachtsheerlijkheid Cromstrijen, a foundation whose goal is to conserve the local cultural heritage dating back to 1492, including unique and sizeable historical archives and a map collection, and Stichting Kasteel Bleijenbeek, which foundation seeks to consolidate, restore, improve and keep open to the public the ruins of Bleijenbeek Castle, part of the Bleijenbeek estate in Afferden (owned by a.s.r.). The latter foundation aims to protect and manage the natural and scenic value and the cultural and social heritage of the estate in the broadest sense of the words for future generations to enjoy.

a.s.r. endorses and manages its forest land and natural areas in accordance with the codes of conduct for nature and forestry management. These codes were written by Bosschap (the product board of land and nature owners in the Netherlands), in partnership with Federatie Particulier Grondbezit (the federation of private land owners), the Dutch Forestry Commission, SBNL (an organization for private and agricultural nature management), the Society for the Preservation of Nature in the Netherlands, 12 Landschappen (an organization for landscape management), and others.

a.s.r. vastgoed vermogensbeheer has teamed up with the sector to make the property market more sustainable. This ambition has been formalized in the objectives of the Dutch Association of Institutional Property Investors (IVBN), which looks after the shared interests of large pension funds, insurance companies, asset managers and property funds (whether listed or not). a.s.r. vastgoed vermogensbeheer is involved in defining these sustainability objectives and remains committed to achieving these objectives. Dick Gort, CEO of a.s.r. vastgoed vermogensbeheer, is a member of the Board of IVBN and chairs its sustainability task force.

a.s.r. vastgoed vermogensbeheer is also looking to share knowledge, exchange ideas and increase the sustainability of the sector in an international context. For this purpose, it teams up with international partners. It is a member, for instance, of the European Association for Investors in Non-listed Real Estate Vehicles (INREV), an umbrella organization seeking to bring about more transparency, accessibility and professionalism, and to share best practices.

Energy

All of a.s.r. vastgoed vermogensbeheer's residential properties have been awarded energy performance ratings and 60% have at least a C rating. This outperforms the ratio of C-rated homes within the entire Dutch housing stock by 10 percentage points.

a.s.r. vastgoed vermogensbeheer aims to achieve an energy performance rating of at least C for 100% of its residential portfolio by 2020. In 2014, a.s.r. made a start on updating all residential energy performance ratings issued to date. Renovated properties are awarded an energy performance rating of A or a rating that is at least two notches higher than before their renovation; all new-builds have an A rating as a minimum (A++ is not attainable if they are located in a district-heating area).

A supplier of green energy has been chosen to service the entire real estate portfolio. Furthermore, all tenants are encouraged to conserve energy. Energy consumption is measured with the aim of raising awareness of consumption and, in consequence, reducing consumption.

a.s.r. vastgoed vermogensbeheer has defined the following energy-related objectives:
- Reduce and manage housing costs for tenants by offering energy-efficient homes;
- Retain and where possible improve comfort levels for tenants (energy performance ratings);
- Invest in energy-conserving initiatives that are financially and commercially viable.

In 2013, a.s.r. vastgoed vermogensbeheer conducted a pilot project with tenants of retail units to join hands in the area of sustainability. During this project, a.s.r. account managers engaged in a dialogue with individual tenants with the purpose of agreeing on shared sustainability targets. It was concluded in 2014 that retailers are currently not very interested in investing in sustainability.

New tenancy agreements do, in fact, include standard arrangements on sustainability issues.
The sustainability targets concern the follow aspects:
- Maximizing the efficient and frugal consumption of energy and water;
- Encouraging the use of environmentally friendly and sustainable materials;
- Maximizing waste separation;
- Encouraging shop staff to use sustainable means of transport for travelling to work.

Existing residential portfolio and sustainability

The existing residential portfolio is managed and maintained on the basis of sustainable and socially responsible principles.
a.s.r. vastgoed vermogensbeheer has teamed up with partners in the chain to maintain the residential portfolio. These partners are advisers, leading national property managers and three building contractors.
The building contractors have been selected, in part, for their vision of sustainability and their sustainability performance. They are NEN-EN-ISO 14001-certified.

All building waste and building materials are collected separately and recycled; FSC-certified wood is used only. In addition, a.s.r. vastgoed vermogensbeheer educates tenants about do-it-yourself energy-conserving solutions and encourages tenants to try them. Together with these tenants a.s.r. vastgoed vermogensbeheer explores options for applying building-wide energy-efficient improvements.

GRESB Survey

The Global Real Estate Survey Benchmark (GRESB) is a benchmark that looks at the sustainability performance of more than 600 real estate investment managers worldwide. a.s.r. vastgoed vermogensbeheer aims to improve the transparency and awareness of our sustainability targets by taking part in the GRESB every year. After having joined the GRESB in 2013, the business increased its focus on the GRESB by forming a task force in January 2015. The ambition for 2016 is to achieve the highest classification, i.e. that of 'Green Star'. For more information about this benchmark, see www.gresb.com.

a.s.r. vastgoed ontwikkeling

a.s.r. vastgoed ontwikkeling, the real estate development business, has the ambition to help create a pleasant living environment for people. It achieves this not only by developing sustainable properties, but also by creating new green spaces (through the 'Land for Land' programme) and supporting local community initiatives in the towns and areas where it operates.

The ambition of a.s.r. vastgoed ontwikkeling is to be at the vanguard of sustainability, which is why it actively promotes sustainability within the real estate market. It is represented in the Sustainability Committee of NEPROM, the association of Dutch property developers, and a co-founder of the Dutch Green Building Council. NEPROM is one of the co-signatories of the so-called Spring Accord for energy savings in new-builds, which was signed in April 2008 and focuses on energy reduction in combination with housing preferences to create energy-efficient new builds.

BREAAM

Sustainability is important in the developments of a.s.r. vastgoed ontwikkeling given that they tend to endure for many generations. In order to control the sustainability of its developments, a.s.r. vastgoed ontwikkeling has embraced an internationally recognized sustainability standard (BREEAM). a.s.r.'s real estate developments are always awarded a sustainability label in principle. The type of label (BREEAM or GPR, a municipal building label) depends on the development.

The BREEAM certificate looks not just at the level of energy savings, but also focuses on elements such as use of materials, health and location. Various developments in progress and completed developments have now been awarded a BREEAM certificate, including a shopping centre in Waddinxveen, which was the first mall in the Netherlands to earn the qualifications Very Good (***) for its design quality and Excellent (****) for its completion. Other developments to be awarded the completion certificate include De Monarch in The Hague and the Amsterdam Law Courts in the IJDock district of Amsterdam.

A number of a.s.r. employees trained as BREEAM-NL experts and assessors in 2014. As a result, a.s.r. vastgoed ontwikkeling now qualifies as a Licensed Assessor Company.

GPR

The BREEAM label is a quality mark that is particularly suited to commercial real estate. a.s.r. vastgoed ontwikkeling uses the recognized municipal practice guideline for buildings (GPR) for residential developments. Apart from energy efficiency, the GPR label also looks at environmental impact, healthy living issues in the home and ergonomics.

Het Pakhuis

In 2014, a.s.r. vastgoed ontwikkeling developed climate-neutral residential units in Het Pakhuis in Amsterdam. All the energy that is needed to heat and cool the units, and for tap water and electricity has sustainable origins. Electricity, for instance, comes from the solar panels on the roofs. The residential units are heated and cooled using residual heat from the Port of Amsterdam, which is situated a little further to the west. The choice of materials has also been prompted by sustainability criteria. This development shows that we take responsibility for the future when traditional energy sources will become scarce. The development's Energy Performance Coefficient (EPC) is < 0.3. Its energy performance rating is A+++.

Land for Land

Land for Land is an initiative that stems from the a.s.r. vastgoed ontwikkeling's social responsibility. It ties in with its mission to make urban living an even better experience for people. The Land for Land programme is designed to compensate for every square metre of brick and mortar by creating a square metre of green space. To do so, a.s.r. vastgoed ontwikkeling reserves an amount every year based on its total development output. The more residential and retail units are completed, the higher the amount that a.s.r. invests in green spaces under the Land for Land programme.

The programme supports such initiatives as Utrechts Landschap, a nature conservation organization, in purchasing land to extend nature conservation areas in the Province of Utrecht. Utrechts Landschap purchased the first plots north of Oostbroek in 2012. These plots constitute key areas in the ecological zone between the Oostbroek and Sandwijck estates. Utrechts Landschap managed to buy a second plot in 2014 to the east of the city of Utrecht; this plot will be used to create a fauna passage at Biltse Rading, substantially expanding the habitat for the local fauna (deer and badgers) in the process.

3.1.4 a.s.r and the environment

a.s.r. wants to treat nature and the environment with due care and lower its environmental impact, which is why it uses resources, energy and water efficiently. Furthermore, a.s.r. is actively getting to grips with waste management, mobility, energy reduction and carbon emissions, and for this purpose has developed a special-purpose environmental management system. The ESG criteria have been fully integrated into a.s.r.'s investment policy.

Environmental performance

Carbon emissions Category in %	2014	2013	2012	2011	2010
Fuel and heat	9.70	14.21	14.50	12.40	14.40
Electricity	1.60	1.60	1.90	1.80	1.90
Cooling	0.80	0.54	0.50	0.40	0.50
Business travel	33.50	34.70	40.10	39.10	43.90
Commuting	51.70	47.30	37.50	40.10	38.70
Waste	2.70	1.65	5.40	6.20	0.60
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

The results of the carbon footprint 2014 of Archimedeslaan in Utrecht are equivalent to 7,761.1 tonnes of carbon dioxide in total. Of this amount, 33.50% concerns business travel and 51.70% commuter travel. In 2013, the carbon footprint was equivalent to 9,130.69 tonnes of carbon dioxide (34.7% business travel and 47.3% commuter travel). This represents a 15% decrease, which was mainly attributable to:

1. A significant drop in gas consumption (i.e. carbon emissions) as a result of the renovation.
2. A considerable drop in vehicle emissions (mostly thanks to a reduction in business travel by car).

Renovation of head office

The decision taken in 2010 stated sustainability reasons for the renovation of the head office at Archimedeslaan 10 in Utrecht rather than opting for a new building. The renovation started in January 2013 and is currently fully underway. The renovation of the first wing was completed in March 2014 and the new conference centre opened its doors in October. This is an important step towards a cost-efficient office that meets the strictest of sustainability requirements. After completion, the building will be 50% more energy- efficient. Its energy performance rating will improve from G to A.

The design of the renovated building on Archimedeslaan was awarded the BREEAM 'Excellent' certificate. The next step is that the 'real' certificate is obtained. a.s.r. is targeting the BREEAM 'Excellent' certificate, with energy performance rating A, for this as well.

Energy

Thermal energy storage

To conserve energy in the Utrecht head office, a.s.r. uses 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 air conditioning system meets the cold water and the air loses its heat to the groundwater, which warms up. The reverse applies in the winter.

The advantages of this system are that it is energy-efficient, comes with low energy costs, is extremely environmentally friendly, has a long service life and is reliable (because of its small number of moving parts).

The use of this system clearly reduces the level of energy consumption.

- Electricity: consumption in 2014 was 10,391,564kWh compared with 12,361,197kWh in 2013, a decrease of some 15.9% [1].
- Natural gas: consumption in 2014 was 604,256m³ versus 989,156m³ in the same period of 2013, a decrease of some 38.9% [1].

Multi-year energy efficiency plan

In 2008, a.s.r. signed the government's third multi-year energy efficiency plan (MYP3), in which it was agreed that organizations would commit to the ambition to reduce their energy consumption by 2% every year, ultimately culminating in a 30% improvement by 2020 from the 2005 baseline. The energy saving can be achieved through a combination of technical, organizational and behavioural actions. The key step for a.s.r. is to concentrate the entire staff base into a single building. Another is the installation of about 700 solar panels on the roof of the building at Archimedeslaan in 2015.

Geothermal energy

Geothermal energy is energy generated and stored in the earth. By signing up to the United Nations treaty, a.s.r. has agreed to use its network to generate renewable energy (locally). Geothermal energy is a form of renewable energy. It is being explored whether this energy can be used to heat the office buildings and to make them virtually carbon-neutral in the process. Utrecht University launched a study in 2014, which will be continued in 2015. After the study has been completed, a final decision will be made.

Green gas

a.s.r. started to make use of green gas in its offices in Utrecht (Archimedeslaan), Amersfoort and Rotterdam in 2014. Agreements were made with its energy adviser to offset carbon emissions arising from the consumption of natural gas.

Energy in 2015

By the end of 2015, a.s.r. wants to have reduced its energy consumption to no more than 50% of its consumption in 2005. The first solar panels will be fitted in 2015; this will result in a saving of at least 120,000kWh per year. In partnership with the Utrecht Provincial Executive, ways will be explored for using the LTEO as effectively as possible.

Waste

One of a.s.r.'s priorities is to reduce and recycle waste volumes as much as possible. a.s.r. achieved a 2.7% reduction in carbon emissions in 2014, the equivalent of 208.4 tonnes of carbon dioxide. a.s.r.'s waste is processed by Sita, a waste-processing company. Sita has calculated that a.s.r. recycles 40% of its waste. The total volume of waste in 2014 was 272,865 kg. For a breakdown of waste flows, see the GRI-index on page 282.

Renovation and recycling

a.s.r. chooses to recycle or re-use materials where possible. The renovated building will have wooden tables on every floor that have been produced using trees grown on a.s.r.'s country estates. A number of social enterprises manufacture these tables for a.s.r. In addition to the refurbishment of the office building, a study has been performed of what furniture would be most suitable for re-use. In this context, thousands of desk chairs were given a second lease of life, for which purpose the seat and the fabric were replaced. The foam in the seats was used in insulation panels sold in home improvement stores and the fabric was donated to a manufacturer of horse blankets and to arts and crafts departments of schools.

The renovated building will have about 40,000m² of carpet, some of which was produced from used materials. The carpet manufacturer uses renewable energy in the production process, makes use of non-toxic and green materials, and ensures that any waste water is treated. The same manufacturer recycles the old carpeting from the building's renovated wings: the pile is washed and recycled, and the back (bitumen) is used in road construction and roofing. Other carpet parts are used as fuel in cement factories.

1 The lower levels of energy and natural gas consumption were also due to the closure of some parts of the building for renovation works.

Recycling
Plastic cups from vending machines have been collected since 2014. a.s.r. takes part in the return programme of Stichting Disposables Benelux (SDB), which collects and recycles the cups. SDB encourages recycling in usable consumer products, such DVD boxes, flower pots or planters, as well as car dashboards.

a.s.r. has its own environmentally friendly composting station to make compost from organic waste for the gardens surrounding the compound. Composting waste on the premises saves on costs for transport to and from the waste-processing facility, and reduces energy consumption and carbon emissions.

Mobility policy
a.s.r. has an active mobility policy that seeks to improve the accessibility of its buildings and reduce carbon emissions. In many areas, a.s.r. is making efforts to improve the sustainability of the commuter and business travel of its employees.

The choice of lease car, for example, has been limited to cars with an A or B energy performance rating and a mobility budget has been introduced as an alternative to a lease car. Furthermore, an initial study of the current lease policy was launched. HR, Business Support and CIC (purchasing) are exploring options for ‘greening’ of the car fleet; the carpool scheme is regularly brought to the employees’ attention and employees from Utrecht and Amersfoort are no longer permitted to park near the building if they live within a 12-kilometre cycling distance from these offices. a.s.r. also facilitated the purchase of an economical bus pass in 2014. There are a number of further schemes to encourage bicycle use, including a tax break on new bicycle purchases, the Rijnsweerd bike hire scheme, an a.s.r. e-bike with charging points in the bike shed and a mobile bicycle repairman.

The commuter mileage to Archimedeslaan (Utrecht) totalled 25,187,235 kilometres in 2014 compared with 26,915,743 kilometres in 2013. This is a decrease of 6.42%. The number of kilometres clocked up in air travel in 2014 (i.e. 704,106 km) fell by about 10% compared to the figure for 2013 (785,949 km).

Other initiatives to encourage mobility in 2014 were:
- 14 new charging stations for electric cars
- extra charging stations for e-bikes in the bike shed
- new showers and extra lockers for bicyclists
- a screen in the central reception area with up-to-date departure and arrival times for buses and trains

Plans for 2015
In 2015, at least 40 charging stations for electric cars will be installed and no fewer than four initiatives will be undertaken to encourage the use of regular and electric bikes and electric cars.

Purchasing
a.s.r. is committed to the Manifesto on Socially Responsible Procurement & Business Practices (Dutch acronym: MVIO). The manifesto is an initiative by 39 large businesses in the Netherlands and is supported by NEVI, the Dutch Association for Purchasing Management (www.nevi.nl/mvi).

In its purchasing process, a.s.r. makes allowance for the impact on society, whether it be social, environmental or economic. 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 weighting factors form part of the selection process;
2. a.s.r. has adopted a set of environmental and social criteria that are used (these are category-specific);
3. a.s.r. challenges its suppliers to come up with alternatives that constitute a better match for today’s environmental and social criteria.
4. a.s.r. is committed to ensuring that international human rights are respected throughout the production process of the goods and services that are purchased. a.s.r. assesses whether its main suppliers respect human rights and what action is or has been taken to ensure that they do.

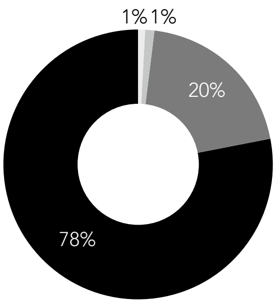
FIRA sustainability platform

a.s.r.'s key suppliers have been asked to register in the FIRA database and so to accredit their corporate social responsibility policy. A total of 86 a.s.r. suppliers have now been verified.

a.s.r. has launched a project to encourage its 60 key suppliers to undergo the verification and accreditation process. About one-third of the 60 key suppliers have registered at present. a.s.r. encourages these suppliers to aspire to the 'Bronze' level and to raise their social influence to an even higher level. a.s.r. is still in dialogue with a number of other suppliers. Six suppliers have said that they do not want to be registered in the FIRA database. They will be notified that this will be an issue during the next contract negotiations. Together with Rabobank Nederland, ABN AMRO and other partners, a.s.r. has launched an initiative for a number of large players to join hands to be able to increase the pressure on suppliers that are unwilling to register in the FIRA database. Round tables are being held with FIRA on this issue, at which the FIRA partners discuss, among other things, how shared suppliers can best be approached.

All new suppliers (selected by Group Purchasing) undertake to register in the FIRA database (or can demonstrate that the environmental policy is already assured in another way, for instance by the sustainable repair business quality mark ('keurmerk duurzaam herstelbedrijf')); they have verified their policy and should have reached the 'Bronze' level within one year of their registration. In November 2014, FIRA awarded a.s.r. the 'Bronze' level. The ambition is to reach the 'Silver' level in 2015.

a.s.r. Supplier Report



Platinum	1%
Gold	1%
Silver	20%
Bronze	78%

Number of suppliers: 86

Purchasing in a circular economy

a.s.r. has signed the Green Deal for purchasing in a circular economy. This is an initiative by the Dutch government that is designed to boost the (European) market for sustainable base materials and increase the re-use of scarce materials. Circular purchasing primarily involves providing assurances for the high-grade re-use of products and materials at the end of their useful life by making relevant agreements as early as at the start of the purchasing process. a.s.r. applies this principle to the renovation of the building at Archimedeslaan in Utrecht, among other uses (see section entitled 'Renovation and recycling' on page 69). The principle of circular purchasing will also be applied to a number of purchasing projects in 2015.

Supplier code of conduct

a.s.r. is committed to respecting human rights. Within its sphere of influence, a.s.r. seeks to support the protection of internationally recognized human rights. a.s.r. also attempts to ascertain that it does not become an accessory to any infringements of these rights.

The state bears the primary responsibility for respecting, protecting, fulfilling and promoting human rights. This responsibility encompasses civil, political, economic, social and cultural rights, as well as the rights of specific groups. Based on this key principle and the realization that businesses play an important role in society, a.s.r. acknowledges its responsibility for observing human rights within its sphere of influence and commits to observing these rights. a.s.r. knows that its responsibilities should be supplemental to, rather than replace, the central role that the government plays protecting human rights.

a.s.r. requires any (potential) suppliers to support these principles. a.s.r. demands from its (potential) suppliers that they proactively care for the environment and that they endorse a.s.r.'s position on the environment, human rights and human dignity. With this in mind, any (potential) supplier will notify a.s.r. immediately of any signs that their organization or one of their (potential) suppliers do not observe the a.s.r. supplier code of conduct.

3.1.5 a.s.r. and society

In addition to sustainable business practices, to a.s.r., social responsibility also involves investing in a broad range of community initiatives. Although this sometimes entails a financial impulse, it mostly takes the form of encouraging employees to volunteer. a.s.r. gives practical application to its motto 'helping by taking action' through the a.s.r. foundation, among other initiatives.

a.s.r. foundation

The a.s.r. foundation plays an important role in sharing knowledge and motivating and facilitating employees to increase their commitment to the community. Improving financial literacy in the Netherlands is one of a.s.r. foundation's key priorities.

Objectives

The objectives of the foundation are:

- to encourage a.s.r. employees to take part in community initiatives, both during and outside working hours. During working hours, these involve team activities for the community; the Stimulansplan incentive plan has been created to facilitate employees' volunteering activities in their spare time;
- to encourage financial self-reliance and awareness, especially among vulnerable groups in society, through education, communication and public relations;
- to undertake activities in collaboration with various public-interest groups.

The a.s.r. foundation's activities can be broken down into three main groups:

Social team-building

This involves departments raising money for charity. The focus lies on organizations that truly need a helping hand. The management of a department regularly combines a social team-building activity with a policy presentation.

Stimulansplan incentive plan

To encourage volunteering in the private sphere, employees can apply for an individual incentive on the condition that they join a project as a volunteer. No financial donations are made if an application involves sponsorship only. Employees can submit a proposal under the incentive plan once every calendar year.

Projects

The a.s.r. foundation initiated and funded various projects throughout the year; these projects were carried out with the help of a.s.r. employees. The projects break down into three categories: knowledge-sharing, employee vitality and helping by taking action. In addition, the a.s.r. foundation contributes to activities stemming from sponsorship and partner agreements (Feyenoord in Society, Giovanni van Bronckhorst Foundation).

Knowledge-sharing

Money Week

As a member of the Dutch Association of Insurers and the Dutch Banking Association, a.s.r. actively partakes in Money Week. The goal is to teach primary school pupils financial literacy. Teaching children the value of money at a young age lays the foundation for financial self-reliance in adulthood. In 2014, during the fourth edition of Money Week, more than 30 a.s.r. employees, including CEO Jos Baeten, taught guest classes to ten, eleven and twelve-year-olds.
The goal for 2015 is to have the CEO/Executive Board and the members of senior management take part once again and to at least keep the number of participating employees at the same level.

LEF (Life & Finance)
This is an innovative platform for the financial education of youngsters between the ages of 15 and 22. LEF helps them to understand their financial situation and teaches them what they need to do to make a wish come true or reach a goal. It also tells them about potential pitfalls and challenges. LEF focuses primarily on the 500,000 young people who attend junior college.

LEF is supported by a great many financial institutions, including a.s.r. The initiative is driven by enthusiastic financial advisers who are keen to share their experience and professional practice in the classroom. The goal is to have each student take at least one LEF course, which consists of four 1.5-hour classes. LEF can already count on broad support in the financial sector, but more guest teachers from the financial world are needed. In 2014, 19 a.s.r. employees were trained to teach at least two guest classes in 2015. Another 20 employees will receive training in 2015.

Reading proficiency activities
The a.s.r. foundation has set up a number of activities that involve employees reading to pupils, for instance in primary schools or daycare centres. In 2015, a Reading Breakfast will be organized on 21 January and a book that is meant to be read out aloud will be put together with Feyenoord football club.

Employee vitality
Together with HR, the a.s.r. foundation undertakes activities that contribute to the sustainable employability and vitality of a.s.r.'s employees. In 2014, for instance, the Stap je fit collective exercise programme was organized; this allowed employees to raise money for charity for exercising a little more every day. Hundreds of employees participated in this programme.

Helping by taking action
Under this motto, the a.s.r. foundation undertook activities that allow employees to actively contribute to the community. Within this context, employees took part in the national NL Doet volunteering programme and in sports events, not only as athletes, but also as organizers. These events are often for charity, such as the Classico Giro bicycle ride and the Singelloop run.

Social partner of Feyenoord football club
As part of the sponsorship and partner agreement with Feyenoord, the a.s.r. foundation undertakes various community activities in collaboration with the Rotterdam-based football club under the name Feyenoord in Society. Within this context, a.s.r. developed a customized textbook that is used by various primary schools in Rotterdam to teach ten to twelve-year-olds. These initiatives often come with a need for financial education, which is where a.s.r. employees can help, for instance by teaching guest classes using the Fix Your Risk game or the Cash Quiz from Money Week. Besides Feyenoord, the a.s.r. foundation also supports projects undertaken by the Giovanni van Bronckhorst Foundation.

Results in 2014
In 2014, more than 1,066 employees contributed to one of the activities undertaken by the a.s.r. foundation. This is about the same number as in 2013. The Stimulansplan incentive plan was used by 44 employees. This plan allows employees to request a financial contribution for any volunteer work they do outside a.s.r. Within this context, support was given to Stichting ALS, the Dutch ALS Foundation, and Villa Joep, a foundation to fight neuroblastoma in children, among other causes.

More than 20 teams, varying in size, combined a team-building exercise with giving back to the community. They donated their time and got to work for all manner of organizations, including Utrechts Landschap (nature conservation), C-Fordt Maarssen (art, culture and recreation), Resto VanHarte (restaurants for the prevention of social isolation) and various care farms. There were also projects that employees could sign up to individually: some colleagues taught guest classes at primary schools during Money Week and bicycle enthusiasts took part in the Giro Classico, a ride organized by the Province of Utrecht in support of the Wilhelmina Children's Hospital. Other colleagues who like to run participated in the Singelloop run that benefited the Dutch Arthritis Foundation.

3.1.6 Reporting

In this chapter on corporate social responsibility, a.s.r. seeks to present a transparent picture of its activities and objectives in the area of sustainability. This chapter also contributes to the level of sustainability awareness within a.s.r.

Principles and scope

The sustainability report has been integrated into the Annual Report of ASR Nederland N.V. a.s.r. reports on its efforts and the achievement of objectives in 2014. a.s.r. also describes its plans and vision for the future.

Reporting process

The information contained in this report relates to all a.s.r. brands and operations. Corporate Communications is responsible for the content.

This report was put together based on interviews with directors of the product lines and corporate departments, and using the outcomes of qualitative and quantitative questionnaires. The information was collected by Corporate Communications. These interviews addressed the material topics and the questionnaires were in line with the G3.1 Guidelines. In addition, data were retrieved from central information systems, such as those kept by HR, and various environmental databases. The content of the report was assessed by the business lines and corporate departments such as Accounting Reporting & Control, Risk Management, Human Resources, Business Support, Purchasing & Contract Management, Legal, Compliance and Security.

Global Reporting Initiative Guidelines

The Annual Report of ASR Nederland N.V. has been compiled using the Guidelines of the Global Reporting Initiative (GRI). a.s.r. believes that the GRI G3.1 Guidelines provide an effective framework for its sustainability reporting. The G3.1 Guidelines can be broken down into various levels. Based on a self-assessment, a.s.r. has submitted its Annual Report to the GRI for verification at B level. Appendix 2 of this report contains a GRI-index. This Index shows where the reader can find GRI disclosures in the Annual Report. Additional information is provided that has not been included in the Annual Report itself. The information contained in the CSR chapter and the GRI-index has not been audited.

Information systems

a.s.r. makes use of various management information systems for collecting and processing relevant quantitative and qualitative data about sustainability, including in the HR department (SAP HRM Software). Business Support keeps records on the different suppliers, thereby creating a clear picture.

a.s.r. has used Smartstream since 1998 and SAP Business Financial since 2004 to generate and prepare consolidated financial reports. The financial statements are prepared by Accounting, Reporting & Control based on the financial information submitted by the responsible product lines within a.s.r.

More information

The online version of the Annual Report 2014 contains a number of links between the sustainability report and the other chapters of the Annual Report, and vice versa. It also has links to sources posted on the corporate website.
For more information about ASR Nederland N.V., please consult the other chapters of this Annual Report or visit www.asrnl.com. Any questions about the report or its content can be addressed to the contact persons listed on page 286 of this report.

Chapter 4

Executive Board Responsibility Statement

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4.1 Executive Board Responsibility Statement

The consolidated and company financial statements for 2014 of ASR Nederland N.V., as well as Chapter 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 his 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, 2 April 2015

The Executive Board
Jos Baeten
Karin Bergstein
Chris Figee
Michel Verwoest

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Chapter 5

Report of the Supervisory Board

5.1 Report of the Supervisory Board

5.1.1 Financial statements and profit appropriation

The Executive Board submitted the Report of the Executive Board and the financial statements for 2014 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 2 April 2015.

The financial statements were audited by KPMG, who issued an unqualified auditor's report on them. For the independent auditor's report, see page 220. The Supervisory Board established that the external auditor was independent from a.s.r.

The Supervisory Board has presented the financial statements for adoption to the Annual General Meeting of Shareholders (AGM). The Supervisory Board proposes that the financial statements be adopted and the members of the Executive Board be discharged of responsibility for their policies and the members of the Supervisory Board be discharged of responsibility for their supervision of the policies pursued by the Executive Board and of the general conduct of business at the company and its affiliated entities. For the Executive Board's profit appropriation proposal to the AGM, which was approved by the Supervisory Board, see page 226 of this report.

Supervision

The Supervisory Board addressed the following issues:

Routine topics	Specific issues
• Financial performance (quarterly, interim and annual results)	• Consolidation (including VIVAT/REAAL)
• Solvency	• Unit-linked policies
• Investment plan	• Market changes
• Dividend proposal	• Continuing education
• Multi-year budget	• Supervised entities in practice
• Risk management and risk appetite	• Appointment of new CFO
• Own risk and solvency assessment (ORSA)	• Remuneration policy and pension plan
• Strategy and future exit to private market	• Funding plan
• Treating Customers Fairly (TCF)	
• Integrity reports	
• Audit reports	
• Governance	
• Performance targets of identified staff	
• ICT-projects	

Financial performance

The Supervisory Board met every quarter to discuss the financial performance, covering standing issues such as developments in earnings, premium income, returns and solvency.

The members of the Supervisory Board were satisfied with a.s.r.'s financial performance for 2014. The increase in earnings was primarily attributable to improvements in the underwriting result, which have lifted earnings to a sustainable level.

The progress of cost cuts and improvements in claims management was discussed extensively. The combined ratios of all product lines in the Non-life segment were below 100%, meaning that a.s.r. met the target of restoring its profitability. The solvency ratio is more than adequate. Although the improved commercial performance is gradually manifesting itself, the Supervisory Board considers it important to give priority to value over volume – despite the fact that the market can be challenging at times due to factors such as saturated sub-markets and low interest rates.

At year end, the Supervisory Board approved the multi-year budget 2015-2017; the supervisory directors qualified the budget for the coming years as ambitious and realistic.

Risk management and solvency

At the beginning of the year, the Supervisory Board approved the risk appetite for both ASR Nederland N.V. and the supervised entities.

The members of the Supervisory Board are satisfied with the execution of the risk policy. Solvency levels remain good and comfortably adequate thanks to the organization's prompt and adequate response to external developments based on the chosen risk appetite and the associated risk-mitigating measures. In the middle of the reporting period, the Supervisory Board followed up the Audit & Risk Committee's recommendation when it adopted the funding plan, which resulted in further optimization of the capital position of ASR Nederland N.V.

The risk appetite continued to be an important criterion for the Supervisory Board in making both tactical and strategic decisions in 2014.

Market developments and strategy

A key issue in the meetings of the Supervisory Board in 2014 was the potential consolidation of the insurance sector and a.s.r.'s possible role in it. In June 2014, the Dutch Minister of Finance gave a.s.r. the opportunity to take part in the bidding process for Reaal N.V. (currently VIVAT/REAAL). The Supervisory Board sets store by a.s.r.'s responsibility towards customers and the shareholder to work towards consolidation in the Dutch insurance market where appropriate and possible. A potential bid was subject to the condition of external funding. With this in mind, the Supervisory Board focused closely in 2014 on the procedures and decision-making processes involved in attracting potential investors and possibly submitting a bid for VIVAT/REAAL. The members of the Supervisory Board looked at both form and content, while monitoring the Executive Board's careful deliberations every step of the way. They also took the time to form their own independent opinions.

In addition, developments in the non-life, health and pension insurance markets were specific topics of discussion. These sessions took the form of 'deep dives'; presentations by senior managers gave the Supervisory Board members an in-depth perspective on current and future market developments. This in-depth approach was also used to discuss developments in and the status of organizational changes in the life, pensions and IT&C businesses. As a result, the Supervisory Board gained a good understanding of how a.s.r. translates the strategy into organizational changes that help it to move with the changing market and applies it in practice. In the life business, for instance, a broad debate was held about the fact that fewer and fewer new policies are being sold and that sub-portfolios are contracting, which makes the principle of scalability of costs in value models a key issue at present that is also being assessed by the Dutch Central Bank (DNB), the auditor and the certifying actuary. The Supervisory Board welcomes the fact that a.s.r. started to implement sustainable changes and improvements early, so that a.s.r. has been able to demonstrate for a number of consecutive years now that it can control costs in such a way that they keep pace with premium income.

Unit-linked policies

The members of the Supervisory Board thoroughly educated themselves as part of an ongoing process about developments in unit-linked policies in 2014. They appreciate the manner in which the Executive Board and the managers involved have taken up the extra challenge that was put to them after the publication of a report on how insurance companies followed up with customers after having missold them unit-linked policies. a.s.r. has gone to great lengths for its unit-linked policyholders, having followed up with nearly all of them now. The Supervisory Board encourages a.s.r. to make every effort needed to spur even more customers into action.

Treating Customers Fairly (TCF)

Every quarter, the Supervisory Board considered the theme of Treating Customers Fairly (TCF) on the basis of various reports, including the a.s.r. TCF Dashboard, which provides an understanding of developments and results with respect to the TCF theme and of the best practices shared and lessons learned in this regard across the organization. The Supervisory Board has found that good progress is being made on this theme and that a.s.r. undertakes substantial efforts to deliver a good TCF performance. The progress made is also reflected in a.s.r.'s performance on the AFM's TCF Dashboard. This survey by the regulator annually benchmarks the extent to which Dutch financial institutions focus on customer interests in their products, services and processes. a.s.r. achieved a score of 3.6 out of 5 for 2013 on the Dashboard, better than a year earlier (2012: 3.3) and higher than the average in the financial sector (3.5). a.s.r. scored well above average on claims handling, complaints management and customer contacts in particular.

In addition to the TCF Dashboard, the Supervisory Board also discussed other reports and disclosures. They are designed to give its members an understanding of the results achieved on quality mark requirements and the NPS scores. The members of the Supervisory Board are happy about the progress that was made on treating customers fairly; they will continue to weigh customer interests when forming their opinion and making decisions on key issues in the year to come.

Risk Management, Integrity and Audit

The Supervisory Board discussed the reports of Risk Management, Integrity and Audit on a quarterly basis. Reports issued by, and findings of, the external regulators were also reviewed extensively. The Supervisory Board is satisfied with the heightened management focus and discipline aimed at continuing the previously initiated policy of resolving issues at an accelerated pace. The Supervisory Board will again focus extensively on testing the quality of the business practices and customer service as part of its supervision in 2015.

Governance

The governance structure of some supervised entities has changed with effect from 1 January 2014. The executive and supervisory bodies of the supervised entities met at least four times in 2014. The seven relevant supervised entities are ASR Levensverzekering N.V., ASR Schadeverzekering N.V., N.V. Amersfoortse Algemene Verzekering Maatschappij, Europeesche Verzekering Maatschappij N.V., ASR Basis Ziektekostenverzekeringen N.V., ASR Aanvullende Ziektekostenverzekeringen N.V. and ASR Bank N.V. The standing agenda items included the financial (quarterly) results and the audit, integrity and risk reports. Other topics of discussion were entity-specific issues, including the impact of the changing markets for various entities.

The executives and non-executives of the first four entities are the same as those of ASR Nederland N.V. This is not the case for the other three entities (see Section 5.1.3, Management and supervision, Procedures, Appointment and reappointment of executive and supervisory directors, page 85).

Variable pay and pension plan of a.s.r. employees

With a view to cost cuts and market conformity, the Supervisory Board discussed changing the employee pay-and-benefits package, focusing in particular on eliminating variable pay for all employees except for a small group of 139 sales employees and amending the pension plan.

The arrangements for the replacement of variable pay and the other changes to the pay-and-benefits package apply to all employees, including higher and senior management. In line with the arrangements for employees covered by the Collective Bargaining Agreement (CBA), this will similarly scale back the remuneration of higher and senior management. In this context, arrangements have been made about the conversion of variable pay (for more information page 59). The members of the Executive Board have not been entitled to variable pay since 2011. This was motivated by the statutory provisions governing the bonus prohibition for state-aided enterprises.

In addition, the decision was taken to amend the pension plan so as to simplify its administration and manage its cost level and cost variability in the long term. The amendments, which apply to active members, former employees and retired employees alike, were implemented in 2014. The pension plan for active members has now been brought into line with the amended tax regulations and the plan for deferred members has been aligned with that for active members. A reserve has been formed as compensation for the amendment. The Supervisory Board monitored this process critically from the start; it is satisfied with how the amendments to the pension plan were designed and implemented to sustainably benefit both current and former employees as well as a.s.r. in its capacity as the employer.

Self-assessment
The Supervisory Board finds it important to scrutinize its own performance on an ongoing basis. For this reason, the Supervisory Board assesses its own performance annually; in 2014, it did so with the help of an external expert. The overall impression that emerged from this self-assessment was positive. The few suggestions for improvement that came out of the self-assessment were discussed by the Supervisory Board in a plenary session and they will be included in the programme for the coming year.

5.1.2 Issues addressed by committees

Audit & Risk Committee
In addition to its supervisory responsibility for ASR Nederland N.V., the Committee has also, from 1 January 2014 onwards, overseen the supervised entities ASR Levensverzekering N.V., ASR Schadeverzekering N.V., N.V. Amersfoortse Algemene Verzekering Maatschappij and Europeesche Verzekering Maatschappij N.V. The standing agenda items included the financial (quarterly) results and the audit, compliance and risk reports. Other topics of discussion were entity-specific issues, including the impact of the changing markets for various entities.

After the close of every quarter, the Committee met to discuss the financial results based on detailed audit reports and analyses. The full reporting year 2014 was discussed on the basis of the annual report, the financial statements and the actuarial report. The Committee issued positive opinions on these matters to the Supervisory Board.

The effectiveness of the audit, compliance and risk management functions within ASR Nederland N.V. was a specific focus area for the Audit & Risk Committee. The Committee covered the audit plans for 2015 of both the internal audit and the independent external auditor, and approved them. The Committee also debated and approved the annual plan of the Integrity department and the risk management plan for 2015. Every quarter, the Committee addressed the audit, compliance and risk reports, as well as the audit reports of the independent external auditor.

During the year, the Committee met twice outside meetings with the audit, compliance and risk management functions in their role of countervailing powers. In 2014, the Committee also adopted the Actuarial Charter, which formalizes the duties, responsibilities and governance of the Actuarial Function of ASR Nederland N.V.

At the start of the year, the Audit & Risk Committee discussed the risk appetite, which is derived from a detailed risk assessment and has – since this year – also been based on Solvency II for both ASR Nederland N.V. and the supervised entities. The Committee periodically tested the developments at a.s.r. in light of the risk appetite during the year, using such tools as the Integrated Risk Dashboard and the status report on the management of risk priorities. After the Committee had issued a positive opinion, the risk appetite was approved in the Supervisory Board.

In 2014, the Committee talked about large-scale impactful IT and other projects for the implementation of new-generation platforms (credit management & collections and disbursements, occupational disability insurance, non-life and life insurance) in relation to the underlying cost reductions. The Committee named as priorities in 2014 the importance of completing large projects on schedule within a complex IT environment and continually changing rules and regulations. On the recommendation of the Committee, the Supervisory Board talked about how a.s.r. can keep the cost/premium ratio low on a sustainable basis and what plans will be developed and carried out in that context starting next year.

Other topics of discussion in 2014 included the reinsurance programme and the positive effects of the diversification options within a.s.r. on the scale of the programme and the internal control structure

(Management in Control 2.0), which allows the a.s.r. management to visibly manage the principal risks that form a threat to achieving the strategic targets.

The funding plan was discussed in mid-2014. This plan gives a transparent view of the financing requirements of ASR Nederland N.V. and has optimized the capital position of ASR Nederland N.V. The Audit & Risk Committee of the Supervisory Board recommended the approval of the execution of the plan to raise external financing, tender for two existing hybrid instruments and repay the comparable hybrid instruments.

The multi-year budget 2015-2019, the investment plan and the risk priorities for 2015 were discussed at year end.

In the Committee's opinion, a.s.r.'s financial foundation is robust. The solvency ratio is extremely sturdy, both under Solvency I and Solvency II. Sensitivities to fluctuations in the yield curve and changes in possible future stress scenarios within the various investment categories are firmly under control. This strong financial foundation allows a.s.r. to continue to adapt the organization to the changing insurance market in a responsible manner.

The Supervisory Board received all details of the topics of discussion at the same time as the Committee. The written report of the meeting of the Audit & Risk Committee was provided to the Supervisory Board before the start of the next Supervisory Board meeting. The chair of the Committee gave an account of the key issues discussed and the findings and recommendations of the Committee at the beginning of each Supervisory Board meeting.

Finally, acting for the Supervisory Board, the Audit & Risk Committee supervised the performance and independence of the external auditor. The Audit & Risk Committee also spoke about the implications of the changes in the law governing the accounting profession and the continued performance of the audit engagement by the current external auditor over the coming financial years. Making allowance for a.s.r.'s imminent privatization, the Committee advised the Supervisory Board to renew the audit engagement with the current external auditor up to and including the reporting year 2015 and to switch auditors after that reporting year, with the qualification that the switch could be made earlier if so warranted by the outcome of the privatization process.

Selection, Appointment & Remuneration Committee

The Selection, Appointment & Remuneration Committee (SAR) was in session seven times in 2014.

In accordance with policy, the Committee advised the Supervisory Board on target-setting, performance appraisals and the ex-post assessment of the variable pay awarded to identified staff.

In 2014, the Committee spoke on various occasions about the process of offering a less generous pay-and-benefits package, eliminating variable pay and amending the pension plan. The pay-and-benefits package was effectively scaled back on 1 July 2014, after agreement had been reached with the trade unions and the Works Council. The remuneration policy was amended based on these changes. The changes were discussed in two Committee sessions and then approved by the Supervisory Board. In accordance with the remuneration policy, the Committee sought the advice of the control functions Risk Management, Compliance, Audit and HR. The chair of the Committee gave an account of the issues discussed to the Supervisory Board and submitted written reports to the Supervisory Board in a timely manner.

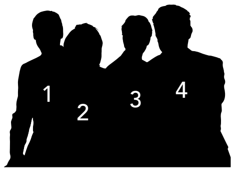
The Committee and the Supervisory Board did not just discharge their formal role in approving a.s.r.-wide targets. They also actively took part in the debate about amending the performance appraisal policy. Now that variable pay has been eliminated, performance appraisals will take on a different dimension. The Committee provided input about how to conduct a performance appraisal interview and to define targets in a setting without immediate financial incentives.

In September, one of the members of the Committee organized a training day on emotional capital. The sessions were attended by senior managers from a.s.r., DNB and AFM. The sessions were perceived as extremely instructive and the trainees enjoyed their day.

5.1.3 Management and supervision

Composition of the Executive Board and Supervisory Board

All members of the Executive Board and Supervisory Board are Dutch nationals.



1 Jos Baeten
2 Karin Bergstein
3 Chris Figee
4 Michel Verwoest

Members of the Executive Board

J.P.M. (Jos) Baeten (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 are Human Resources, Corporate Communications, Marketing, Business Support, Strategy, CSR, Audit, Integrity and Legal.

Jos 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 general meeting of the Dutch Association of Insurers and Chairman of the Supervisory Committee of Stichting Rotterdamse Schouwburg (Rotterdam Theatre). He also 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. Until November, Jos served as Chairman of the Supervisory Committee of Gemiva-SVG Groep, an organization providing support to the disabled.

K.T.V. (Karin) Bergstein

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

Karin 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 2011. 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 of the Supervisory Board of Utrecht University. She also serves as a supervisory director of ArboNed, a nation-wide occupational health and safety board.

H.C. (Chris) Figee (CFO)
Chris Figee (1972) is a member of the Executive Board. His areas of responsibility are Finance, Accounting, Reporting & Control (ARC), Financial Markets and Risk Management.

Chris graduated with honours from the University of Groningen, earning a degree in Financial Economics, and qualified as an investment analyst with the European Federation of Financial Analysts (EFFAS). He also studied Risk Management at Stanford University. After having started his career at Aegon, he switched to McKinsey, where he worked for seven years and made partner. He then joined Achmea as their Director of Group Strategy & Performance Management; he also served on the Achmea Group Committee. His last role at Achmea was that of Director of Group Finance. Chris Figee was appointed as a.s.r.'s CFO on 1 May 2014.

Additional positions
Chris Figee does not hold any additional positions at this time.

M.H. (Michel) Verwoest
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 Technology & Change (IT&C).

Michel 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/director of Nationale Nederlanden Life. Michel Verwoest was appointed to the Executive Board of a.s.r. as of 1 December 2012.

Additional positions
Michel Verwoest is a member of the Board of the Dutch Association of Health Insurers and of Stichting Vrienden van de Gelderhorst, a care provider for elderly deaf people. In addition, he sits on the Advisory Board of Post & Blankestijn, a recruitment and secondment company.

Education and evaluation
The members of the Executive Board took individual courses in 2014 as part of their continuing education (CE). In addition, a lot of attention was devoted to accumulating knowledge of new distribution and business models, including practical methods for applying them to the insurance business. All the members of the Executive Board went on a working visit to a multinational organization, where they learned how innovative ways of collecting customer data can be used to develop appropriate customer propositions and to create a sustainable risk management model.

In May 2014, the Executive Board engaged in a deep dive, building on the self-assessment performed in 2013. The deep dive was led by the same external party that had also provided assistance in the external assessment. This session served to explore how to better harness the executives' diverse backgrounds, particularly now that Chris Figee has been appointed as the new CFO.

In addition to the self-assessment, the performance of the members of the Executive Board was appraised by the Supervisory Board in 2014 within the scope of the annual appraisal process.

1 Cor van den Bos
2 Kick van der Pol
3 Annet Aris
4 Margot Scheltema

Members of the Supervisory Board

C. (Kick) van der Pol, Ph.D. (1949)

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

Kick van der Pol is the Chairman of the Board of Directors of Ortec Finance and Chairman of the Board of the Federation of Dutch Pension Funds. He is also a member of the Bank Council of DNB, member of the Board of the Confederation of Netherlands Industry and Employers (VNO-NCW), Chairman of the Board of VPRO, a public broadcaster, and Chairman of OVAL, an organization for employee vitality and career counselling. In addition, Kick is a member of the Board of Holding Goede Doelen Loterijen, the holding company for charity lotteries, and of Qurrent, a renewable energy company. In the past, Kick 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 2014 to 15 June 2018

A.P. (Annet) Aris (born 1958)

Chair of the Selection, Appointment & Remuneration Committee

Annet Aris 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 and institutions, including at Kabel Deutschland AG, Jungheinrich AG, ProsiebenSat1 AG in Germany and at London-based Thomas Cook PLC. Annet 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 2014 to 7 December 2018

C.H. (Cor) van den Bos (1952)

Chair of the Audit & Risk Committee

Cor van den Bos 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. Cor serves as a non-executive member of the Board of Kardan, which initiates, develops and manages projects and assets, mainly in Real Estate and Water Infrastructure in promising Emerging Markets.

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

M.A. (Margot) Scheltema (1954)
Member of the Audit & Risk Committee

Until 2009, Margot Scheltema served as the CFO of Shell Nederland B.V., prior to which she had held several international management positions at Shell since 1985. She is a supervisory director of Triodos Bank, Schiphol Group, TNT Express, Lonza Group of Basel, Switzerland, and Warmtebedrijf Rotterdam, a heat management company. She is also a member of the Supervisory Committee of the Rijksmuseum. Margot serves as a (substitute) council of the Enterprise Chamber of the Amsterdam Court of Appeal and chairs the Monitoring Committee of the Code of the Pension Funds. She is a member of the Supervisory Board of World Press Photo and Treasurer of Genootschap Onze Taal, the Dutch language society. Margot Scheltema has been appointed as a member of the Supervisory Board of De Nederlandsche Bank as of 1 September 2015 and will step down from the a.s.r. Supervisory Board as of 31 August 2015.

First appointed on: 15 December 2008
Current term of office: 15 June 2012 to 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 the gender and professional background of its members. The diversity of its members guarantees the complementary profile of the Supervisory Board.

Composition of committees

The Audit & 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 directors of Finance, Audit, Risk Management and Integrity.

The members of the Selection, Appointment & 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, it calls in the expertise of independent legal and pay-and-benefits experts.

Quality assurance of supervisory function

Education and evaluation

Three CE sessions were organized for the members of the Supervisory Board in 2014. One session was fully devoted to the healthcare market and developments in contracted care. During the second session, the members of the Supervisory Board visited Google Netherlands where they were given various presentations and engaged in interactive dialogues to gather knowledge about consumer behaviour during various stages of the value chain, from orientation to purchase and from information to change. The third session in September was about emotional capital.

The Supervisory Board performs a self-assessment annually. In 2014, the assessment was performed under the guidance of an external expert. Use was made of written input and evaluation interviews were held with all members of the Supervisory Board and Executive Board, and with some a.s.r. entity directors. The following elements were assessed:

- Composition of the Supervisory Board
- Procedures and information provision
- Performance of Chairman and committees
- Various roles as supervisor, including the roles of employer and adviser
- Interaction within the Supervisory Board, between the Supervisory Board and the Executive Board, and between the Supervisory Board and stakeholders.

The overall impression that emerged from this self-assessment was entirely positive. A number of suggestions for improvement were made and they are being implemented.

In addition to the regular and ad-hoc meetings, the Supervisory Board held two sessions with the Executive Board to discuss the personal development and the 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 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 2014.
In 2012, Margot Scheltema announced that her appointment as of 1 January 2013 as a (substitute) council of the Enterprise Chamber of the Amsterdam Court of Appeal might occasionally cause a conflict of interest in which case she will not participate. In April 2014, she notified a.s.r. of her appointment as Chair of the Monitoring Committee for the Code of the Dutch Pension Funds. This did not lead to potential conflicts of interest in 2014.

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 the Works Council

Three Supervisory Board members attended a routine consultative meeting of the Works Council. The supervisory directors greatly appreciate how the Works Council approaches major developments that are impactful for a.s.r. Making allowance for the interests of both a.s.r. as a whole and those of the employees, the Works Council thoroughly prepares for the wide range of issues it is presented with, discusses them in constructive dialogue with the executive, and issues well-balanced and considered opinions and recommendations.

Besides routine consultative meetings, the Works Council's executive committee maintains regular contact with the member of the Supervisory Board who was appointed on the nomination of the Works Council. Two tripartite sessions between the Supervisory Board, the Executive Board and the Works Council were held in 2014 to discuss current affairs.
The Supervisory Board was also represented in the annual meeting between the Works Council and the shareholder.

Contacts with shareholder

With effect from 29 September 2011, the shareholder has been represented by Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI), a trust office. In 2014, contacts with NLFI extended beyond the scheduled AGM and EGM; contacts were initiated at various other times as well.

In 2014, a consultative body was formed to maintain a dialogue between a representation of the Board of NLFI and the Supervisory Board of a.s.r. This body frequently consulted about the need and options for consolidation, including the bidding process for VIVAT/REAAL and attracting private investors. A joint steering group of representatives of the Executive Board of a.s.r. and NLFI management reported to this consultative body.

Contacts with the independent external auditor

The independent external auditor always attended the Supervisory Board meetings on the annual and interim financial results. In this process, the auditor elaborated on the audit reports and answered specific questions asked by the supervisory directors. The independent external auditor also attended all meetings of the Audit & Risk Committee. The chair of the Audit & Risk Committee consulted with the independent external auditor once outside the presence of the other regular participants in Audit & Risk Committee meetings; one of the topics discussed was the auditor's independence.

Contacts with external regulators and internal control functions

The supervisory directors consulted periodically with the Netherlands Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB). The Audit & Risk Committee spoke twice with the heads of Audit, Integrity and Risk Management (i.e. the internal control functions).

Procedures

Appointment and reappointment of executive and supervisory directors

There were no changes in the composition of the Supervisory Board in 2014. Kick van der Pol and Annet Aris were reappointed for a term of four years in June 2014 and December 2014 respectively. Chris Figee was appointed CFO on 1 May 2014. He replaced Roel Wijmenga, who left a.s.r. after having served five years in the role of CFO.

The four supervisory directors of ASR Nederland N.V. were appointed as supervisory directors of ASR Levensverzekering N.V., ASR Schadeverzekering N.V., N.V. Amersfoortse Algemene Verzekering Maatschappij and Europeesche Verzekering Maatschappij N.V. on 1 January 2014. The four members of the Executive Board were appointed as executive directors under the Articles of Association of these four legal entities as of the same date. The composition of the Supervisory Board of ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V. changed on 1 January 2014 as well. Kick van der Pol, Annet Aris, Jos Baeten and Michel Verwoest were appointed as supervisory directors.

Meetings of the Supervisory Board and committees

The Supervisory Board met with the Executive Board sixteen times during the reporting period. Six meetings were scheduled as routine meetings and ten were ad-hoc meetings to discuss specific issues related to a.s.r.'s future privatization. The Supervisory Board also held periodic operations review meetings.

Attendance record of supervisory directors (plenary sessions and committee meetings)

	Kick van der Pol	Annet Aris	Cor van den Bos	Margot Scheltema
Plenary sessions	16/16	16/16	16/16	16/16
Audit & Risk Committee	-	-	6/6	6/6
Selection, Appointment & Remuneration Committee	7/7	7/7	-	-

5.1.4 Corporate governance

General

The Dutch State became the sole shareholder in 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 supervises the policy pursued by the Executive Board and the general course of affairs at the company and its group entities, and advises 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.asrnl.com.
ASR Nederland N.V. and the Dutch State signed a covenant in the past 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 on the (non-binding) recommendation of the Supervisory Board. After having heard the Supervisory Board, the AGM is competent to suspend or remove a member of the Executive Board. After having heard the AGM, the Supervisory Board may decide to suspend 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 only be removed 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, as a non-listed company, ASR Nederland N.V. is under no obligation to comply with the Dutch Corporate Governance Code, a.s.r. sets great store by a transparent governance structure. For this reason, it observes the Code by applying the principles and best practices relevant to it.

Governance Principles for Insurers and the Dutch Banking Code
The new Dutch Banking Code governing banks authorized in the Netherlands came into effect on 1 January 2015. This Code, which was drafted by the Dutch Banking Association, contains principles for governance and governance oversight, risk management, audits and remuneration policy. The latest version of the Governance Principles for Insurers, or the Dutch Insurance Code, dates from 1 July 2013.

The Dutch Insurance Code applies to al supervised entities within ASR Nederland N.V.; ASR Bank N.V. is governed by the Dutch Banking Code.

a.s.r. 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, a.s.r. 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.

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.asrnl.com.

Appendix 1 of this report provides details on how ASR Nederland N.V. complies with the Dutch Insurance Code.

Professional oath

The members of the Executive Board, the Supervisory Board and all senior managers of ASR Nederland N.V. took the professional oath early in 2013. New executives and managers take the oath when they join the organization. Chris Figee took the oath in May 2014. By taking this oath, executives and managers promise to treat customers fairly, act with integrity and observe all laws, rules and regulations, and codes of conduct so as to increase trust 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.

5.1.5 Remuneration policy

Improving and maintaining the integrity and robustness of a.s.r. is key to the remuneration policy, and the focus is squarely on the long-term interests of all our stakeholders. The aim of the remuneration policy is to motivate employees to work for the interests of customers and other stakeholders within the parameters of the duty of care. The remuneration policy is based on the following principles:

- The remuneration policy is designed to help achieve a.s.r.'s strategy and targets.
- The remuneration policy cannot restrict a.s.r.'s scope to strengthen its regulatory capital, solvency margin or equity.
- Risk Management reviews the targets of a.s.r. and the individual targets of identified staff for their compatibility with a.s.r.'s risk profile on an annual basis (financial risk management). This department forms an opinion as to whether the agreed targets meet the organizational risk profile.
- The appraisal and remuneration criteria need to comply with the provisions stipulated in various national and international rules and regulations.[1]
- The policy needs to be transparent and its structure and methods should be applicable to all layers of management and to employees subject to the collective bargaining agreement.
- A balance needs to be struck between trust in the intrinsic motivation of managers on the one hand and agreement on clear objectives and assessment of the performance on these objectives on the other.
- Customer satisfaction indicators as well as financial and risk indicators should be used for assessing the performance of organizational and other targets.
- The level of remuneration is just below the median for the peer group.
- The total remuneration package should be appealing enough to allow a.s.r. to compete in the relevant segments of the labour market and attract and retain competent people.

Governance

The Supervisory Board is responsible for implementing and evaluating the remuneration policy for the members of the Executive Board as adopted by the AGM. It approves the remuneration policy for senior management and monitors its implementation by the Executive Board. The Supervisory Board also assesses the principles of the remuneration policy for other employees. The Executive Board is responsible for adopting, implementing and evaluating the remuneration policy for other employees. Pursuant to European directives (CRD IV), governance and risk management procedures are required

1 These include the Dutch Regulation on Sound Remuneration Policies 2014, the Dutch Corporate Governance Code, the Governance Principles for Insurers and the Dutch Banking Code, as well as the Dutch Minimum Wage and Minimum Holiday Allowance Act and equal treatment rules.

to be in place for employees qualifying as identified staff. The remuneration policy for this group of employees is subject to the approval of the Supervisory Board. The Supervisory Board monitors the implementation of this policy by the Executive Board. The group of identified staff includes the members of the Executive Board and senior management as a minimum.

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

The agreements with employees falling in groups 1, 2 and 3 have been formalized in their individual employment contracts.

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

Key features of remuneration system from 1 July 2014

a.s.r. eliminated variable pay on 1 July 2014. Since that date, employees have been entitled to fixed pay only, except for a small group of 139 sales employees who fall under the a.s.r. CBA job classification and pay structure for front-office positions. This group qualifies for a target-related pay component of up to 20%. The a.s.r. remuneration policy was updated for this change in 2014. Pursuant to the Dutch Act on the limitation of liability for DNB and AFM and the bonus prohibition for state-aided enterprises, the members of the Executive Board have not received any variable pay since the financial year 2011. Pursuant to the Dutch Act on the limitation of liability for DNB and AFM and the bonus prohibition for state-aided enterprises, the current members of the Executive Board have not received any variable pay since the financial year 2011. A long-term remuneration was disbursed to R.T. Wijmenga, who left a.s.r. as per 1 September 2014, in accordance with the 2010 the long-term variable remuneration policy.

Key features of remuneration system up to 1 July 2014

Until 1 July 2014, remuneration was made up of fixed and variable pay.

Fixed pay

The fixed pay awarded to the members of the Executive Board comprises a fixed amount per month, including holiday allowance. The pay is indexed in accordance with the CBA for the insurance industry.

The fixed pay awarded to employees comprises their fixed gross monthly pay, plus 8% holiday allowance and an end-of-year bonus. The level of the fixed pay is determined by the weight of an employee's position and the related remuneration group. Any increases in fixed pay are linked to the appraisal of how employees perform their duties in general and their compliance with the a.s.r. values (personal, accountable and authentic). Fixed pay is adjusted for structural wage developments in accordance with the CBA for back-office positions in the insurance industry. The objectives pursued as part of how employees perform their duties are extrapolated from a.s.r.'s strategic targets. a.s.r.'s strategy centres around helping by taking action. This is reflected in KPIs relating to such issues as a customer dashboard, the *Keurmerk Klantgericht Verzekeren* (Customer-Oriented Insurance Quality Mark) and the Net Promoter Score. These KPIs form the basis of inspiring individual targets.

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 entity level and at group level. 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 our customer appreciation rating. The targets to be achieved in terms of financial results and customer appreciation at entity level and at group level 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 until 1 July 2014 is a percentage of fixed annual pay.

Target group (applicable until 1 July 2014)	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 the Act.

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 component is paid out. The non-cash component is subject to an additional retention period of two years. Some of the unconditional variable pay is paid out in cash right away. The non-cash component of the unconditional variable pay is also retained for two years.

This group is also subject to a claw-back mechanism and a reasonableness test/penalty, 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 sales employees
The remuneration of sales employees coming under the CBA job classification and pay structure for front-office positions consists not only of fixed and variable pay, but also of a target-related component. The target-related component is determined by their individual score on quantitative and qualitative targets. The employee and the manager agree on these targets annually, and the extent to which these targets have been achieved is established in the following year. The target-related pay is a percentage of the annual fixed pay awarded to the employee. Depending on the job description, the target-related pay for a performance 'at target' will amount to 20%, 24% or 30% of the fixed pay. The maximum level is 40%, 48% or 60%. At 1 July 2014, the level of the target-related component was reduced to no more than 20%.

Pension
The principal features of the pension plan in 2014 were as follows:
- Indexed average-pay scheme (indexing became conditional as of 1 January 2013)
- Retirement age: 65 years
- Accrual rate for old-age pension: 1.9% for all salary groups
- Pensionable earnings: fixed annual pay on 1 January of any year
- Partner's pension: 70% of projected old-age pension
- Orphan's pension: 14% of projected old-age pension
- Employee contribution: 6% of pensionable earnings
- Flexible elements: early retirement, deferred retirement, exchange, high/low part-time
- a.s.r. does not allow for the award of discretionary pension.

Pre-pension allowance
As a result of statutory pre-pension regulations, a.s.r. removed all pre-pension elements from its pension plans in 2006. Employees who joined a.s.r. before 1 January 2006 were initially compensated for this removal through optimization of their accrual rate and the state pension offset. Where such compensation was inadequate, these employees were awarded a pre-pension allowance, the extent of which varied based on their age and the original pension commitment. The pre-pension allowance for employees who joined a.s.r. after 1 January 2006 was 1% of their pensionable earnings.

5.1.6 Closing remark from the Supervisory Board

The members of the Supervisory Board would like to express their gratitude for the efforts put in by the members of the Executive Board and the openness that they displayed in their dialogue with the Supervisory Board.

The supervisory directors have a positive opinion of how a.s.r. has implemented the planned cost cuts and how it has simplified its organizational structure and processes. Thanks to this firm foundation, a.s.r. will be able to adapt further to the rapidly changing requirements of customers and the insurance market, and to do so responsibly and sustainably.

Especially now that organizational changes have been implemented, many colleagues have been let go and a.s.r. is en route towards an autonomous and healthy future. The Supervisory Board greatly appreciates the commitment and energy that employees continued to display in 2014. This was emphatically reflected in the professionalism with which the process leading up to a potential bid for VIVAT/REAAL was structured and implemented by the Executive Board and senior management. The Supervisory Board would like to express its great appreciation for the drive and commitment it saw in this process, while business as usual continued for everyone too.

Based on experience gained in recent years, the members of the Supervisory Board have every confidence that the Executive Board and the employees alike will continue to apply themselves in 2015 to adapting a.s.r. to the changing market and treating customers fairly every single day, thereby helping a.s.r. to develop into a truly socially relevant insurer.

Utrecht, the Netherlands, 2 April 2015

Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Margot Scheltema

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Chapter 6

2014 consolidated financial statements ASR Nederland N.V.

6.1 Consolidated financial statements

6.1.1 Consolidated balance sheet

(before profit appropriation)	Note	31 December 2014	31 December 2013 (restated)
Intangible assets	6.7	139	253
Deferred acquisition costs	6.8	213	241
Property, plant and equipment	6.9	140	97
Investment property	6.10	1,764	1,717
Associates and joint ventures	6.11	42	42
Investments	6.12	22,963	19,688
Investments on behalf of policyholders	6.12	8,333	8,049
Loans and receivables	6.12	9,231	8,489
Derivatives	6.12	3,435	1,054
Deferred tax assets	6.13	478	228
Reinsurance contracts	6.16	419	407
Other assets	6.14	677	659
Cash and cash equivalents	6.12	3,135	1,521
Total assets		**50,969**	**42,445**
Share capital	6.15	100	100
Share premium reserve		962	962
Unrealized gains and losses	6.15	737	581
Actuarial gains and losses	6.15	-634	-107
Other reserves		800	701
Profit for the year		381	281
Total equity attributable to shareholders		**2,346**	**2,518**
Other equity instruments	6.15	701	515
Equity attributable to holders of equity instruments		**3,047**	**3,033**
Non-controlling interests	6.15	-20	-18
Total equity		**3,027**	**3,015**
Liabilities arising from insurance contracts	6.16	28,223	23,928
Liabilities arising from insurance contracts on behalf of policyholders	6.16	9,779	8,992
Employee benefits	6.17	3,123	2,426
Provisions	6.18	38	36
Borrowings	6.19	117	98
Derivatives	6.12	387	535
Due to customers	6.20	1,949	1,366
Due to banks	6.21	3,277	677
Other liabilities	6.22	1,049	1,372
Total liabilities		**47,942**	**39,430**
Total liabilities and equity		**50,969**	**42,445**

The numbers following the line items refer to the relevant chapters in the notes.

As of 1 January 2014, new IFRS standards have become effective. The most significant changes result in reclassifications in the balance sheet, due to changes in the definition of control of investees (IFRS 10) and the introduction of joint operations (IFRS 11). Investment funds held primarily on behalf of policyholders are being fully consolidated, as a.s.r. is deemed to have control over these investment funds. A limited number of joint arrangements have been defined as joint operations. Due to the retrospective treatment the comparative figures for 2013 have been restated accordingly (see chapter 6.2.1 for a more detailed description of the changes).

6.1.2 Consolidated income statement

	Note	2014	2013 (restated)
Gross premiums written		3,787	3,923
Change in provision for unearned premiums		-4	1
Gross insurance premiums	6.23	**3,783**	**3,924**
Reinsurance premiums		-140	-164
Net insurance premiums		**3,643**	**3,760**
Investment income	6.24	1,417	1,484
Realized gains and losses	6.24	497	486
Fair value gains and losses	6.24	533	348
Result on investments on behalf of policyholders		858	783
Fee and commission income	6.25	35	45
Other income	6.26	238	205
Share of profit/(loss) of associates and joint ventures		-4	14
Total income		**3,574**	**3,365**
Insurance claims and benefits	6.27	-5,214	-5,122
Insurance claims and benefits recovered from reinsurers	6.27	100	110
Net insurance claims and benefits		**-5,114**	**-5,012**
Operating expenses	6.28	-541	-547
Restructuring provision expenses		-29	-24
Acquisition costs	6.29	-413	-455
Impairments	6.30	-118	-91
Interest expense	6.31	-315	-357
Other expenses	6.32	-214	-279
Total expenses		**-1,630**	**-1,753**
Profit before tax		**473**	**360**
Income tax (expense) / gain	6.33	-94	-84
Profit for the year		**379**	**276**
Attributable to:			
- Non-controlling interests		-2	-5
- Shareholders		300	248
- Holders of other equity instruments		108	44
- Tax on interest of other equity instruments		-27	-11
Profit attributable to holders of equity instruments		**381**	**281**

The numbers following the line items refer to the relevant chapters in the notes.

6.1.3 Consolidated statement of comprehensive income

	Note	2014	2013
Profit for the year		**379**	**276**
Remeasurements of post-employment benefit obligation	6.17	-704	156
Income tax on items that will not be reclassified		177	-39
Total items that will not be reclassified to profit and loss		**-527**	**117**
Unrealized change in value of available-for-sale financial assets	6.12	1,643	-502
Shadow accounting	6.16	-1,407	620
Segregated investment pools		-25	-34
Share of other comprehensive income of associates and joint ventures		-6	-3
Unrealized change in value of cash flow hedges		1	2
Tax relating to components of other comprehensive income		-50	-3
Total items that may be reclassified subsequently to profit and loss		**156**	**80**
Total other comprehensive income for the year, after tax		**-371**	**197**
Total comprehensive income		**8**	**473**
Attributable to:			
- Attributable to non-controlling interests		-2	-5
- Shareholders		-71	445
- Holders of other equity instruments		108	44
- Tax on interest of other equity instruments		-27	-11
Total comprehensive income attributable to holders of equity instruments		**10**	**478**

The numbers following the line items refer to the relevant chapters in the notes.

Shadow accounting allows a recognized but unrealized gain or loss on an asset to be transferred to insurance liabilities and liabilities arising from insurance contracts (see accounting policy J, chapter 6.2.2).

6.1.4 Consolidated statement of changes in equity

	Share capital	Share premium reserve	Unrealized gains and losses	Actuarial gains and losses (pension obligations)	Other reserves	Profit for the year	Equity attributable to shareholders	Other equity instruments	Non controlling interest	Total equity
At 1 January 2013	100	962	503	-224	504	316	2,161	515	-13	2,663
Change in accounting policy	-	-	-2	-	2	-	-	-	-	-
Restated opening balance 2013	**100**	**962**	**501**	**-224**	**506**	**316**	**2,161**	**515**	**-13**	**2,663**
Profit for the year	-	-		-	-	281	281	-	-5	276
Total other comprehensive income	-	-	80	117	-	-	197	-	-	197
Total comprehensive income	**-**	**-**	**80**	**117**	**-**	**281**	**478**	**-**	**-5**	**473**
Dividend paid	-	-	-	-	-	-88	-88	-	-	-88
Profit carried over from previous financial year	-	-	-	-	228	-228	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-44	-	-44	-	-	-44
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	-	11
At 31 December 2013 (restated)	**100**	**962**	**581**	**-107**	**701**	**281**	**2,518**	**515**	**-18**	**3,015**
At 1 January 2014	100	962	581	-107	701	281	2,518	515	-18	3,015
Profit for the year	-	-	-	-	-	381	381	-	-2	379
Total other comprehensive income	-	-	156	-527	-	-	-371	-	-	-371
Total comprehensive income	**-**	**-**	**156**	**-527**	**-**	**381**	**10**	**-**	**-2**	**8**
Dividend paid	-	-	-	-	-	-99	-99	-	-	-99
Profit carried over from previous financial year	-	-	-	-	182	-182	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-108	-	-108	-	-	-108
Tax relating to interest on other equity instruments	-	-	-	-	27	-	27	-	-	27
Issue of other equity instruments	-	-	-	-	-	-	-	497	-	497
Redemption of other equity instruments	-	-	-	-	-	-	-	-311	-	-311
Cost of issue of other equity instruments	-	-	-	-	-2	-	-2	-	-	-2
Other	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	**100**	**962**	**737**	**-634**	**800**	**381**	**2,346**	**701**	**-20**	**3,027**

Other reserves amounting to € 800 million (2013: € 701 million) consist primarily of retained earnings. Unrealized gains and losses include shadow accounting adjustments (see accounting policy J, chapter 6.2.2). For more detailed information on the unrealized gains and losses, see chapter 6.15.2.

The change in accounting policy (€ 2 million) is a result of the reclassification between unrealized gains and losses and other reserves as a result of the reclassification of investments, see chapter 6.2.1.

The actuarial gains and losses primarily decreased from -€ 107 million to -€ 634 million due to a decrease in the discount rate of the benefit pension obligation.

The change in other equity instruments of € 186 million is due to issuance of new fixed rate undated subordinated securities and buy-back of Hybride Tier 1 instruments. The discretionary interest on other equity instruments amounting to -€ 108 million also includes discretionary interest on redemption relating to the buy-back of the Hybride Tier 1 instruments (see chapter 6.15.4).

6.1.5 Consolidated statement of cash flows

	2014	2013
Cash and cash equivalents as at 1 January	**1,521**	**2,556**
Cash generated from operating activities		
Profit before tax	473	360
Revaluation through profit and loss	-16	-1
Retained share of profit of associates and joint ventures	9	13
Amortization/depreciation:		
- Intangible assets	20	21
- Deferred acquisition costs	27	31
- Property, plant and equipment	9	9
- Investment property	27	32
Amortization of investments	55	47
Impairments	118	91
Net (increase) / decrease in investment property	-94	72
Net (increase) / decrease in investments	-1,666	376
Net (increase) / decrease in investments on behalf of policyholders	-284	168
Net (increase) / decrease in derivatives	-2,529	1,316
Net (increase) / decrease in amounts due from and to customers	-135	-1,251
Net (increase) / decrease in amounts due from and to credit institutions	2,483	-1,332
Net (increase) / decrease in trade and other receivables	81	8
Net (increase) / decrease in reinsurance contracts	-12	38
Net increase / (decrease) in liabilities arising from insurance contracts	2,888	-892
Net increase / (decrease) in liabilities arising from insurance contracts on behalf of policyholders	787	32
Net (increase) / decrease in other operating assets and liabilities	-269	191
Income tax received (paid)	-289	-140
Cash flows from operating activities	**1,683**	**-811**
Cash flows from investing activities		
Investments in associates and joint ventures	-10	-4
Purchases of property, plant and equipment	-57	-50
Purchase of intangible assets	-	-8
Cash flows from investing activities	**-67**	**-62**

	2014	2013
Cash flows from financing activities		
Proceeds from issues of borrowings	29	27
Repayment of borrowings	-8	-57
Dividend paid	-99	-88
Discretionary interest to holders of equity instruments	-108	-44
Issue of other equity instruments	497	-
Redemption of other equity instruments	-311	-
Costs of issue of other equity instruments	-2	-
Cash flows from financing activities	**-2**	**-162**
Cash and cash equivalents as at 31 December	**3,135**	**1,521**
Further details on cash flows from operating activities		
Interest received	1,260	1,337
Interest paid	-250	-260
Dividends received	39	43

6.2 Accounting policies

6.2.1 Changes in accounting policies

Change in accounting policy as of 1 January 2014
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 total equity attributable to shareholders or profit for the year 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 one or more investees. The most significant change results from the change in the definition of control. Hereby a number of investment funds held primarily on behalf of policyholders which are administered by a.s.r. are fully consolidated since a.s.r. is deemed to have control over these investment funds.
- IFRS 11 Joint arrangements: This standard describes the accounting for joint arrangements and the classification into two types – joint operations and joint ventures. The most significant change is due to the introduction of the definition of a joint operation. A limited number of joint arrangements are reclassified from joint ventures to joint operations. For the joint operations a.s.r.'s share in the assets, liabilities, revenues and expenses are recognized in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.
- 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.
- IAS 32 Financial instruments: Presentation: Amendments to IAS 32 clarified the requirements for offsetting financial assets and financial liabilities.
- IAS 36 Impairment of assets: Amendments to IAS 36 clarifies disclosures requirements for the recoverable amount disclosures for non-financial assets.
- IAS 39 Financial instruments: Recognition and Measurement: Amendments to IAS 39 addresses accounting for a novation of derivatives and the continuation of hedge accounting.
- IFRIC 21 Levies: IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Due to the retrospective treatment the comparative figures in the balance sheet as at 31 December 2013 have been restated accordingly. The detailed impacts of the changes to the balance sheet as at 31 December 2013 are as follows:

	As reported	Accounting policy changes	Restated
As at 31 December 2013			
Investment property	1,617	100	1,717
Associates and joint ventures	190	-148	42
Investments	19,655	33	19,688
Loans and receivables	8,484	5	8,489
Other assets	639	20	659
Cash and cash equivalents	1,517	4	1,521
Total assets	**42,431**	**14**	**42,445**
Total equity	**3,015**	**-**	**3,015**
Provisions	38	-2	36
Borrowings	88	10	98
Other liabilities	1,366	6	1,372
Total liabilities	**39,416**	**14**	**39,430**
Total liabilities and equity	**42,431**	**14**	**42,445**

Only the line-items that have been affected by the changes in accounting policy are presented in the above table. For this reason the totals in the above table are not the sum of the items listed.

These changes have also been recognized in the relevant notes to the condensed consolidated interim financial statements. The consolidation of investment funds held primarily on behalf of policyholders which are administered by a.s.r., has also resulted in the following changes:

- The fair value model is used for the investment property backing insurance liabilities that pay a return linked directly to the fair value of, or returns from, the investment property where the investment property is partly held as investments on behalf of policyholders. The investment property fair value model follows the accounting principles for the investments on behalf of policyholders.
- The presentation of the breakdown of the investments and investments on behalf of policyholders has therefore also been restated.

The implementation of IFRS 10 and IFRS 11 has no material impact on the total equity as at 31 December 2013, and total comprehensive income and profit for the year ended 31 December 2013. Limited restatements have been made within the presentation and the breakdown of total equity, the income statement and the statement of comprehensive income. Within total equity, € 2 million is reclassified between unrealized gains and losses and other reserves as a result of the reclassification of investments.

These changes have been recognized in the relevant notes to the financial statements.

Changes in the principles for financial reporting

The following changes in the EU-endorsed IFRS standards and IFRIC interpretations are effective from 1 January 2015. These changes have no material effect on the total equity attributable to shareholders or profit for the year of a.s.r.:

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010–2012 Cycle: The Annual Improvements is a collection of non-urgent amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle: The Annual Improvements is a collection of non-urgent amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle.

Changes in presentation

In addition to the amendments as disclosed above, the current presentation differs from last year's presentation in some aspects. Where applicable, in accordance with IFRS, comparative figures have been included in the new presentation format to ensure comparability.

6.2.2 Key accounting policies

A. Statement of compliance

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).

The consolidated financial statements are presented in euros (€), being the functional currency of a.s.r. and all its group entities. All amounts quoted in the tables contained in these financial statements are in millions of euros, unless otherwise indicated.

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.

B. 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 fair value and impairments of unlisted financial instruments (see accounting policy C and F);
- the estimated useful life, residual value and fair value of property, plant and equipment, investment property, and intangible assets (see accounting policy D, E and T);
- the measurement of capitalized deferred acquisition costs (see accounting policy S);
- the measurement of liabilities arising from insurance contracts (see accounting policy J);
- actuarial assumptions used for measuring employee benefit obligations (see chapter 6.17);
- when forming provisions, the required estimate of existing obligations arising from past events;
- the recoverable amount of impaired assets (see accounting policy J, F and H).

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.

C. 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 or reporting date in the principal market for the asset or liability, or in the most advantageous market for the asset or liability and assuming the highest and best use for non-financial assets.

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 assumptions used, 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

The following three hierarchical levels are used 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 based on quoted prices in an active market
Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primarily 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. Cash and cash equivalents are also included as level 1.

Level 2. Fair value based on observable market data
Determining fair value on the basis of Level 2 involves the use of 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 commonly quoted intervals, volatility, early redemptions spreads, loss ratio, credit risks and default percentages.

This category primarily includes:
- financial instruments: unlisted fixed-interest preference shares and interest-rate contracts;
- financial instruments: loans and receivables[1] (non-recurring);
- other non-financial assets and liabilities[1] (non-recurring).

Financial instruments: unlisted fixed-interest preference shares and interest-rate contracts
This category includes unlisted fixed-interest preference shares and interest-rate contracts. The valuation techniques for financial instruments use present value calculations and in the case of derivatives, include forward pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of the unlisted fixed-interest preference shares.

Financial instruments: Loans and receivables
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.
The valuation method used to determine the fair value of a.s.r.'s mortgage portfolio has been refined. As of 2014, a.s.r. bases the spread on the interest-rate curve for discounting the mortgage portfolio cashflows on consumer rates.

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 on initial recognition, assuming that the transactions have taken place on an arm's length basis. Valuation techniques using present value calculations are applied using current interest-rates where the payment terms are longer than one year.

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 significant inputs are not based on observable market data. In these situations, there can also be marginally active or inactive markets for the assets or the liabilities. The financial assets and liabilities in this category are assessed individually.

1 Not measured at fair value on the balance sheet (non-recurring) for which the fair value is disclosed.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect 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 generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information.

This category primarily includes:
- financial instruments: private equity investments (or private equity partners);
- investment property and buildings for own use[2] (disclosure);

Financial instruments: private equity investments.
The main non-observable market input for private equity investments is the net asset value of the investment as published by the private equity company (or partner).

Fair value for investment property and buildings for own use
The following categories of investment properties and buildings for own use are recognized and methods of calculating fair value are distinguished:
- residential – based on reference transaction and DCF method;
- retail – based on reference transaction and income capitalization method;
- rural – based on reference transaction and DCF method;
- offices – based on reference transaction and DCF method (including buildings for own use);
- other – based on reference transaction and DCF method;
- under construction – based on both DCF and income capitalization method.

The following valuation methods are available for the determination of fair value by the external professional appraisers for investment property and buildings for own use:

Reference transactions
Independent professional appraisers use transactions in comparable properties as a reference for determining the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch government 'grondprijsmonitor' in an active property market and in some instances accompanied by own use information.
The external professional appraisers, appraise the value of the property using the reference transaction in combination with the following valuation methods to ensure the appropriate valuation of the property:
- DCF method;
- income capitalization method.

DCF method
Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on the investment property dependent on the duration of the lease contracts.

A market-derived discount rate is applied to these projected cash flow series in order to establish the present value of the cash flows associated with the asset. The exit yield is normally determined separately, and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of investment property. Periodic cash flow is typically estimated as gross rental income less vacancy (apart from the rural category), non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

2 Not measured at fair value on the balance sheet (non-recurring) for which the fair value is disclosed.

For the categories residential, offices and other in applying the DCF method, the significant inputs are the discount rate and market rental value. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):

- market rent per square metre, for renewals and their respective re-letting rates;
- the 10 year discount rate as published by the Dutch Central Bank.

When applying the DCF method for rural valuations, the significant inputs are the discount rate and market lease values. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):

- market value per acre per region in accordance with the 'rural land price monitor';
- 10 year discount rate as published by the Dutch Central Bank.

Income capitalization method

Under the income capitalization method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalization rate (the investor's rate of return). The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalization method, rents above or below the market rent are capitalized separately.

The significant inputs for retail valuations, are the reversionary yield and the market or reviewed rental value. These inputs are generally verified with the following observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):

- market rent per square metre, for renewals;
- reviewed rent per square metre (based on the rent reviews performed in accordance with Section 303, Book 7 of the Netherlands Civil Code).

The fair value of investment properties and buildings for own use, are appraised annually. Valuations are performed by independent professional appraisers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the property being valued. Market value property valuations will be prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, 7th Edition (the 'Red Book'). a.s.r. provides adequate information to the professional appraisers, in order to conduct a comprehensive valuation. The professional appraisers are changed or rotated at least once every three years.

The accounting policies for the treatment of investment property and buildings for own use is described in accounting policy E and T respectively. The fair value of investment property and buildings for own use is disclosed in chapter 6.6.

D. 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 impairment test annually, 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

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 accounting policy J). With effect from 2014, given the structural market developments in the life portfolios, the LAT related to the VOBA is performed at the level of the life insurance contracts and the life insurance contracts on behalf of policyholders. Before 2014 the LAT was performed at the level of the total life insurance portfolio. Amortization charges related to VOBA are included in net claims and benefits.

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.

E. Investment property

Investment property is property held to earn rent or for capital appreciation or both. In some cases, a.s.r. is the owner-occupier of some investment properties. 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 (owner-occupied) is recognized within property plant and equipment.

Investment property is primarily recognized using the cost model (cost less accumulated depreciation and impairments, 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.

The fair value model is used for the investment property backing insurance liabilities that pay a return linked directly to the fair value of, or returns from, the investment property where the investment property is partly held as investments on behalf of policyholders. After initial recognition, a.s.r. remeasures, all of this investment property held at fair value whereby any gain or loss arising from a change in the fair value of the specific investment property is recognised in the income statement under fair value gains and losses.

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 following categories of investment property are recognized by a.s.r. based primarily on the techniques used in determining the fair value of the investment property:

- retail;
- residential;
- rural;
- offices;
- other (consisting primarily of parking); and
- investment property under development.

The table below shows the maximum life of components per identified category:

(Expressed in years) Components	Retail	Offices	Residential	Parking	Rural
Land	N.A.	N.A.	N.A.	N.A.	N.A.
Shell	40	50	50	50	50
Outer layer	30	30	40	40	N.A.
Systems	15	20	20	30	N.A.
Fittings and fixtures	10	15	15	15	10

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. The depreciation of investment property is recognized in investment income.

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 accounting policy C).

F. Investments

When a.s.r. becomes party to a financial asset contract, the related assets are classified into one of the following categories:
- financial assets at fair value through profit and loss;
- loans and receivables;
- 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. For detailed information on the fair value of the financial assets see accounting policy C.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include:
- financial assets classified as held for trading. These financial assets include derivatives that do not qualify for hedge accounting (see accounting policy C and I); and
- financial assets, designated by a.s.r. as carried at fair value through profit and loss. This option is available whenever:
  - it eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities on different bases (accounting mismatch); or
  - 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;
  - 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.

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

Financial assets available for sale
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. On 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.

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. considers as a significant or prolonged decline to have occurred if the fair value:
- has fallen 25% or more below cost; or
- has fallen below cost for an uninterrupted period of twelve months or longer.

Fixed-income financial assets available for sale are 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. This assessment is made at each reporting date by the Level of Concern Committee, where the portfolio managers and analysts assign a level of concern from 'Nil' to 'Three' to each of the fixed-income assets. A level of concern 'Nil' means that there is no reason for concern, while a level of concern 'Three' indicates that the situation is critical and that an impairment is highly recommended. The final decision to recognise an impairment loss on a financial asset or to reverse a prior impairment loss is taken in the quarterly Impairment Committee, chaired by the Financial Markets director.

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 impairments.

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 and 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.

G. 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.

H. Loans and receivables

Loans and receivables are measured at amortized cost based on the effective interest-rate method, less impairments 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 as 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 default.

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.

I. Derivatives and hedge accounting

Derivatives are primarily used by a.s.r. for hedging interest-rate and exchange rate risks, for hedging future transactions and the exposure to market risks.

Cash flow hedge accounting is currently applied only to a limited extent in relation to property development activities.

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 on-going 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 unrealized gains or losses 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.

J. 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, a provision for current risks, and a provision for unearned premiums. The provision for claims payments is based on estimates of claims payable. 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.

Additional provisions are generally recognized for realized gains or losses on financial assets allocated to 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.

The provision for current risks is based on the estimate of future claims taking into account future premiums.

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 life insurance contracts (e.g. group life and annuity 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. The realized gains or losses and the amortization thereof are included in net insurance claims and benefits.

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 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

Shadow accounting is applied 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 under ‘Net insurance claims and benefits’.

No shadow accounting is applied to:

- impairments;
- revaluations of debt instruments that have been subject to impairment.

IFRS Liability Adequacy Test non-life

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

Where the Property & Casualty (motor, fire and liability) and Health liabilities 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. The risk margin is determined for each homogeneous risk group using the Cost of Capital (CoC) method that is also used for life. For non-life a CoC rate of 6% (2013: 6%) is used, except for disability - Similar to Life Techniques (SLT) where the life CoC rate of 5% (2013: 4%) is used. 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 based on cash flow projections using realistic assumptions comparable to the LAT for the life portfolio (see below).

The total of best estimate and risk margin for Non-life segment as a whole, is compared to the technical provision recorded in the balance sheet. If there is a deficiency, the non-life insurance liabilities are increased to adequate levels through a charge to the income statement.

IFRS Liability Adequacy Test life

The LAT is performed at each reporting date to assess the adequacy of insurance liabilities. Liabilities are adequate if the technical provision recognized in a.s.r.'s balance sheet for Life segment as a whole at least equals the best estimate of the life insurance liabilities including an appropriate risk margin. If there is a deficiency in the life insurance liabilities, those liabilities are increased to adequate levels through a charge to the income statement.

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. The best estimate includes the intrinsic value and the time value of options and guarantees (TVOG: Time Value of Financial Options and Guarantees) and is calculated using stochastic techniques

Where applicable, the participating features of the insurance contracts, such as profit sharing, are taken into account in the future cash flows. The cash flows are discounted using the DNB swap curve including the UFR as published by the Dutch Central Bank.

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 increased by a TVOG, i.e. the value of that guarantee in accordance with the Black-Scholes model.

Risk margin

The risk margin is determined for each homogeneous risk group using the CoC method. For life a CoC rate of 5% (2013: 4%) is used. a.s.r. uses the latest standard Solvency II model, to quantify the risks. The risks that are incorporated in the risk margin are: mortality, longevity, disability, lapse, catastrophe, expense and operational risk. A projection of expected future risks is made and 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 Liability Adequacy Test
For the De Nederlandse Bank (DNB, which is the Dutch Central Bank and insurance regulator) solvency (regulatory solvency) a.s.r. uses the Dutch Central Bank Liability Adequacy Test (DNB LAT). As no surrender value floor is applied in the IFRS LAT, the LAT used for IFRS purpose ('LAT' or 'IFRS LAT'), as described above, differs from the DNB LAT.

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

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

K. 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 the fund in question. The current value of an investment unit (unit value) reflects the fair value of the financial assets held by 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 on the same date. Allowance is also made 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. Actuarial assumptions about future fund developments and mortality are taken into account in the determination this obligation.

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 also include a provision for compensation of possible high cost of the unit linked insurance contracts, as agreed in 2008 with the consumer organizations. The additional compensation related to the unit linked insurance contracts for the past has been included in the insurance liability and is therefore included in the investment portfolio. In addition, there is still a provision for compensation for claimants and compassionate and supportive policy 'flankerend beleid'. The provision also contains an amount for future additional expenses for the implementation and conversion of systems related to the compensation and surrenders of the related insurance contracts.

For the LAT relating to the liabilities arising from insurance contracts on behalf of policyholders see accounting policy J.

L. Employee benefits (IAS 19)
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 independent 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 the 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 intended to cover the employee benefit obligation. However they do not qualify as plan assets in the consolidated financial statements under IFRS.

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.

Changes in the expected actuarial assumptions and differences with the actual actuarial outcomes are recognized in the actuarial gains and losses included in other comprehensive income (component of total equity).

When employee benefit plans are modified and when no further obligations exist, a gain or loss, resulting from the changes are recognized directly in the income statement.

The financing cost related to employee benefits is recognized in interest expense. The current service costs are included in operating expenses.

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 and changes are recognized directly in the income statement.

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.

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

6.2.3 Other accounting policies

M. 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 control. Control exists when a.s.r. is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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 a.s.r.'s 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.

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.

N. 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 accounting policy J);
- 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 borne fully for policyholders (see accounting policy K). Life insurance contracts for the account and risk of policyholders generally consist 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.

O. 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, 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 6.5, 'Segment information'.

P. Transaction date and settlement date
All 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 accounting policy I 'Derivatives and hedge accounting'.

Q. Securities lending
a.s.r. participates in securities lending transactions, whereby 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 in 'Due to banks'. Securities lent remain on the balance sheet. Securities received as collateral are not recognized in the balance sheet.

R. 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.

S. Deferred acquisition costs

Commission fees directly or indirectly related to the acquisition of new or renewed 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 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, as part of the Liability Adequacy Test (see accounting policy J). Amortization of deferred acquisition costs is recorded in acquisition costs in the income statement.

T. 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 from the time when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life of buildings is assessed for every individual component (component approach) each 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 accounting policy E 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 accounting policy E.

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 accounting policy C).

U. 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.

V. Reinsurance contracts

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

W. 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 impairments. 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).

X. 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.

Y. 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 accounting policy J);
- The share of unrealized gains and losses of associates and joint ventures held by a.s.r. (see accounting policy U);
- unrealized gains and losses on the effective portion of cash flow hedges net of tax (see accounting policy I);
- reserve for discretionary participation features (see accounting policy J);
- reserve for exchange rate differences arising from financial assets available for sale.

Actuarial gains and losses
Actuarial gains and losses result from the post-employment benefit pension plans (see accounting policy L).

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 accounting policy M).

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 is recognized in equity upon payment.

Z. Financing
On 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 method.

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

Life insurance premiums
Life insurance premiums relating 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 accounting policy S.

BB. Investment income
Investment income primarily comprises 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 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.

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

CC. 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 comprise:
- the proceeds from the sale or disposal of an asset or liability less the amortized cost of the asset or liability sold,
- impairments 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.

DD. 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, derivatives and investment property held at fair value. With respect to derivatives, this is based on the fair value excluding accrued interest (clean fair value).

EE. 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.

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

GG. Insurance claims and benefits
This item includes changes in liabilities arising from insurance contracts (see accounting policy J) 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.

HH. 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.

II. Acquisition costs
This mainly relates to commissions paid and amortization of capitalized deferred acquisition costs. For details on capitalized deferred acquisition costs see accounting policy S.

JJ. 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 6.2 as mentioned earlier.

KK. 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.tion depends on the purpose for which the investments were acquired.

6.3 Risk management

Risk management is an integral part of our daily business activities. a.s.r applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met. Risk management supports a.s.r. in the identification, measurement and management of risks and monitors if adequate and immediate actions are taken in the event of changes in a.s.r's risk profile.

a.s.r. is exposed to the following types of risks: market risk, counterparty default risk, insurance risk, strategic risk and operational risk. The risk appetite is formulated at both group and legal entity level and establishes a framework that supports an effective selection of risks.

This chapter describes the risk management organization, the risks that a.s.r. is exposed to and how these risks are managed.

6.3.1 Key risk developments in 2014

General
- Risk appetite statements are established at both group and legal entity level including risk tolerances, limits and targets, which are also described in underlying risk policies. Senior and line management report quarterly if risk exposures are managed within the a.s.r. risk profile and which corrective actions are taken.
- The Economic Capital model (ECAP) of a.s.r. is an integral and essential part of the steering mechanism for value management. The dynamic investment policy is based on the ECAP solvency ratio and specific risk budgets.
- Various value metrics (MCEV, ECAP (our own model), SCR, Solvency I, VANB, RaRoRaC) are used as steering information for strategic management decisions throughout the organization.

- a.s.r. has developed mature scenario analyses and stress testing techniques, such as an Own Risk and Solvency Assessment (ORSA), Recovery planning and Strategic Asset Allocation studies. These techniques measure the impact of environmental or internally identified risks and threats on the a.s.r. Solvency position.
- a.s.r. closely monitors the progress in the implementation of Solvency II. Compliance is expected per 1 January 2016.
- Standard and Poor's has confirmed a.s.r.'s A rating for its core insurance companies and assigned a BBB+ rating for the holding (ASR Nederland N.V.). All ratings have a stable outlook.

Risk governance

- Risk governance ensures a robust and responsive governance structure that adequately manages the risks to which a.s.r. is exposed.
- a.s.r. has a risk governance framework which comprises the duties and the responsibilities of the risk management organization and the risk committee structure.
- Risk committees monitor a.s.r.'s risk profile and decide upon measures for mitigating risk exposures.
- Risk Management is based upon the principles as formulated in Group Risk Management policies to ensure a uniform risk management process throughout the organization. These policies describe how to identify, monitor, report and manage risks.

Market risk

- The interest-rate risk hedging has improved over the maturity buckets by restructuring the portfolio swaps and swaptions.
- The risks of equities, property and credit bonds have remained fairly stable in 2014.

Counterparty default risk

- In accordance with the strategic investment plan, the mortgage portfolio increased in 2014. The majority of new mortgages are guaranteed by the Dutch national mortgage guarantee fund (NHG).

Insurance risk – Non-life

- The combined ratio decreased through improved claim prevention and –handling and lower operating expenses, as well as the non-recurring charge of WGA-ER last year. The combined ratio improved from 104,6% (excluding additional charge for WGA-ER: 96,5%) last year to 94,9% in 2014.

Insurance risk – Life

- a.s.r. periodically assesses whether the technical provisions are sufficient to cover insurance liabilities. These provisions were adequate at year-end 2014.
- The underlying assumptions for assessing the provision are periodically adjusted to economic and non-economic developments. In 2014 a.s.r. recognized future maintenance expenses in the best estimate liability for the duration of the underlying portfolio and the assumed benefits of scalability are partially recognized.
- a.s.r. also made changes to the calculation of the risk margin. The changes resulted in an increase of the risk margin. With this level of risk margin, the current Solvency I technical provisions (best estimate Solvency I plus risk margin Solvency I plus impact surrender floor) are exceeding the Solvency II technical provisions (best estimate Solvency II plus risk margin SII).
- The new actuarial life expectancy and mortality tables issued in 2014 by the Actuarial Society of the Netherlands have been used in the LAT to evaluate the adequacy of the provisions. a.s.r. has a well balanced portfolio of both long and short life risks. As a consequence a change in mortality assumptions has a limited impact on the market value of the company.

Strategic risk

- a.s.r. uses scenario analysis tools to be better prepared for potential future and emerging risks. As in previous year, a.s.r. has identified strategic risks for all business lines and a.s.r. group in its Control Risk Self-Assessment (CRSA) over 2014. Controls for mitigating these risks were determined.
- a.s.r. executed an Own Risk and Solvency Assessment (ORSA) at both group and legal entity level. This assessment is used to determine relevant changes in our risk profile and to quantify the impact of identified risks on the forward-looking solvency position. The ORSA makes risk management part of strategic decision making processes on group and business units level. Management needs to ensure that a.s.r.'s capital requirements are sufficient to be and remain a financial solid insurer.

- a.s.r. has developed a recovery plan. The goal of this recovery plan is to ensure that a.s.r. has effective plans in place to deal with potential severe financial stress resulting from a wide range of different causes of various circumstances.

Operational risk
- a.s.r. continues to improve its system of internal control in line with formulated ambition levels. The enterprise wide internal control framework is largely implemented in the product lines. Operational risks have been identified and assessed and controls are determined and tested from an Enterprise Risk Management perspective.
- In 2014, the non-financial risk dashboard in which non financial risk profile of each business unit is reported, was further aligned with the formulated risk appetite.
- To be able to mitigate model risk, a.s.r. has expressed in 2014 the ambition that at the end of 2015 the major part of Solvency II metrics like the Solvency Capital Requirement and Technical Provisions are established using internally validated financial and/or actuarial models. To be able to meet this ambition a.s.r. has set up a model validation policy as well as a governance structure. Both model owners and model validation have worked out a detailed planning and secured the resources necessary.

Solvency II
- a.s.r. participated in the stress test 2014. The stress test is an assessment of the European Supervisor (EIOPA) to test the resilience of insurance regarding market risks under a combination of historical and hypothetical scenarios.
- In October 2014, the European Commission adopted the Delegated Acts containing implementing rules for Solvency II. The Delegated acts specifications were adopted by a.s.r. per Q4 2014. For further information, see chapter 6.3.10.
- In 2014 a.s.r. implemented the preparatory phase Quantitative Reporting Templates as well as the narrative report. In 2015 a.s.r. will report according to the preparatory phase requirements for a.s.r. and relevant legal entities.
- In 2015 a.s.r. will implement the remaining Quantitative Reporting Templates (QRT's) as published by EIOPA and is preparing to comply with qualitative Solvency II reporting requirements, as prescribed by the regulator.
- Group Risk Management monitors on a quarterly basis the readiness of a.s.r. for the introduction of the Solvency II Directive on 1 January 2016. Results of this assessment are reported to the Audit and Risk Comité.

Capital management and solvency
- The solvency ratio including UFR increased due to the decrease of the interest-rates in relation to application of the UFR. This movement is in line with the sensitivities as presented in paragraph 6.3.4.
- In 2014 a.s.r. executed a capital optimisation deal. There was an issue of new Tier 2 capital and the majority of existing Tier 1 hybrids were redeemed.

6.3.2 Enterprise Risk Management framework

The Enterprise Risk Management (ERM) framework describes our risk management system. The Enterprise Risk Management framework ensures that our strategic and business objectives can be achieved and our obligations towards our stakeholders can be met. The a.s.r. Enterprise Risk Management framework is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM model. The framework comprises the following risk management elements.

6.3.2.1 Strategy (including risk appetite)

a.s.r.'s risk strategy is to ensure that risk taking decisions are made within the boundaries of the risk appetite, as determined by the Executive Board and approved by the Supervisory Board.

The primarily objective of risk management is to support a.s.r. in achieving the required balance between risk and return ensuring strategic goals will be realized. The risk appetite describes the level of risk a.s.r. is prepared to take. The risk appetite has been further refined. Statements at group level have been enhanced, statements at legal entity level have been developed and risk tolerances, limits and targets have been set for all statements Risks are actively managed to ensure that the risks will stay within the defined limits.

Risk appetite

The risk appetite sets boundaries for risks a.s.r. is willing to take in order to realize a.s.r.'s strategic objectives. The risk appetite is a tool for optimizing risk and return. The risk appetite reflects the risk management strategy of a.s.r. and influences the way the organization is managed.
Risk appetite is defined at both group level and at legal entity level (OTSO -'Onder Toezicht Staande Onderneming') for financial and non-financial risks. The risk appetite is determined by the Executive Board and approved by the Supervisory Board.

Objectives of the risk appetite:
- Important steering instrument on a daily basis.
- The risk appetite is linked to the strategic pillars and indicates a.s.r.'s willingness to take risks.
- A pragmatic approach at both group, legal entity and business unit level to develop a vision with respect to risk which forms the basis of the day-to-day decision making process.

The risk appetite is based on the three strategic pillars of a.s.r., customer interests, financial solidity and efficiency of processes. The risk appetite of a.s.r. is established at both group and legal entity level and contains boundaries for executing a.s.r.'s strategy.
Five risk appetite pillars have been identified, which are viewed as key elements for the realization of our strategy. These five pillars are:

Capital: Adequate solvency takes priority over profit
Adequate capital buffers and financial power to facilitate future developments and continuously meeting our obligations towards policy holders, supervisors and rating agencies. Ensuring the capital buffer is sufficient to maintain an 'A' rating.

Value & Return: Adequate profit takes priority over turnover
Value creation by efficient allocation of capital resulting in realizing value and return objectives. This will safeguard the efficiency of business operations and continuity of a.s.r. in the long term.

Liquidity: Adequate liquidity
Maintaining financial flexibility through solid liquidity. The liquidity position must ensure that a.s.r. is always able to meet its payment obligations, also in a situation of stress.

Reputation & Operational: Responsibility towards our stakeholders
Maintaining continuity by accepting only risks that a.s.r. understands and by efficient, controlled and sound business operations. Ensuring customer satisfaction and offering safety and reliability in the long run while maintaining a good reputation.

Governance: Sustainable and balanced consideration of all interests of our stakeholders
A balanced governance which ensures that all interests of our stakeholders are taken into account in a sustainable and balanced way.

Various separate risk appetite statements have been formulated for these five pillars. These risk appetite statements are further translated into boundaries (risk tolerances, limits and targets) in order to make sure that material risks are managed in accordance with our predefined risk profile. Risk limits are formulated in line with a.s.r. ambition levels, regulatory requirements and S&P requirements. Breaches need to be reported and addressed immediately in accordance to our risk policies. Risk appetite statements ensure that risk considerations are being addressed in strategic decision making processes. Our risk profile is monitored by a.s.r.'s risk committees on a quarterly basis.
With the update of the risk appetite statements in 2014, a.s.r. made another step in steering on Solvency II. The most important limits for financial solidity are set on the solvency ratio according to the internal model (ECAP), the standard model of Solvency II (SCR) and the current regulatory solvency (Solvency I). These limits are formulated at group and legal entity level. Per year end 2014 a.s.r. has sufficient capital to meet the limits as formulated in the a.s.r. risk appetite.

6.3.2.2 Risk governance
a.s.r. has a risk governance framework which comprises the duties and the responsibilities of the risk management organization and the risk committee structure. The independent role of risk management and its responsibility as an assurance function are anchored throughout the organization. The objective of the risk committees is to manage the risk profile for a.s.r. group and its business lines.

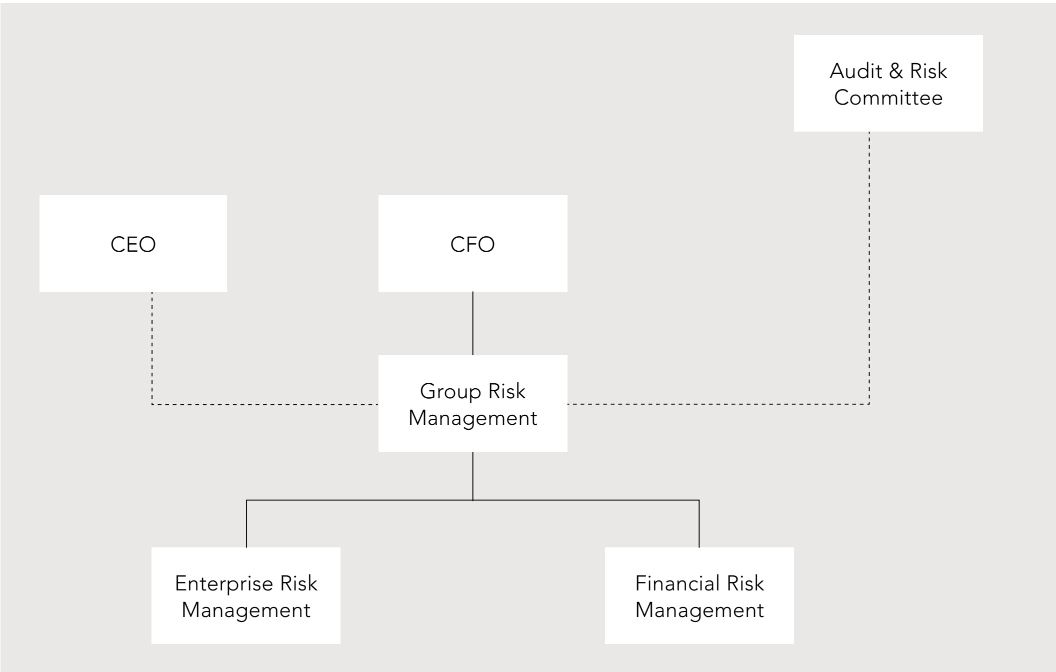
Three lines of defence

The risk governance structure is based on the 'three lines of defence' model. The 'three lines of defence' model consists of three defence lines with different responsibilities with respect to the ownership of controlling risks.

- The first line is responsible for the identification and management of risk in daily business. The first line has day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is primarily responsible for risk management. The first line is formed by the Executive Board, the management teams of the business lines and their employees.
- The second line challenges the first line and supports the first line to achieve its business objectives in accordance with the risk appetite. The second line has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking. It is responsible for developing risk policies and for monitoring the compliance with these policies and the broader risk management framework in the first line. The second line of defence is formed at group level and includes both Group Risk Management and the Integrity department.
- The third line is responsible for providing independent assurance and oversees and assesses the functioning and the effectiveness of the first two lines of defence. The third line is formed by a.s.r.'s Internal Audit department.

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

Group Risk Management Organization



Group Risk Management

The risk management organization is independently positioned within a.s.r. The Chief Risk Officer (CRO) is responsible for all risk management related activities and reports directly to the CFO. The CRO can report matters directly to the CEO at his own discretion and has a direct and independent reporting line to the Audit and Risk Committee, a sub-committee of the Supervisory Board.
Group Risk Management consists of the following sub-departments:

- Enterprise Risk Management
- Financial Risk Management

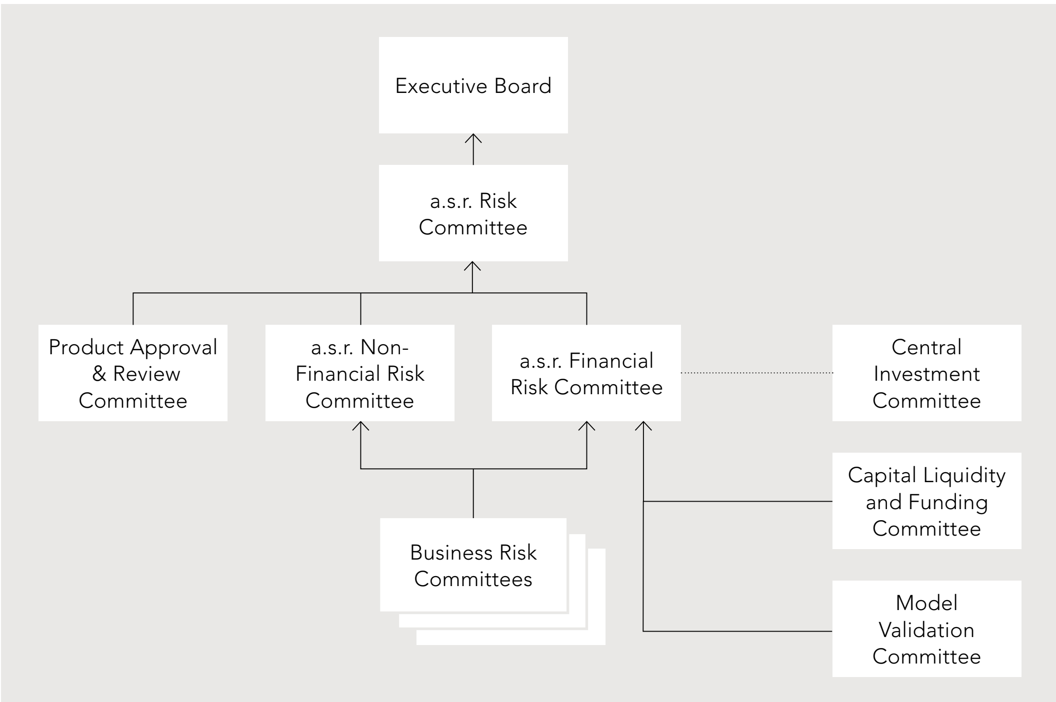
Enterprise Risk Management

Enterprise Risk Management is responsible for the strategic risk and operational (including IT) risk management at a.s.r. The responsibilities with regard to strategic risk management include the development of risk policies, the annual update of the risk strategy (risk appetite), the monitoring of the non-financial risk profile and risk priorities of a.s.r., the execution of ORSA process, the validation of models and the update of our recovery plan. For the management of operational risks, a.s.r has a sound Management in Control system in place that contributes to long-term solidity of a.s.r. The quality of our Management in Control Framework is further enhanced by the analysis of operational losses. Enterprise Risk Management also monitors a.s.r.'s compliance with Solvency II requirements.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the group actuarial function and the financial risk management function. FRM is responsible for the development 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 for 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.
As part of the actuarial function, FRM reviews 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. FRM regularly reports to the Financial Risk Committee, the Executive Board and the Audit and Risk Committee on the reliability and adequacy of the calculation of the technical provisions.

Moreover, the actuarial function monitors the profitability of new business and determines if risks related to the profitability of new products are sufficiently addressed in the product development process.

Risk committee structure
The objective of the risk committees is to manage the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that the risk profile remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit, a.s.r.'s risk committees can decide to increase the frequency of their meetings.



a.s.r. Risk Committee
The a.s.r. Risk Committee is a sub-committee of the Executive Board and monitors a.s.r.'s overall risk profile on a quarterly basis. Every year, the Risk Committee approves the risk appetite statements, limits and targets for a.s.r. The a.s.r. Risk Committee also monitors the management of a.s.r.'s risk priorities'. a.s.r.'s Executive Board members all participate in the a.s.r. Risk Committee which is chaired by the CEO. The involvement of the Executive Board ensures that risk decisions are being addressed at the appropriate level within the organization. In addition to the Executive Board, the Chief Risk Officer, Director of Audit, Director of Integrity and Director Financial Markets are members of the Committee.

The a.s.r. Risk Committee receives information about risk exposures or other risk-related issues from the Financial Risk Committee and the Non-Financial Risk Committee. These committees have mandates to manage and control a.s.r.'s risk profile in line with the risk appetite statements, limits and targets.

Non-Financial Risk Committee

The Non-Financial Risk Committee (NFRC) is mandated by the Executive Board to approve upon non-financial risk policies. The NFRC monitors that non-financial risks are adequately managed, 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 the COO of the SME insurance market (who is also a member of the Executive Board) and members of the Committee include Managing Directors of P&C, Health, Disability, Travel, Pensions, ICT and Directors of Audit and Integrity and the Head of Enterprise Risk Management.

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 (market, insurance (life and non-life) and counterparty default risk) 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. Members of the Committee include the Chief Risk Officer, Directors of Financial Markets, Audit, Integrity, Finance and Real Estate. 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, rating model reporting, and treasury activities. The Chairman of the CLFC is the Director of Financial Markets; other members of this sub-committee are representatives of various key financial and risk departments.

Business Risk Committees

The business lines manage and control their risk profile through the Business Risk Committees (BRC). The BRC's monitor that the risk profile of the business line stays within the risk appetite, limits and targets, as formulated by the Executive Board. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the Managing Director of the business line and its members include key officers of the business line, Compliance and Audit.

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 investment decisions within the boundaries of the strategic asset allocation as agreed upon in the FRC. The CIC bears particular responsibility for investment decisions exceeding the mandate of the investment department. The CIC is chaired by the COO of the Retail insurance market (member of the Executive Board).

Model Validation Committee

The model validation committee (MVC) is responsible for the execution and update of our model validation policy and for the approval of existing or new validated models before taken into use. The model validation committee receives all required information for the validation of models (for instance model documentation and validation reports), which information is being prepared by the validation board that assures the quality of the validation process. The chairman of the MVC is the Chief Risk Officer. Members of the MVC are the Director Financial Markets, the Director Finance, the head of Financial Risk Management, the head of Investor Relations & Rating, the head of Fixed Income & Treasury, the Manager Treasury and representatives of the actuarial function.

Product Approval Committtee

The Product Approval Committee (PARP) is responsible for the decision-making process around the introduction of new products and adjustments in existing products.
The Director Marketing is the chairman of the PARP. Other members of the PARP Board are the Directors of all business lines, the Chief Risk Officer and the Director Integrity. Group Risk Management and the Compliance function have the right of veto in the PARP.

6.3.2.3 Systems and data

The availability and reliability of data is important in order to ensure that the correct risk mitigating measures can be taken in time. Risk Management is supported by various IT systems for delivery of the required information.

6.3.2.4 Risk procedures & policies

a.s.r.'s risk classification covers all Solvency II risks and is in line with the Focus approach as applied by DNB. a.s.r. has established policies for each of the risks (market, counterparty default, insurance, strategic and operational). In each case the policy defines the risk, the risk limits and the risk mitigation strategies.

6.3.2.5 Risk culture

Risk awareness is an important topic at a.s.r to emphasize the human aspect in the mitigation of risks. Risk Management carried out several actions in 2014 in order to raise the risk awareness. These actions focused on 'hard' elements/controls (risk governance, annual refinement of the risk appetite, monitoring risk appetite in the risk committees and risk assessments) and 'soft' elements/controls (education, newsletters and communication via intranet).

6.3.3 Risk management classification

The five main risk categories 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 incorrectly determined, 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 incurred on the employee benefits is categorized as an insurance risk.
Strategic risk	Strategic risk is the risk that a.s.r. will not reach its strategic objectives, because risk considerations are not or incorrectly addressed in decision-making processes, incorrect implementation of decisions and/or failure to respond in an adequate way to market developments.
Operational risk	Operational risk is the risk of losses resulting from inadequate or failing internal processes and systems, human error or from external events (including legal risk).

IFRS refers to credit risk as spread risk or counterparty default risk.

As part of the ORSA an assessment was made on the completeness of identified risk categories in relation to the risk profile of a.s.r.

6.3.4 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 at least on 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 for the regulatory solvency, total equity and profit for the year is presented in the tables below.

The sensitivities of regulatory solvency ratio to market risks are as follows (in %-p):

Type of risk	31 December 2014	31 December 2013
Equities -20%	-18%	-21%
Interest-rate (incl UFR) -1%	34%	30%
Interest-rate (incl UFR) +1%	-23%	-29%
Interest-rate (excl UFR) -1%	-59%	-17%
Interest-rate (excl UFR) +1%	27%	-1%
Spread +75 bps	-16%	-23%
Property -10%	-12%	-13%

In the calculation of the interest-rate sensitivity of the solvency ratio including UFR, the UFR is kept constant. The shock on the discounting curve for the liabilities is mitigated for maturities longer than 20 year through the application of the UFR. As a result, the assets are more sensitive than the liabilities including UFR. The solvency ratio including UFR increases with 34% when the interest-rates drop 1%.

In case the UFR is not applied, the liabilities are more sensitive to interest-rate movements. The shock on the discounting curve for the liabilities is not mitigated and the present value of the cashflow after 20 year is higher. The liabilities excluding UFR are more sensitive than the assets. The solvency ratio excluding UFR decreases with 59% when the interest-rates drop 1%.

The sensitivity to spread decreased, mainly due to a refined method to determine spread-duration. The sensitivities to interest changed as a result of the significant decline of the interest-rate curve.

The next table shows sensitivities of total equity and profit for the year. Due to the IFRS accounting treatment (including insurance liabilities discounted with a fixed interest-rate, shadow accounting of part of the investments at cost, post-employment benefits), these sensitivities can vary 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 31 December 2014	Profit for the year 2014	Total equity 31 December 2013	Profit for the year 2013
Equities +20%	317	-8	320	-5
Equities -20%	-300	-7	-299	-9
Interest-rate +1%	-108	0	-120	0
Interest-rate -1%	124	0	120	0
Spread +75bps	-31	0	-40	0
Spread -75bps	31	0	40	0
Property +10%	0	0	0	0
Property -10%	-68	-68	-65	-65
Foreign currency +10%	35	-2	29	-2
Foreign currency -10%	-35	2	-29	2

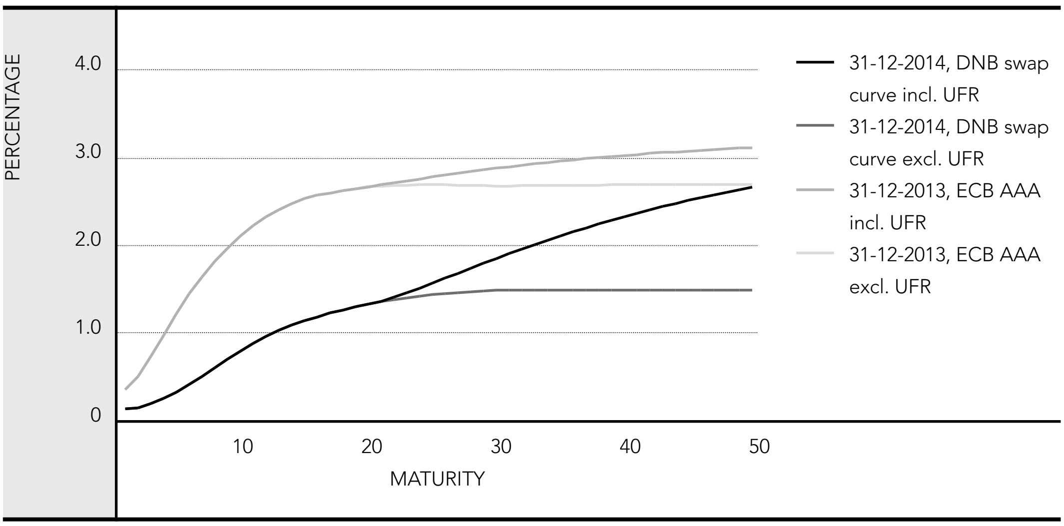
The sensitivities to equities, interest-rates, property and foreign currency remained stable. The method to determine the sensitivity to spread is improved. The effect of shadow accounting is now taken into, as result of which the sensitivity is limited. The figures of last year are restated.

6.3.4.1 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 6.3.6).

Since 30 June 2012 the regulator prescribes applying the Ultimate Forward Rate (UFR) on the discounting curve, whereby the forward interest-rates converge to a level of 4.2%. Since this is an assumption, a.s.r. also evaluates its solvency position without applying the UFR to the discounting curve.

Discounting curves



During 2014 the interest-rates decreased more than 100 bps for maturities longer than 5 year.

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 arising from interest-rate guarantees and profit-sharing features in life insurance products. There is an interest-rate risk policy in place for the group as well as for the registered insurance companies. All interest-rate sensitive balance sheet items are in scope, including the post employee benefit obligations of the group (see chapter 6.17.1). In principle, ECAP interest-rate risk is minimized; this measure abstracts from UFR. Additionally, there is a restriction in place which limits the sensitivity of the Solvency II ratio (including UFR) to interest-rates.

Recent years a.s.r. has taken mitigating measures to reduce the interest-rate risk. In 2014 the interest-rate risk has been reduced by restructuring the overlay portfolio of interest-rate swaps and swaptions. Mainly the interest-rate risk exposure in different maturity buckets has improved in 2014 and as a result a.s.r. has become less sensitive for non-parallel shifts of the interest-rate curve. As a result of the interest-rate risk policy, the sensitivity of the solvency ratio including UFR and excluding UFR have opposite signs.

Sensitivity of regulatory solvency (incl. UFR) to interest-rate changes:

	Interest-rates -1%		Interest-rates +1%	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets	3,667	2,568	-2,829	-1,955
Liabilities	-3,067	-2,096	2,423	1,495
Regulatory solvency available	600	472	-406	-460
Regulatory solvency ratio	34%	30%	-23%	-29%

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

	Interest-rates -1%		Interest-rates +1%	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets	3,667	2,568	-2,829	-1,955
Liabilities	-4,693	-2,827	3,297	1,933
Regulatory solvency available	-1.026	-259	468	-22
Regulatory solvency ratio	-59%	-17%	27%	-1%

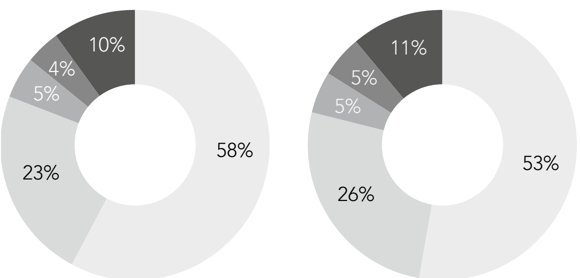
6.3.4.2 Equity risk

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 statement of financial position under equities are not included here.

The fair value of equities and similar investments at year-end 2014 was € 1,990 million (2013: € 1,967 million). The divestments were compensated by the favourable development of 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.

Composition equity portfolio



Composition equity portfolio 2014

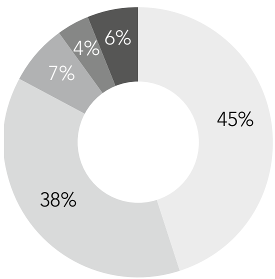
Composition equity portfolio 2013

	2014	2013
Europe	58%	53%
Netherlands	23%	26%
Pacific	5%	5%
Private equity	4%	5%
Other	10%	11%

In 2014 the relative exposure in Netherlands slightly decreased and the relative exposure in Europe slightly increased.

The next table shows the exposure of the equity portfolio to sectors. Funds are excluded for this table, the total value in scope is € 1,019 million (2013: € 1,002 million).

Sectors equity portfolio



Sectors equity portfolie
(excl. funds) 2014

	2014
Industrials, materials and energy	45%
Consumer goods, services and healthcare	38%
Technology and telecoms	7%
Utilities	4%
Financials	6%

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 are taken into account when calculating sensitivities.

Sensitivity of regulatory solvency to changes in equity prices:

Change in equity prices	31 December 2014	Percentage	31 December 2013	Percentage
-20%	-320	-18%	-327	-21%

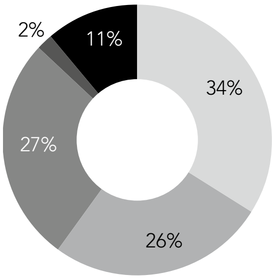
6.3.4.3 Property risk

The property risk depends on the total exposure to property. In order to gain a total understanding of the actual property risk, a.s.r. includes property for own use and development property amounting to € 100 million (2013: € 125 million) in the analysis of its property risk. In addition, revaluations to the carrying amount of € 1,074 million have been included (2013: € 1,046 million). The fair value of property and property-related assets was € 3,070 million at year-end 2014 (2013: € 3,028 million), including property for own use.

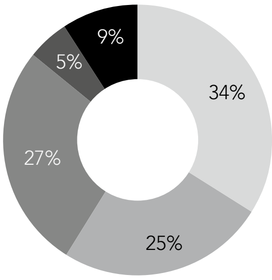
Despite disposals the exposure to property increased in 2014 due to positive revaluations.

The property portfolio is diversified across the rural, residential, office and retail sectors in the Netherlands. The allocation to offices is limited and partly concerns offices for own use. The core profile of the commercial property portfolio is durable and in general ensures a relatively stable development of the value of the portfolio. For example, the retail portfolio mainly consists of 'A-locaties'. Active management allows a.s.r. to benefit from the rent potential and to keep the vacancy rates low as much as possible. a.s.r. is the largest private owner of rural estate in the Netherlands and this property portfolio is well diversified regionally within the Netherlands.

Composition property portfolio



Composition property portfolio 2014



Composition property portfolio 2013

	2014	2013
Rural	34%	34%
Retail	26%	25%
Residential	27%	27%
Other	2%	5%
Offices	11%	9%

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

Sensitivity of regulatory solvency to changes in property prices:

Change in property prices	31 December 2014	Percentage	31 December 2013	Percentage
-10%	-211	-12%	-210	-13%

Because of its lower volatility, the shock for rural property is set at -7.5%.

6.3.4.4 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.

The foreign currency position is monitored on a quarterly basis. The total net exposure in foreign currency is € 477 million (2013: € 389 million). The table shows the currencies with largest exposures.

							2014							2013
	USD	AUD	CAD	CHF	GBP	SEK	ZAR	USD	AUD	CAD	CHF	GBP	SEK	ZAR
Assets exposure	424	194	41	36	53	0	22	282	194	92	10	20	40	22
Liabilities exposure	-105	-172	0	0	0	0	-28	-86	-178	0	0	0	0	-14
Net exposure	319	22	41	36	53	0	-6	196	16	92	10	20	40	8

In 2014 the exposure in USD increased, both in bonds and equities, within the bandwidth of the strategic investment policy. The exposures in CAD and SEK denominated bonds were reduced, while equities in GBP and CHF were acquired.

6.3.4.5 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 6.3.5).

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 monitor limits. A limited number of bond investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies 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, preferred equities and loans subject to spread risk according to our risk models.

	31 December 2014		31 December 2013	
	Exposure	Percentage	Exposure	Percentage
AAA	5,881	28%	4,722	26%
AA	7,222	34%	7,352	40%
A	3,857	18%	2,623	14%
BBB	2,885	14%	2,561	14%
Lower than BBB	744	4%	567	3%
Not rated	436	2%	455	3%
	21,025	**100%**	**18,280**	**100%**

The changes in the rating distribution of the fixed income portfolio are attributable to a combination of market factors, such as interest-rate and spread movement, implementation of the investment policy and rating actions by S&P and Moody's rating agencies. Falling interest-rates are the main driver of the increase in the market value and share of the AAA-rated securities. The decrease in the share of AA bonds is to a large extent due to a tactical repositioning within sovereign bond portfolio and a downgrade of a few credit positions from AA to A-rated category. Increase in the non-investment grade category is due to the downgrades in subordinate financials portfolio resulting from rating methodology change by S&P.

	31 December 2014	31 December 2013
Government	11,681	9,638
Financial institutions	4,944	4,608
Corporates	3,844	3,434
Structured entities	556	600
	21,025	**18,280**

Market value changes in fixed Income portfolio are to a large extent attributable to changes in interest-rates and credit spreads. Falling interest-rates had more pronounced impact on the market value of the government portfolio due to its higher interest-rate sensitivity. All credit sectors benefited from tightening credit sectors in 2014. Reduction in the structured credits portfolio is due to a number of redemptions.

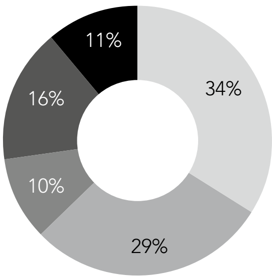
Government	31 December 2014	31 December 2013
Netherlands	3,452	4,154
Germany	4,158	2,955
Austria	652	554
Supranationals	467	367
France	799	224
Scandinavia	204	208
Belgium	756	657
Australia	160	135
Canada	100	148
Periphery	716	36
Other	217	200
	11,681	**9,638**

A combination of changes in tactical positioning, falling interest-rates and tightening spreads explain changes in the geographical breakdown of the government bond portfolio. The most visible changes are increase in the exposure to France and peripheral sovereign bonds (Ireland, Spain and Italy) at the expense of Dutch sovereign. Falling interest-rates and higher interest-rate sensitivity of our positions are the predominant reasons for increase in the market value of the German sovereign bonds.

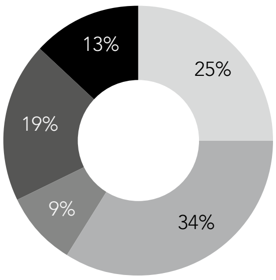
Financial institutions	31 December 2014	31 December 2013
Senior	1,615	1,548
Tier 2	1,636	1,211
Tier 1	566	911
Covered	963	810
Other	164	128
	4,944	**4,608**

The change in the market values of financial institutions bonds reflects both an increase in our exposure to Tier 2 securities at the expense of old style Tier 1 bonds in line with our strategic investment plan as well as substantial spread performance of these subsectors. All categories in the financial institutions portfolio benefited from falling interest-rates and tightening credit spreads.

Composition corporate bonds portfolio



Sector coporates
2014



Sector coporates
2013

	2014	2013
Industrials, transportation and energy	34%	25%
Consumers goods, services, and healthcare	29%	34%
Media, technology and telecoms	10%	9%
Utilities	16%	19%
Other	11%	13%

The table above shows the exposure of the corporate bonds to sectors.

Structured entities	31 December 2014	31 December 2013
ABS	29	43
CDO	123	159
MBS	373	367
Structured financial instruments	31	31
	556	**600**

Redemptions are responsible for the decrease in the market value of the Structured Entities. Most redemptions took place in ABS and CDO portfolios. The market value of the remaining structured products portfolio increased in the course of 2014 due to tightening credit spreads.

As a.s.r. participates in structured entities solely for investment purposes, no other commitments or guarantees have been made to the structured entities concerned. The maximum exposure is therefore limited to the fair value of the structured entity and amounts to € 556 million (2013: € 600 million).

Asset-backed securities (ABS)

An ABS is a financial security backed by a portfolio of loans, leases or receivables against assets other than real estate and mortgage-backed securities. Half of this portfolio consists of a bond issued by a ring-fenced entity of a large UK water utility. The other half of this portfolio consists of various securities backed by several types of assets.

Collateralized debt obligation (CDO)

CDO's 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. currently consists mainly of senior tranches in collateralized loan obligations (CLO's), which are CDO's backed by a portfolio of European bank loans. Also, the portfolio contains various CDO's with several types of collateral, such as loans to smaller financial institutions and ABS.

Mortgage-backed securities (MBS)

MBS's are a type of asset-backed security that is secured by a portfolio of mortgages. The MBS portfolio of a.s.r. consists of mainly AAA tranches in Dutch residential mortgage backed securities. The rest of the portfolio consists of investments in the most senior tranches of UK RMBS (around 3.5%) and some peripheral exposure, mostly in Spain (5.5%), all of which have started to redeem.

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 the first to fall in value if losses occur in the assets that back the CDO and are not rated. The portfolio is dominated by two positions that make up 66% of the portfolio. The largest position, approximately 43%, in this portfolio is a so-called 'combination note', which consists of an equity piece and a safer rated tranche or zero coupon bond. This rated tranche serves as principal protection for the equity piece. The second largest position is the equity piece of a CDO of Private Equity investments. 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.

	Government		Financial institutions		Corporates		Structured entities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
AAA	4,760	3,752	743	598	45	38	333	334
AA	6,002	5,637	556	1,110	625	544	39	61
A	366	139	1,619	922	1,793	1.470	79	92
BBB	551	110	1,413	1,641	885	783	36	27
Lower than BBB	2	0	613	337	76	161	53	69
Not rated	0	0	0	0	420	438	16	17
	11,681	**9,638**	**4,944**	**4,608**	**3,844**	**3.434**	**556**	**600**

Changes in tactical positioning described earlier together with falling interest-rates and tightening credit spreads explain changes in the rating breakdown of the sovereign portfolio. Increase in share of A and sub-investment rating category financial institutions is attributable to a rating methodology change by rating agents that resulted in a downgrade of several positions. Upgrade of a position in our preferred equities portfolio explains substantial decrease in sub-investment grade corporates. The non-rated category corporates includes predominantly externally managed fixed income funds and loans issued to intermediaries.

The non-rated category corporates includes predominantly externally managed fixed-income funds and loans issued to intermediaries. The group applies stringent application and approval procedures to these loans. Following an intermediary's application, their credit quality 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 commissions 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 commissions and has therefore granted fewer loans as a result of restrictions in our loan policy. Furthermore the current value of the collateral already incorporates the effect of the ban on commissions. This value is subsequently used in our internal risk-rating model.

	31 December 2014		31 December 2013	
Loans to intermediaries	Amount	Percentage	Amount	Percentage
Loan < 75% value under foreclosure	26	34%	28	29%
Loan > 75% value under foreclosure	49	66%	68	71%
	75	**100%**	**96**	**100%**

At year-end 2014, the outstanding amount of loans to intermediaries was € 75 million (2013: € 96 million) and cumulative impairments amounted to € 37 million (2013: € 53 million). The loans are generally secured by collateralizing an insurance portfolio. At year-end 2014, 16% (2013: 20%) of the loans were in arrears.

Deposits

Total deposits amounted to € 2,626 million (2013: € 850 million) of which € 501 million (2013: € 160 million) had a single A rating, € 61 million (2013: € 69 million) a triple A rating and € 2,064 million (2013: € 611 million) is on secured deposit.

Savings-linked mortgage loans

Savings-linked mortgages have been sold with savings-linked contracts carried in a.s.r.'s statement of financial position where 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 on the insurance contract and the interest on 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 € 2,702 million at year-end 2014 (2013: € 2,520 million).

Savings-linked mortgage loans	31 December 2014	31 December 2013
Counterparty SPV	1,674	1,264
Agreement cession-retrocession	129	369
Other	900	887
Total	**2,702**	**2,520**

The credit risk of the savings-linked mortgage loans depends on the counterparty. For 62% of the portfolio the counterparties are Special Purpose Vehicles. The risk is limited due to the robust quality of the mortgages in the Special Purpose Vehicles in combination with the tranching.

a.s.r. has a cession-retrocession agreement with the counterparty for 5% of the portfolio, for which the risk is limited. Effectively, a.s.r. receives the underlying mortgage loans as collateral, mitigating the credit risk of the savings-linked mortgage loans.

The remaining 33% of the savings-linked mortgage loans portfolio by credit rating of the counterparty is shown below.

Savings-linked mortgage loans - other	31 December 2014	31 December 2013
AA	561	536
A	339	351
Total	**900**	**887**

6.3.4.6 Concentration risk

In order to avoid concentrations in a single obligor, a.s.r. applies a limit on maximum exposure of € 700 million for issuers rated single A rating and higher and € 350 million for issuers rated BBB. The limits apply to the total investment portfolio. The exposure of assets treated in section 6.3.5 are not included, which is consistent with Solvency II. The CLFC monitors concentration risk on a quarterly basis. All exposures were within the limits at year-end 2014.

6.3.5 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.

6.3.5.1 Mortgages

Mortgages are granted for the account and risk of third parties and for a.s.r.'s 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 € 756 million in 2014. The majority of new mortgages in 2014 were guaranteed by the Dutch national mortgage guarantee fund (NHG).

Although residential property prices over the past three years have declined, the indexed value of the collateral of most mortgages is higher than at issue date.

	31 December 2014		31 December 2013	
Mortgages: loan to value	Amount	Percentage	Amount	Percentage
Mortgage with NHG	3,413	61%	2,797	58%
Mortgage < 75% value under foreclosure (indexed)	965	17%	868	18%
Mortgage < 100% value under foreclosure (indexed)	428	8%	434	9%
Mortgage < 125% value under foreclosure (indexed)	540	10%	476	10%
Mortgage > 125% value under foreclosure (indexed)	206	4%	222	5%
	5,552	**100%**	**4,796**	**100%**

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

At year-end 2014 0.65% (2013: 0.59%) of mortgages were more than three months in arrears.

6.3.5.2 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.

The outstanding value of the interest-rate derivative positions is matched by collateral received from eligible counterparties, limiting the net credit risk to a minimum.

6.3.5.3 Reinsurance

When entering into reinsurance contracts for fire and catastrophe, a.s.r. requires the counterparty to be rated at least single A. With respect to long-tail business and other sectors, the minimum permitted rating is single A.

Ratings reinsurance	31 December 2014	31 December 2013
AA	80%	8%
A	20%	91%
NR		1%

The table above shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2014 was € 418 million (2013: € 407 million).

6.3.5.4 Receivables

Receivables	31 December 2014	31 December 2013
Policyholders	293	325
Intermediaries	160	174
Reinsurance operations	76	108
Health insurance fund	60	
Other	190	248
Total	**779**	**855**

An accumulated impairment loss for receivables of € 52 million was recognized in 2014 (2013: € 35 million).

6.3.5.5 Cash

The current account amounted € 571 million in 2014 (2013: € 750 million). The rating of the counterparties is single A.

6.3.6 Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and investment income. This risk 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 covers the property and casualty, disability and healthcare sectors. The life portfolio is a reasonable diversified consisting of products with either mortality risk or longevity risk.

Insurance 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 insurance segment. If and when required, actions are initiated to adjust the overall risk profile in line with guidelines agreed at group level.

Each insurance segment within a.s.r. holds insurance provisions to cover both future and incurred claims arising from existing contracts and assigns assets to cover these insurance liabilities.
- 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 such as IBN(E)R provisions. The adequacy of these provisions are reviewed at each reporting date using appropriate current principles.
- In life insurance and disability insurance these provisions are based on assumptions underlying the premium calculation. In the case of disability current information is taken into account. By applying shadow accounting, recent impact of movements in the riskfree yield curve and credit spreads on corporate bonds are recognized in the provisions. The adequacy of these provisions are reviewed at each reporting date using appropriate current principles.

No provisions are formed for equalization and catastrophes.

In particular for WGA the provision unavoidably depends on expert judgement. Since the WIA law was introduced in 2006 and the WGA product has a two year waiting period, only limited and often unstable claims information is available. In particular, expert judgment is used on longer term recoveries and the outflow to the IVA (Inkomensvoorziening Volledig Arbeidsongeschikten) for fully disabled. Both are being stimulated by disability reassessments. Indications are that these are effective. A scenario analysis shows a pre-tax sensitivity of approximately € 20 million when applying conservative assumptions

The 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 assess if a.s.r. meets the regulator requirements.

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

a.s.r. has assessed the impact of various shocks. The shocks that have been assessed are:
1. Lapse +10%
2. Expense +10%
3. Mortality -5%

The conclusion is that these shocks have no impact on the 2014 and 2013 total equity and the profit for these years, 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 but the outcome would still be positive. For a description of the LAT, see accounting policy J, chapter 6.2.2.

	31 December 2014 Impact on available DNB solvency (285%)	31 December 2013 Impact on available DNB solvency (268%)
1. Lapse +10%	-0.3%	-0.5%
2. Expense +10%	-2.2%	-2,6%
3. Mortality/Morbidity -5%	-1.6%	-1.1%

6.3.6.1 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 mainly of the following categories.

Disability:
- 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 employees disability cover (WIA, including WGA-ER);
- Sickness leave: coverage includes continued salary payments for the first two years of the individual's incapacity for work;

Health:
- 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 primarily comprises of risks resulting from disability, health, third-party liability and general third-party liability. Insurance liabilities are formed to cover the scale and the long-term character of the claims (especially those involving disability).

Combined ratio
In 2014, the combined ratio decreased to 94.9% (2013:104.6%). The decrease of the combined ratio is for a large part attributable to WGA-ER where measures taken (adjust its prices, make its acceptance criteria stricter and make improvements to the claims settlement process) show a positive impact. Excluding WGA-ER and considering the storm in Q4 2013 the combined ratio in 2013 was 96.5%. The further decrease from the latter level can be explained by a favorable claims development in most Non-life product lines.

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. 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 (disability, recovery, illness, death). 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 many years. Analyses are performed regularly and based 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.

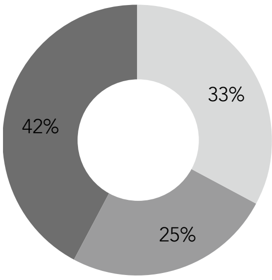
Benefit and claims handling costs
Taking estimated future inflation into account, benefit and claims handling costs are managed on the basis of regular reviews and related actions.

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 disability, medical expenses and accident insurance products. An additional uncertainty is that recovery or mortality rates might be lower than expected.

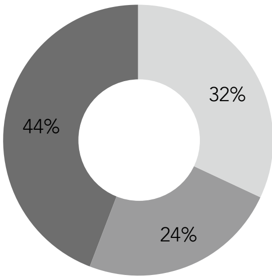
Illness, disability and recovery are affected by the economic climate, government intervention, progress in medical science and, in particularly, healthcare costs.
These risks are controlled by means of regular evaluation of historical claims patterns, expected future developments and price adjustments. Disability risk is mitigated by a.s.r. through underwriting criteria and a proactive reintegration policy. a.s.r. also mitigates its 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 disability cover for employees in the Netherlands (WIA).

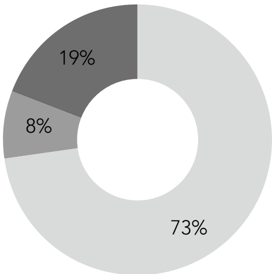


Gross written premiums 2014

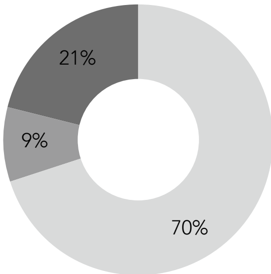


Gross written premiums 2013

	2014	2013
Disability	33%	32%
Health	25%	24%
Property & Casualty	42%	44%



Gross claims reserves 2014



Gross claims reserves 2013

	2014	2013
Accident	73%	70%
Health	8%	9%
Property & Casualty	19%	21%

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 proportion of the claims reserve in relation to premiums. Due to the rapid settlement of the P&C portfolio in general, which generates 42% of premium income, it only represents 19% of the total claims reserve.

Total gross written premium income from non-life insurance activities in 2014 amounted to € 2,359 million (2013: € 2,392 million). In 2014 the net reinsurance premium amounted to € 136 million (2013: € 118 million), which represents 5.76% (2013: 4.95%) of gross premium income.

Reinsurance

When deemed effective in terms of capital relief versus costs incurred, a.s.r. enters into reinsurance agreements for non-life portfolios to mitigate 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 these risks.
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 statement of financial position is taken into account as well. The difference in the retention of disability depends on the structure of the contract (basic coverage or indexed).

To limit risk concentration, reinsurance contracts are placed with various reinsurance companies. The reinsurance programme has remained largely the same as 2013 in terms of cover and limits. Minor changes have taken place based on the current risk appetite where necessary. In 2014, a.s.r. purchased excess of loss reinsurance for accident year 2015 for storm in excess of € 30 million with a limit of € 344 million (accident year 2014 € 325 million), offering slightly more protection.

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. 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 includes a provision for payable external claims handling costs.

The adequacy of the liabilities arising from insurance contracts is tested every quarter.

The balance sheet 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 year based on the latest updated health information for the Netherlands. At the end of the first quarter, a.s.r. monitors if the assumptions used are correct. The final settlement is recognized three years after the end of the financial year.

The provision for claims for disability insurance equals the present value of the expected benefits, taking account of the policy terms and conditions and waiting periods, as well as the chances of recovery and death.

The provisions for claims and the provision for unearned premiums at year-end 2014 can be broken down as follows (amounts in millions):

31 December 2014	P&C	Disability	Health	Total
Provision for claims	770	3,036	346	4,152
Provision for unearned premium	200	194	25	419
Total	**970**	**3,230**	**371**	**4,571**

31 December 2013	P&C	Disability	Health	Total
Provision for claims	799	2,682	345	3,826
Provision for unearned premium	206	203	5	414
Total	**1,005**	**2,886**	**350**	**4,240**

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 disability portfolio, a provision is formed for current risk exposure on contracts concluded in 2014 that run until 31 December 2015. This provision is based on the difference between premiums required for accounting and actuarial purposes.

For social as well as commercial reasons, and in line with most competitors, a.s.r. has set the Basic Health premium level for 2015 below its actuarial cost price. A provision of € 25 million has been established to reflect this.

6.3.6.2 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 mostly offset by the opposite risk (mortality risk) in other parts of the life portfolio (funeral, term insurance).
The insurance contracts are sold primarily 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 date/interval if the insured is alive at that time. The uncertainties related to a life insurance contract have to do with the date 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 the investment income will not be sufficient is regarded as market risk (see chapter 6.3.4).

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 risk are quantified on the basis of 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. Policyholders may be subjected to medical screening for individual life insurance.

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 modelled trend.
- Trend uncertainty: structural decline in the insured's life expectancy.

The mortality risk is limited by 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 large amounts.

Longevity risk

For contracts that guarantee benefits during a policyholder's lifetime , 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 2014. 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 no direct loss from lapses are recognized in the financial statements.

Although a lapse does not lead to a direct loss in the statement of income, due to the surrender value requirement underlying the provision, a lapse might lead to a loss of future profits. The 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 those administrative expenses. This prospective analysis of administrative expenses are the basis for managing and controlling expense risk. In 2013 and 2014 a.s.r. carried out extensive analysis of the cost allocation process and the modelling of costs in the products in the segment Life. The impact of any (methodology) change in the costs modelling or parameter setting is quantified by sensitivity analysis. The sensitivity analysis gives insight in the expense risk as well.

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 account of the cost of reinsurance on the one hand and the risk that is retained on the other.

To limit risk concentration, reinsurance contracts are placed with different reinsurance companies. For life insurance the highest retention per risk amounted € 750 thousand (2013: €750 thousand) and the highest retention per event € 3,000 thousand (2013: € 3,000 thousand).

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 liabilities complies with IFRS requirements and DNB guidelines (see accounting policy J, chapter 6.2.2.).

The overall adequacy of the liabilities arising from insurance contracts at 31 December 2014 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, in case of unit-linked products, the majority of the investment risk is for the policyholder's account.

The provision at year-end 2014 can be broken down as follows (amounts in millions):

Life insurance contracts	Individual	Group	Total
31 December 2014			
Without profit-sharing	4,897	1,824	6,721
Contractual profit-sharing (and interest margin participation)	6,590	8,276	14,866
Discretionary profit-sharing	2,065	0	2,065
Total	**13,552**	**10,100**	**23,652**
31 December 2013			
Without profit-sharing	4,161	1,574	5,735
Contractual profit-sharing (and interest margin participation)	5,984	5,819	11,803
Discretionary profit-sharing	2,150	0	2,150
Total	**12,295**	**7,393**	**19,688**

Insurance contracts on behalf of policyholders	Individual	Group	Saving Fund Insurance	Total
31 December 2014				
No guaranteed return	5,029	1,765	395	7,189
Guaranteed return	988	1,602	0	2,590
Total	**6,017**	**3,367**	**395**	**9,779**
31 December 2013				
No guaranteed return	5,194	2,287	470	7,951
Guaranteed return	720	321	0	1,041
Total	**5,914**	**2,608**	**470**	**8,992**

The development of the provision is explained in chapter 6.16.

6.3.6.3 Pension risk; post- employment benefits

Pension risk is defined as the risk that the liabilities exceed the assets of a defined benefit pension plan. To fulfil the obligation to finance the plan, a.s.r. has insured the post-employment benefit plans for a.s.r.'s employees with ASR Levensverzekering N.V., an insurance company within the a.s.r. group. ASR Levensverzekering N.V. is the insurer of the post-employment benefit plan and as such the asset liability management and risk management is performed in accordance with the relevant insurance risks as disclosed in chapter 6.3.6.2. The non-qualifying assets managed by group companies are used to fund the liability and are not deducted from the defined benefit obligation.

These are schemes under which staff is awarded pension benefits upon retirement. Pension risk exist for these plans and consists mainly of interest-rate risk, longevity risk and inflation risk.

With the aim to reduce the longevity and inflation risk, a.s.r. made changes to the pension schemes and indexation is made conditional to the funds available in the separate account to fund future inflation indexation. As a result the inflation risk is significantly reduced.

In the calculation of the defined benefit obligation, the most recent mortality table is used 'AG 2014'. A description of the plans, assumptions, sensitivities and disclosure related to the post-employment benefits plans is included in chapter 6.17.

The 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 own staff are taken into account in the calculation of required capital in the ECAP model.

6.3.7 Strategic and operational risk

Strategic risk is defined as the risk that a.s.r. will not reach its strategic objectives, because risk considerations are not or incorrectly addressed in decision-making processes, incorrect implementation of decisions and/or failure to respond adequately to market developments. Since a.s.r. wants to remain a solid, trusted and profitable insurance company in the Dutch insurance market which is continuously under pressure, it is extremely important to identify strategic issues and opportunities and to take the appropriate strategic actions.

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

Strategic and operational risks are mitigated at different levels in the organization.

Strategic risk

Risk priorities

The Executive Board of a.s.r. decides annually on the most important risk priorities. The definition of risk priorities is a bottom-up process. Risk priorities are based on the Control Risk Self Assessments and Management in Control framework of the business units. Risk Management reports the actual status of the risk priorities and progress of the defined actions to the a.s.r. Risk Committee on a quarterly basis.

Own Risk and Solvency Assessment

a.s.r. conducts an own risk and solvency assessment (ORSA) at both group and legal entity level each year or more frequently if required by significant changes in a.s.r.'s risk profile. The ORSA is a tool for risk and capital management. In this assessment, strategic risks are transposed into scenarios. In these scenario's the impact on the balance sheet, the solvency position and the income statement is simulated. Management actions are defined in order to mitigate the impact of risks modelled in the various scenarios.

Control Risk Self-Assessment

Under supervision of Group Risk Management, a Control Risk Self-Assessment (CRSA) is conducted annually for all a.s.r. business lines and staff departments to identify risks that have an impact on the achievement of the organization's strategic objectives. Following this assessment, each department prepares a report outlining all identified key risks and actions taken to mitigate these risks. These mitigating actions need to be implemented within a one-year timeframe. This report and the mitigating actions are authorized by the management teams of the business units and the Executive

Board. Senior Management signs the Management in Control Statement (MCS) each year which is based on the CRSA. Progress made on the mitigating actions as defined in the CRSA is monitored on a quarterly basis in the Business Risk Committees and reported to the Non-Financial Risk Committee.

Operational risk

Management in control

a.s.r. has developed a Management in Control framework that entails the most important risks for a.s.r.'s operating activities. It is a tool that is used to improve the efficiency and effectiveness of a.s.r.'s operating processes. This framework includes operational (including IT), financial reporting and compliance risks and controls and ensures the reliability, accuracy, timeliness, and quality of our internal and external reporting processes. Identified risks need to be managed within the stated risk appetite ambition. Key controls are periodically tested for operational effectiveness and reported to the Business Risk Committee and Non-Financial Risk Committee on a quarterly basis. Group Risk Management reviews the quality of the Management in Control Frameworks of all business lines on a continuous basis to ensure a sufficient level of internal control.

Operational losses

a.s.r. has a process in place for reporting losses in excess of € 5,000 (five thousand) to the Group Risk Management department. Losses below this level are reported within the business unit. The causes of losses and lessons learned are evaluated, which can result in enhancements to our Management in Control framework. Losses are reported to the Non-Financial Risk Committee.

Business Continuity Management and contingency planning

Critical processes and 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. Crisis teams have been established and are trained every year to deal with any type of catastrophe. The objective of the training is to give the teams insight into how they function and help them do their job in case of an emergency. The training also clarifies the roles, duties and responsibilities of the members of the crisis teams.

Information security

Because of the importance of information security in an increasingly digital community, a.s.r. devotes special attention to the efficiency, effectiveness and integrity of ICT. The control of logical access to the key applications in the financial reporting process remains a high priority in order to enhance the integrity of applications and data. The logical access control procedure also prevents fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications. Proper understanding of information and security risks is essential, and this is why actions are carried out to create awareness among employees and business lines.

6.3.8 Monitoring of new and existing products

Group Risk Management participates in the product approval committee. Group Risk Management evaluates if risks in newly developed products are sufficiently addressed. New products need to be developed in a way that they are cost efficient, reliable, useful and secure. New products also need to have a strategic fit with a.s.r.'s mission to be a solid and trustful insurer. Group Risk Management advises about the risks of existing products, as requested by the PARP as a result of product reviews.

6.3.9 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 Other segment. These hedging transactions, only hedge risk on a limited number of separate property development 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 the 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 6.12.

6.3.10 Solvency II

Solvency II is the regulatory framework for European insurance companies that will replace the current Solvency I regime as of 1 January 2016. The introduction of the new regime is intended to harmonize the European insurance market, increase protection of policyholders and improve risk awareness in both the governance and management of insurance companies. Solvency II sets more sophisticated solvency requirements and will form an integral part of the risk management of insurance companies.

In anticipation of the implementation date of 1 January 2016 EIOPA has published Preparatory Guidelines, in particular regarding Pillar 2 topics such as System of Governance and Forward Looking Assessment of Own Risks and Pillar 3 Reporting guidelines. DNB has adopted these guidelines which apply to Dutch insurance companies as of 1 January 2014.

Solvency II at a.s.r. in 2014

In October 2014, the European Commission adopted the Delegated Act containing implementing rules for Solvency II. After published in the Official Journal on 17 January 2015 the Delegated Act is called the Delegated Regulation. With the introduction of the Preparatory Guidelines and the Delegated acts a.s.r. will continue with the preparations for Solvency II readiness as of 1 January 2016. a.s.r. will also adopt the Implementing Technical Standards and the guidelines that will be published in the course of 2015. a.s.r. is confident to become Solvency II compliant before the end of 2015.

Highlights in 2014

- Group Risk Management monitors on a quarterly basis the readiness of a.s.r. for the introduction of the Solvency II Directive on 1 January 2016. Results of this assessment are reported to the Audit and Risk Committee.
- a.s.r. participated in the stress test 2014. The stress test is an assessment of the European Supervisor (EIOPA) to test the resilience of insurance companies regarding market risks under a combination of historical and hypothetical scenarios.
- In 2014, a.s.r. implemented the preparatory phase Quantitative Reporting Templates as well as the narrative report. In 2015 a.s.r. will report according to the preparatory phase requirements for a.s.r. and relevant legal entities.
- In 2015, a.s.r. will implement the remaining Quantitative Reporting Templates (QRT's) as published by EIOPA and is preparing to comply with qualitative Solvency II reporting requirements in 2016, as prescribed by the regulator.
- a.s.r. has developed mature scenario analyses and stress testing techniques, such as the Own Risk and Solvency Assessment (ORSA), Recovery planning and Strategic Asset Allocation studies. These techniques measure the impact of external or internal identified risks and threats to the a.s.r. solvency position. The 2014 ORSA results and the recovery plan over 2014 have again demonstrated the strong position of a.s.r. in terms of capitalization and a.s.r.'s ability to carry out our strategy, also in situations of increased financial stress.
- The solvency II position was strong during 2014.

6.4 Capital and liquidity management

6.4.1 Capital management

6.4.1.1 Capital management objectives

The group is committed to maintaining a strong capital position in order to be a robust insurer for its policyholders and other stakeholders. The objective is to maintain a solvency level that is well above the limits defined in the risk appetite statements. Stress tests are performed for principal risks. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a single A rating.

The group is preparing for the Solvency II capital requirements. In 2014, a.s.r. continued to implement a process to report the Solvency Capital Requirement as defined by Solvency II using the latest standard Solvency II model, as defined in the Delegated Act, to quantify the risks.

In addition, a.s.r. uses an Economic Capital (ECAP) method that reflects its own risk profile more accurately. The ECAP method will be refined further. Both SCR and ECAP are reported on a semi-annual basis and proxies are made on a monthly basis. Per year end 2014 a.s.r. has sufficient capital to meet the limits included in a.s.r. risk appetite.

6.4.1.2 Solvency

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

	December 2014	December 2013
Regulatory solvency available (incl UFR)	4,984	4,182
Regulatory solvency required	1,749	1,563
Regulatory solvency ratio (incl UFR)	285%	268%
Regulatory solvency available excl UFR	3,576	3,693
Regulatory solvency required	1,749	1,563
Regulatory solvency ratio excl UFR	204%	236%

The solvency ratio including UFR (Solvency I) as reported to the regulator increased from 268% to 285%. The decrease of the interest-rates in relation to application of the UFR had a significant positive impact on the solvency ratio including UFR. This movement is in line with the sensitivities as presented in paragraph 6.3.4.

The regulator has prescribed application of the UFR to the discounting curve since 30 June 2013. As a result, the forward interest-rates converge to a level of 4.2%. This has an impact of 81%-point (2013: 32%-point) on the regulatory solvency ratio. With respect to 2013 this impact has increased because of the lower interest-rate levels at yearend 2014. Since this assumption is artificial and might be too optimistic, a.s.r. also evaluates its solvency position without applying the UFR to the discounting curve.

	December 2014	December 2013
Equity	3,027	3,015
Correction hybrids	0	-4
Correction intangible assets	-105	-191
Revaluation of real estate (exclusive of non-controlling interest)	806	785
Test margin	775	265
Elimination of post-employment benefit plan	481	312
Regulatory solvency available	**4,984**	**4,182**

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 6.2.1.

Besides monitoring at 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 companies.

The a.s.r. post-employee benefit plans are insured by ASR Levensverzekering N.V., a registered 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. As of 2014 the elimination of post-employment benefit plan also includes the separate account of ASR Levensverzekering N.V. related to the funding of future inflation indexation as mentioned in paragraph 6.17.1.

6.4.2 Rating

Standard & Poor's confirmed the single A rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on 15 August 2014.

Ratings Standard & Poor's	Type	Rating	Outlook	Date
ASR Levensverzekering N.V.	CCR	A	Stable	15 August 2014
ASR Levensverzekering N.V.	FSR	A	Stable	15 August 2014
ASR Schadeverzekering N.V.	CCR	A	Stable	15 August 2014
ASR Schadeverzekering N.V.	FSR	A	Stable	15 August 2014

On 15 August 2014, a counterparty credit rating of 'BBB+' with a stable outlook was assigned to ASR Nederland N.V., the group's holding company. Rating reports can be found on the a.s.r. website: www.asrnl.com.

6.4.3 Dividend and capital actions

The group intends to distribute a stable dividend to the shareholders each year, subject to capital management objectives and restrictions, including the fungibility of capital from the registered insurance companies. Dividends are based on a pay-out of 40%-45% of profit attributable to equity holders after distribution to holders of other equity instruments.

In 2014 a.s.r. executed a capital optimisation deal. There was an issue of € 497 million new Tier 2 capital and € 301 million of the existing Tier 1 hybrids were redeemed (see also chapter 6.15.4).

6.4.4 Liquidity management

With regard to 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 lapses 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 (€ 571 million), liquid government bonds (€ 10,762 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 lapses and mortality risk are taken into account. Profit sharing cashflow of insurance contracts is not taken into account, as well as equities, property and swaptions.

31 December 2014	< 1 year	1-5 year	5-10 year	10-20 year	> 20 year
Fixed income securities	7,314	7,408	7,673	9,112	15,753
Liabilities	-5,262	-6,589	-6,058	-11,244	-19,537
	2,052	**819**	**1,614**	**-2,132**	**-3,784**

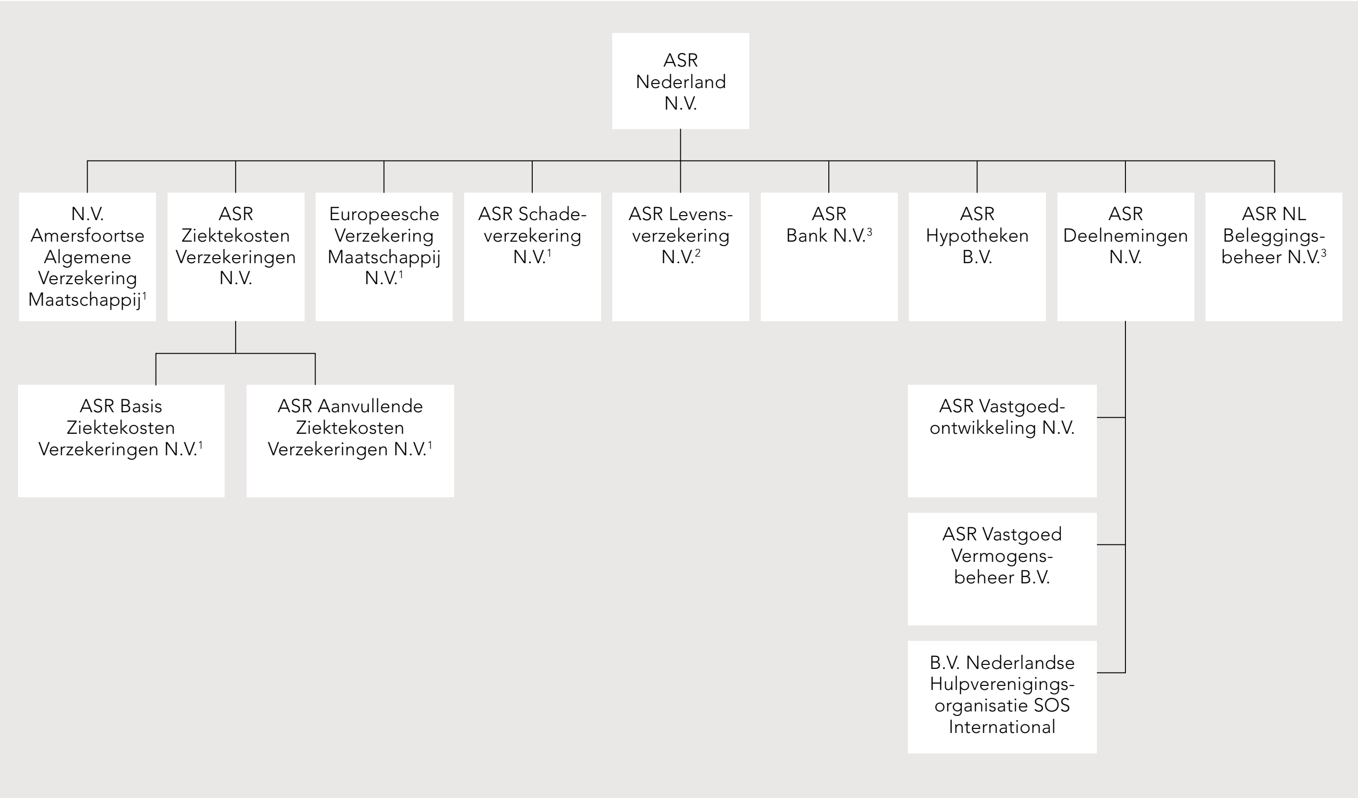
31 December 2013	< 1 year	1-5 year	5-10 year	10-20 year	> 20 year
Fixed income securities	4,913	3,790	9,810	11,712	11,845
Liabilities	-2,137	-6,565	-5,489	-10,849	-19,985
	2,776	**-2,775**	**4,321**	**863**	**-8,140**

Compared to 2013, the cash flow of the fixed income securities has changed as a result of the restructuring of the hedge of the interest-rate risk.

6.5 Group structure and segment information

6.5.1 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:



The group distinguishes between the Non-life, Life and Other segments. The Non-life segment consist 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.

The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile. See chapter 6.39 for a list of principal group companies and associates in the relevant segments.

1 Registered non-life insurance companies

2 Registered life insurance companies

3 Other Wft registered companies (included in segment Other)

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.

The eliminations applied in the reconciliation of the segment information with the consolidated balance sheet and the consolidated income statement are separately presented in chapter 6.5.2 and 6.5.3.

The a.s.r. segment reporting shows the financial performance of each segment. The purpose of these reporting 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 6.2).

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.
The operating profits of the segments are assessed on the basis of the segments' income statements.

6.5.2 Segmented balance sheet

As at 31 December 2014	Non-life	Life	Other	Eliminations	Total
Intangible assets	1	134	4	-	139
Deferred acquisition costs	63	150	-	-	213
Property, plant and equipment	1	130	9	-	140
Investment property	249	1,488	27	-	1,764
Associates and joint ventures	-	3	39	-	42
Investments	4,765	17,823	2,894	-2,519	22,963
Investments on behalf of policyholders	-	8,333	-	-	8,333
Loans and receivables	428	7,922	941	-60	9,231
Derivatives	3	3,432	-	-	3,435
Deferred tax assets	-	-	478	-	478
Reinsurance contracts	419	-	-	-	419
Other assets	-16	571	119	3	677
Cash and cash equivalents	183	2,827	125	-	3,135
Total assets	**6,096**	**42,813**	**4,636**	**-2,576**	**50,969**
Equity attributable to holders of equity instruments	1,136	2,561	-650	-	3,047
Non-controlling interests	-	9	-20	-9	-20
Total equity	**1,136**	**2,570**	**-670**	**-9**	**3,027**
Subordinated debt	15	30	-	-45	-
Liabilities arising from insurance contracts	4,571	25,803	-	-2,151	28,223
Liabilities arising from insurance contracts on behalf of policyholders	-	9,779	-	-	9,779
Employee benefits	-	-	3,123	-	3,123
Provisions	-	18	20	-	38
Borrowings	7	92	48	-30	117
Derivatives	-	386	1	-	387
Deferred tax liabilities	66	-417	351	-	-
Due to customers	50	1,202	1,030	-333	1,949
Due to banks	-	3,027	250	-	3,277
Other liabilities	251	323	483	-8	1,049
Total liabilities	**4,960**	**40,243**	**5,306**	**-2,567**	**47,942**
Total liabilities and equity	**6,096**	**42,813**	**4,636**	**-2,576**	**50,969**
Additions to					
Intangible assets	-	-	1	-	1
Property, plant and equipment	-	53	4	-	57
Total additions	**-**	**53**	**5**	**-**	**58**

6.5.2 Segmented balance sheet (continued)

As at 31 December 2013 (restated)	Non-life	Life	Other	Eliminations	Total
Intangible assets	1	246	6	-	253
Deferred acquisition costs	65	176	-	-	241
Property, plant and equipment	1	84	12	-	97
Investment property	235	1,466	16	-	1,717
Associates and joint ventures	-	3	39	-	42
Investments	4,154	15,245	2,320	-2,031	19,688
Investments on behalf of policyholders	-	8,049	-	-	8,049
Loans and receivables	431	7,253	970	-165	8,489
Derivatives	4	1,050	-	-	1,054
Deferred tax assets	-	-	228	-	228
Reinsurance contracts	407	-	-	-	407
Other assets	-5	503	161	-	659
Cash and cash equivalents	289	997	210	25	1,521
Total assets	**5,582**	**35,072**	**3,962**	**-2,171**	**42,445**
Equity attributable to holders of equity instruments	898	2,632	-497	-	3,033
Non-controlling interests	-	-	-18	-	-18
Total equity	**898**	**2,632**	**-515**	**-**	**3,015**
Subordinated debt	15	30	-	-45	-
Liabilities arising from insurance contracts	4,240	21,677	-	-1,989	23,928
Liabilities arising from insurance contracts on behalf of policyholders	-	8,992	-	-	8,992
Employee benefits	-	-	2,426	-	2,426
Provisions	1	7	28	-	36
Borrowings	5	76	94	-77	98
Derivatives	-	533	2	-	535
Deferred tax liabilities	52	-250	198	-	-
Due to customers	30	319	1,057	-40	1,366
Due to banks	2	675	-	-	677
Other liabilities	339	381	672	-20	1,372
Total liabilities	**4,684**	**32,440**	**4,477**	**-2,171**	**39,430**
Total liabilities and equity	**5,582**	**35,072**	**3,962**	**-2,171**	**42,445**
Additions to					
Intangible assets	-	1	7	-	8
Property, plant and equipment	-	48	2	-	50
Total additions	**-**	**49**	**9**	**-**	**58**

6.5.3 Segmented income statement

2014	Non-life	Life	Other	Eliminations	Total
Gross premiums written	2,359	1,543	-	-115	3,787
Change in provision for unearned premiums	-4	-	-	-	-4
Gross insurance premiums	**2,355**	**1,543**	**-**	**-115**	**3,783**
Reinsurance premiums	-130	-10	-	-	-140
Net insurance premiums	**2,225**	**1,533**	**-**	**-115**	**3,643**
Investment income	135	1,190	119	-27	1,417
Realized gains and losses	94	401	2	-	497
Fair value gains and losses	3	532	-2	-	533
Result on investments on behalf of policyholders	-	858	-	-	858
Fee and commission income	23	-	12	-	35
Other income	6	30	208	-6	238
Share of profit/(loss) of associates and joint ventures	-	5	-9	-	-4
Total income	**261**	**3,016**	**330**	**-33**	**3,574**
Insurance claims and benefits	-1,751	-3,629	-	166	-5,214
Insurance claims and benefits recovered from reinsurers	92	8	-	-	100
Net insurance claims and benefits	**-1,659**	**-3,621**	**-**	**166**	**-5,114**
Operating expenses	-215	-178	-164	16	-541
Restructuring provision expenses	-14	-12	-3	-	-29
Acquisition costs	-368	-48	-	3	-413
Impairments	-16	-102	-	-	-118
Interest expense	-1	-199	-42	-73	-315
Other expenses	-20	-71	-165	42	-214
Total expenses	**-634**	**-610**	**-374**	**-12**	**-1,630**
Profit before tax	**193**	**318**	**-44**	**6**	**473**
Income tax expense	-45	-59	12	-2	-94
Profit for the year	**148**	**259**	**-32**	**4**	**379**
Profit attributable to non-controlling interests	-	-1	2	1	2
Profit attributable to holders of equity instruments	**148**	**258**	**-30**	**5**	**381**

6.5.3 Segmented income statement (continued)

2013 (restated)	Non-life	Life	Other	Eliminations	Total
Gross premiums written	2,392	1,666	-	-135	3,923
Change in provision for unearned premiums	1	-	-		1
Gross insurance premiums	**2,393**	**1,666**	**-**	**-135**	**3,924**
Reinsurance premiums	-151	-13	-	-	-164
Net insurance premiums	**2,242**	**1,653**	**-**	**-135**	**3,760**
Investment income	143	1,251	120	-30	1,484
Realized gains and losses	86	395	5	-	486
Fair value gains and losses	-11	357	2	-	348
Result on investments on behalf of policyholders	-	783	-	-	783
Fee and commission income	35	-	10	-	45
Other income	6	9	190	-	205
Share of profit/(loss) of associates and joint ventures	-	14	-	-	14
Total income	**259**	**2,809**	**327**	**-30**	**3,365**
Insurance claims and benefits	-1,923	-3,381	-	182	-5,122
Insurance claims and benefits recovered from reinsurers	96	14	-	-	110
Net insurance claims and benefits	**-1,827**	**-3,367**	**-**	**182**	**-5,012**
Operating expenses	-240	-199	-110	2	-547
Restructuring provision expenses	-11	-10	-3	-	-24
Acquisition costs	-390	-65	-	-	-455
Impairments	-12	-49	-30	-	-91
Interest expense	-3	-240	-41	-73	-357
Other expenses	-16	-61	-256	54	-279
Total expenses	**-672**	**-624**	**-440**	**-17**	**-1,753**
Profit before tax	**2**	**471**	**-113**	**-**	**360**
Income tax expense	3	-104	17	-	-84
Profit for the year	**5**	**367**	**-96**	**-**	**276**
Profit attributable to non-controlling interests	-	-	5	-	5
Profit attributable to holders of equity instruments	**5**	**367**	**-91**	**-**	**281**

6.5.4 Technical result

6.5.4.1 Technical result Non-life

The technical result includes insurance premiums, allocated investment income less insurance costs (claims), distribution costs 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.

The 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	2014	2013
Gross premiums written	2,359	2,392
Change in provision for unearned premiums	-4	1
Gross insurance premiums	**2,355**	**2,393**
Reinsurance premiums	-130	-151
Net insurance premiums	**2,225**	**2,242**
Net insurance claims and benefits	-1,574	-1,604
Change in liabilities arising from insurance contracts	-85	-223
Fee and commission expense	-345	-355
Technical result (underwriting)	**221**	**60**
Allocated gain (loss) on investments – to technical result	110	101
Allocated gains or losses – to technical result	42	-
Allocated other income and expense – to technical result	-26	-3
Operating expenses	-213	-240
Restructuring provision expense	-14	-11
Technical result – before proceeds (loss) from sales of investments	**120**	**-93**
Proceeds (loss) from sales of investments	28	56
Technical result	**148**	**-37**
Non-technical result	45	39
Profit before tax	**193**	**2**

The profit before tax increased to the amount of € 193 million. This is mainly caused by the occupational disability insurance claims amounting to € 183 million in 2013, primarily relating to the product WGA-ER. The gross premiums written decreased in relation to 2013 by 1.4% which is mainly driven by the choice of prioritizing return over revenue. The operating expenses decreased compared to 2013 due to lower indirect costs charged.

6.5.4.2 Technical result Life

Technical result, Life	2014	2013
Gross premiums written	1,543	1,666
Gross insurance premiums	**1,543**	**1,666**
Reinsurance premiums	-10	-13
Net insurance premiums	**1,533**	**1,653**
Net insurance claims and benefits	-2,255	-2,912
Change in liabilities arising from insurance contracts	-1,366	-455
Fee and commission expense	-48	-65
Technical result (underwriting)	**-2,136**	**-1,779**
Allocated gain (loss) on investments - to technical result	1,684	1,634
Allocated gains or losses - to technical result	813	619
Allocated other income and expense - to technical result	-89	-2
Operating expenses	-164	-199
Restructuring provision expense	-12	-10
Technical result - before proceeds (loss) from sales of investments	**96**	**263**
Proceeds (loss) from sales of investments	52	51
Technical result	**148**	**314**
Non-technical result	170	157
Profit before tax	**318**	**471**

The gross written premiums declined 7% to € 1,543 million in 2014 and the profit before tax decreased to € 318 million (- 32%) mainly as a result of several non-recurring charges including the impairment of € 93 million on VOBA (Value of Business Acquired) (see chapter 6.7). The impairment on VOBA was necessary due to the decrease in profitability of the investment portfolios of life insurances. Excluding the non-recurring items the result increases due to improved results on investments and realised cost savings.

The decrease in operating expenses is a result of reducing marketing expenses and a decrease in the number of employees. Despite lower sales, the cost-premium ratio improved by 0.9%-point to 10.7%. This is in line with the policy to reduce costs and increase the variability related to sales. Also steps have been made to reduce the variety of contract administrations and processes and to make them variable with the number of insurance contracts.

6.5.5 Non-life insurance per business line

	Gross premiums written	Net earned premiums	Net insurance claims and benefits[1]	Fee and commission expense	Operating expenses[2]	Technical result
Disability	777	710	-605	-87	-66	65
Health	591	571	-523	-8	-37	12
Property & Casualty	991	944	-531	-250	-126	71
Total	**2,359**	**2,225**	**-1,659**	**-345**	**-229**	**148**
Disability	770	674	-709	-85	-83	-95
Health	579	576	-524	-11	-33	13
Property & Casualty	1,043	992	-594	-259	-135	45
Total	**2,392**	**2,242**	**-1,827**	**-355**	**-251**	**-37**

6.5.6 Non-life ratios

The Non-life segment combined ratio can be broken down as follows:

	2014	2013
Claims ratio	70.0%	78.3%
Commission ratio	15.5%	15.8%
Expense ratio	9.4%	10.5%
Combined ratio	**94.9%**	**104.6%**
Disability	91.4%	118.0%
Health	98.9%	98.8%
Property & Casualty	95.0%	98.9%

In 2014, the combined ratio improved to 94.9% (2013: 104.6 %). This is due to developments in the claims ratio, caused by a decrease in claims in Disability and Property & Casualty and a decrease in overall operational expenses.

For the calculation of the expense ratio a total of € 20 million (2013: € 16 million) of restructuring provision expenses and internal investment costs have been eliminated from the total operating expenses of € 229 million (2013: € 251 million).

1 including change in liabilities arising from insurance obligations

2 including restructuring provision expenses

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Notes to the consolidated balance sheet

6.6 Fair value of assets and liabilities

6.6.1 Recurring fair value measurement of financial assets and liabilities

The breakdown of financial assets and liabilities measured at fair value (recurring basis) in accordance with the level of fair value hierarchy, is as follows:

31 December 2014	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Not measured on the basis of observable market data Level 3	Total fair value
Investments available for sale				
Short-term government securities	-	-	-	-
Government bonds	11,643	-	-	11,643
Corporate bonds	7,788	615	-	8,403
Debt certificates covered by mortgage	375	-	-	375
Debt certificates covered by other assets	156	-	-	156
Unlisted equities	-	139	35	174
Listed equities	1,987	-	-	1,987
Other participating interests	-	-	-	-
Other investments	111	-	-	111
	22,060	**754**	**35**	**22,849**
Investments at fair value through profit and loss				
Debt certificates covered by other assets	-	-	-	-
Unlisted equities	-	-	61	61
Listed equities	53	-	-	53
Other debt securities	-	-	-	-
	53	**-**	**61**	**114**
Derivatives				
Exchange rate contracts	-	-	-	-
Interest-rate contracts	-	3,418	-	3,418
Equity index contracts	17	-	-	17
Credit derivatives	-	-	-	-
Derivatives held for hedging	-	-	-	-
Total assets	**17**	**3,418**	**-**	**3,435**
Exchange rate contracts	-	-1	-	-1
Interest-rate contracts	-	-386	-	-386
Equity index contracts	-	-	-	-
Credit derivatives	-	-	-	-
Derivatives held for hedging	-	-	-	-
Total liabilities	**-**	**-387**	**-**	**-387**
	17	**3,031**	**-**	**3,048**
Cash and cash equivalents	**3,135**	**-**	**-**	**3,135**
Investments on behalf of policyholders				
Short-term government securities	-	-	-	-
Government bonds	1,373	-	-	1,373
Corporate bonds	1,825	-	-	1,825
Derivatives	-	-	-	-
Debt certificates covered by mortgage	-	-	-	-
Debt certificates covered by other assets	-	-	-	-
Unlisted equities	-	-	-	-
Listed equities	2,827	-	-	2,827
Listed equity funds	1,896	-	-	1,896
Investment property	-	-	240	240
Other investments	-	172	-	172
	7,921	**172**	**240**	**8,333**
Total	**33,186**	**3,957**	**336**	**37,479**

31 December 2013	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Not measured on the basis of observable market data Level 3	Total fair value
Investments available for sale				
Short-term government securities	-	-	-	-
Government bonds	8,528	-	-	8,528
Corporate bonds	7,552	495	-	8,047
Debt certificates covered by mortgage	367	-	-	367
Debt certificates covered by other assets	236	-	-	236
Unlisted equities	-	78	47	125
Listed equities	2,145	-	-	2,145
Other participating interests	-	-	-	-
Other investments	46	76	1	123
	18,874	**649**	**48**	**19,571**
Investments at fair value through profit and loss				
Debt certificates covered by other assets	-	-	-	-
Unlisted equities	-	-	64	64
Listed equities	53	-	-	53
Other debt securities	-	-	-	-
	53	**-**	**64**	**117**
Derivatives				
Exchange rate contracts	-	6	-	6
Interest-rate contracts	-	1,039	-	1,039
Equity index contracts	9	-	-	9
Credit derivatives	-	-	-	-
Derivatives held for hedging	-	-	-	-
Total assets	**9**	**1,045**	**-**	**1,054**
Exchange rate contracts	-	-	-	-
Interest-rate contracts	-	-532	-	-532
Equity index contracts	-	-	-	-
Credit derivatives	-	-1	-	-1
Derivatives held for hedging	-	-2	-	-2
Total liabilities	**-**	**-535**	**-**	**-535**
	9	**510**	**-**	**519**
Cash and cash equivalents	**1,521**	**-**	**-**	**1,521**
Investments on behalf of policyholders				
Short-term government securities	-	-	-	-
Government bonds	936	-	-	936
Corporate bonds	1,114	451	-	1,565
Debt certificates covered by mortgage	-	-	-	-
Debt certificates covered by other assets	-	-	-	-
Unlisted equities	-	-	-	-
Listed equities	3,372	-	-	3,372
Listed equity funds	1,658	-	-	1,658
Investment property	-	-	216	216
Other investments	-	302	-	302
	7,080	**753**	**216**	**8,049**
Total	**27,537**	**1,912**	**328**	**29,777**

Cash and cash equivalents are classified as level 1 when not subject to restrictions.

The following table shows the movement in financial assets and liabilities measured at fair value (recurring basis) that are categorized within level 3. The movement in investments on behalf of policyholders - investment property is included in chapter 6.6.3.

Fair value of financial assets on the basis of level 3 valuation technique	Investments at fair value through profit and loss 2014	Investments at fair value through profit and loss 2013	Investments available for sale 2014	Investments available for sale 2013
At 1 January	280	340	48	55
Changes in value of investments, realized/unrealized gains and losses:				
- Fair value gains and losses (see chapter 6.24.3)	1	-16	-	-
- Realized gains and losses (see chapter 6.24.2)	-	-	5	5
- Recognized in Other comprehensive income (unrealized gains and losses)	-	-	4	-7
Purchases	35	10	6	42
Issues				
Repayments				
Sales	-48	-51	-7	-55
Impairments	-	-	-21	-
Reclassification of investments from/to Level 3 valuation technique	-	-	-	8
Transfer between investments on behalf of policyholders and investment property	31	-3	-	-
Other	2	-	-	-
At 31 December	**301**	**280**	**35**	**48**
Total revaluations of investments, held at year-end, recognized in the income statement	13	6	-	-

The main non-observable market input for the private equity investments is the net asset value as published by the investee. 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.

The sensitivities of the investment property held on behalf of the policyholders is included the sensitivities related to investment property included in chapter 6.6.3.

6.6.2 Non-recurring fair value measurement of financial assets and liabilities

The breakdown of financial assets and liabilities is not measured at fair value (non-recurring basis) in accordance with the level of fair value hierarchy, as explained in accounting policy C, is as follows:

31 December 2014	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Not measured on the basis of observable market data Level 3	Total fair value	Total carrying value
Financial assets					
Due from customers	-	6,527	-	6,527	5,851
Due from banks	-	4,643	-	4,643	2,653
Trade and other receivables	-	727	-	727	727
Total financial assets	**-**	**11,897**	**-**	**11,897**	**9,231**
Financial liabilities					
Borrowing	-	117	-	117	117
Due to customers	1,028	921	-	1,949	1,949
Due to banks	3,277	-	-	3,277	3,277
Other liabilities	26	1,023	-	1,049	1,049
Total financial liabilities	**4,331**	**2,061**	**-**	**6,392**	**6,392**

31 December 2013	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Not measured on the basis of observable market data Level 3	Total fair value	Total carrying value
Financial assets					
Due from customers	-	5,577	-	5,577	5,133
Due from banks	-	3,650	-	3,650	2,531
Trade and other receivables	-	825	-	825	825
Total financial assets	**-**	**10,052**	**-**	**10,052**	**8,489**
Financial liabilities					
Borrowing	-	98	-	98	98
Due to customers	889	477	-	1,366	1,366
Due to banks	677	-	-	677	677
Other liabilities	19	1,353	-	1,372	1,372
Total financial liabilities	**1,585**	**1,928**	**-**	**3,513**	**3,513**

Amounts due to customers and due to banks presented as level 1 comprises primarily savings and cash collateral received. The accrued interest included in other liabilities follows the classification of the underlying assets.

6.6.3 Property (including land and buildings for own use)

The breakdown of the Investment property and land and buildings for own use in accordance with the fair value hierarchy, as explained in accounting policy C, is as follows:

31 December 2014	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Not measured on the basis of observable market data Level 3	Total fair value	Total carrying value
Investment property - Cost model					
Retail	-	-	713	713	489
Residential	-	-	781	781	443
Rural	-	-	1,029	1,029	599
Offices	-	-	153	153	107
Development investment property	-	-	37	37	37
Other	-	-	54	54	23
	-	**-**	**2,767**	**2,767**	**1,698**
Investment property - Fair value model					
Retail	-	-	49	49	49
Residential	-	-	-	-	-
Offices	-	-	17	17	17
Development investment property	-	-	-	-	-
Other	-	-	-	-	-
	-	**-**	**66**	**66**	**66**
Investments on behalf of policyholders:					
Investment property (chapter 6.12.2)	**-**	**-**	**240**	**240**	**240**
Land and buildings for own use	**-**	**-**	**133**	**133**	**131**
Total	**-**	**-**	**3,206**	**3,206**	**2,135**

31 December 2013	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Not measured on the basis of observable market data Level 3	Total fair value	Total carrying value
Investment property - Cost model					
Retail	-	-	650	650	436
Residential	-	-	721	721	385
Rural	-	-	970	970	567
Offices	-	-	154	154	103
Development investment property	-	-	103	103	102
Other	-	-	56	56	24
	-	**-**	**2,654**	**2,654**	**1,617**
Investment property - Fair value model					
Retail	-	-	75	75	75
Residential	-	-	-	-	-
Offices	-	-	25	25	25
Development investment property	-	-	-	-	-
Other	-	-	-	-	-
	-	**-**	**100**	**100**	**100**
Investments on behalf of policyholders: Investment property (chapter 6.12.2)	**-**	**-**	**216**	**216**	**216**
Land and buildings for own use	**-**	**-**	**91**	**91**	**85**
Total	**-**	**-**	**3,061**	**3,061**	**2,018**

The property portfolio is classified as a level 3 'not measured on the basis of market observable market data'. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The fair value measurement is based on valuations by independent professional appraisers. These valuations have been performed for the entire portfolios of investment property and buildings for own use. Independent professional appraisers use reference transactions involving of comparable properties, in combination with the DCF and income capitalization method, to determine the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch Government 'Grondprijsmonitor' in an active property market.

The property has a relatively fixed return with low vacancy levels as indicated in chapter 6.10.3. The property portfolio is well diversified and consists of residential, retail, offices and rural property, throughout the Netherlands. The retail portfolio focusses on high street locations with relative low vacancy levels. Investment property held at fair value and investments on behalf of policyholders (investment property) consist primarily of retail property.

The following table shows the movement in investment property measured at fair value (recurring basis) that are categorised within level 3.

	Investment property- Held at fair value 2014	Investment property- Held at fair value 2013
At 1 January	100	117
Changes in value of investments, realized/unrealized gains and losses:		
- Fair value gains and losses	-2	-8
- Realised gains and losses	-	-
- Recognised in Other comprehensive income (unrealised gains and losses)	-	-
Investment property - Fair value model		
Purchases	1	-
Issues	-	-
Repayments	-	-
Sales	-2	12
Reclassification of investments from/to Level 3 valuation technique	-	-
Transfer between investments on behalf of policyholders and investment property	-31	3
At 31 December	**66**	**100**

The significant inputs are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per sq.m. for renewals and their respective re-letting rates;
- Reviewed rent per sq.m.;
- Investment transaction of comparable objects.

The table below discloses the sensitivities to non-observable market inputs for the property portfolio (excluding development investment property).

						Change in theoretical rental value			
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross theoretical rental value (€)		Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Cost model									
Rural	1,029	DCF	25,452,204	mean	2.5%	-5%	-	54	108
			1,406,249	max	16.4%	0%	-51	-	51
			44	min	1.7%	5%	-98	-49	-
Retail	713	Income capitalization	69,864,914	mean	5.7%	-5%	-	69	137
			6,492,910	max	15.0%	0%	-65	-	65
			4,019	min	8.3%	5%	-124	-62	-
Residential	781	DCF	45,603,351	mean	5.8%	-5%	-	41	82
			1,594,356	max	6.5%	0%	-39	-	39
			7,716	min	5.9%	5%	-74	-37	-
Offices	153	DCF	21,091,399	mean	13.8%	-5%	-	8	16
			7,566,883	max	12.3%	0%	-8	-	8
			63,334	min	13.5%	5%	-15	-7	-
Other	54	DCF	4,423,309	mean	8.2%	-5%	-	3	6
			2,483,482	max	9.5%	0%	-3	-	3
			7,669	min	13.9%	5%	-5	-3	-
Investment property - Fair value model									
Rural	-	DCF	-	mean	0.0%	-5%	-	-	-
			-	max	0.0%	0%	-	-	-
			-	min	0.0%	5%	-	-	-
Retail	49	Income capitalization	2,967,012	mean	5.7%	-5%	-	3	5
			282,032	max	7.8%	0%	-3	-	3
			7,043	min	2.8%	5%	-5	-2	-
Residential	-	DCF	-	mean	0.0%	-5%	-	-	-
			-	max	0.0%	0%	-	-	-
			-	min	0.0%	5%	-	-	-
Offices	17	DCF	2,226,462	mean	13.3%	-5%	-	1	2
			618,941	max	9.0%	0%	-1	-	1
			57,117	min	11.3%	5%	-2	-1	-
Other	-	DCF	-	mean	0.0%	-5%	-	-	-
			-	max	0.0%	0%	-	-	-
			-	min	0.0%	5%	-	-	-
Investments on behalf of policyholders: investment property	240	DCF	20,957,570	mean	8.7%	-5%	-	13	25
			2,234,638	max	9.0%	0%	-12	-	12
			12,959	min	5.5%	5%	-23	-11	-
Land and buildings for own use	133	DCF	13,089,473	mean	9.8%	-5%	-	7	14
			8,639,496	max	8.6%	0%	-7	-	7
			1,756,297	min	16.6%	5%	-13	-6	-
Total	**3,169**								

6.7 Intangible assets

Intangible assets can be broken down as follows:

	31 December 2014	31 December 2013
Goodwill	3	3
Value Of Business Acquired (VOBA)	132	244
Other intangible assets	4	6
Total intangible assets	**139**	**253**

	Goodwill	VOBA	Other intangible assets	Total 31 december 2014	Total 31 december 2013
Cost price	70	493	60	623	623
Accumulated amortisation and impairments	-67	-361	-56	-484	-370
At 31 December	**3**	**132**	**4**	**139**	**253**
At 1 January	3	244	6	253	269
Acquisitions	-	-	-	-	8
Amortization	-	-19	-1	-20	-21
Impairments	-	-93	-	-93	-3
Other changes	-	-	-1	-1	
At 31 December	**3**	**132**	**4**	**139**	**253**

Goodwill

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 2014 relates to ASR Nederland Vastgoed Maatschappij N.V. and B.V. Nederlandse Hulpverleningsorganisatie-SOS International in the segment Life and Other respectively.

Value of Business Acquired (VOBA)

VOBA mainly relates to the acquisition of Amersfoortse Stad Rotterdam. At year-end 2014, the remaining amortization period of VOBA is 16 years and the average amortization for the next 5 years will be € 17 million per year. In 2014, an impairment has been recognised of € 93 million relating to the Amersfoortse Stad Rotterdam unit-linked portfolio given the structural market developments in the life portfolios containing unit-linked policies.

6.8 Deferred acquisition costs

Movements in deferred acquisition costs (DAC) can be broken down as follows:

	31 December 2014	31 December 2013
At 1 January	241	271
Amortization	-27	-31
Other changes	-1	1
At 31 December	**213**	**241**

As a result of the amendment in the life insurance market, whereby commissions to intermediaries are no longer permitted, the DAC is expected to decline significantly in the next few years, mainly due to amortization.

6.9 Property, plant and equipment

Property, plant and equipment can be broken down as follows:

	31 December 2014	31 December 2013
Land and buildings for own use	131	85
Equipment	9	12
Total property, plant and equipment	**140**	**97**

	Land and buildings for own use	Equipment	2014 Total	2013 Total
Cost price as at 1 January	230	155	385	335
Additions	54	3	57	50
Disposals	-	-1	-1	-
Transferred to investment property	-17	-	-17	-
Cost price as at 31 December	**267**	**157**	**424**	**385**
Accumulated depreciation as at 1 January	-97	-143	-240	-233
Depreciation	-3	-6	-9	-9
Transferred to investment property	8	-	8	-
Disposals	-	1	1	-
Other changes	-1	-	-1	2
Accumulated depreciation as at 31 December	**-93**	**-148**	**-241**	**-240**
Impairments as at 1 January	-48	-	-48	-27
Impairments	4	-	4	-21
Transferred to investment property	1	-	1	-
Impairments as at 31 December	**-43**	**-**	**-43**	**-48**
Total property, plant and equipment	**131**	**9**	**140**	**97**

In 2014 the renovation of the Archimedeslaan 10 has progressed with an amount of € 52 million (2013: € 45 million) being invested in the buildings for own use. Depreciation of property, plant and equipment is recorded in the operating expenses (see chapter 6.28). The impairments in 2013 amounting to € 21 million have been recognized as a result of the decommissioning of assets due to the renovation of buildings for own use. In 2014, an amount of € 4 million is reversed, as a result of the increased fair value of the buildings for own use.

The fair value of the land and buildings for own use based on the external valuations is disclosed in chapter 6.6.3.

6.10 Investment property

Investment property can be broken down as follows:

	31 December 2014	31 December 2013
Cost model	1,698	1,617
Fair value model	66	100
Total investment property	**1,764**	**1,717**

6.10.1 Cost model

	2014	2013
Cost price as at 1 January	2,095	2,240
Additions	197	101
Capital improvements	7	6
Disposals	-115	-251
Transferred from other assets	-2	-1
Transferred from property, plant and equipment	17	-
Cost price as at 31 December	**2,199**	**2,095**
Accumulated depreciation as at 1 January	-329	-345
Depreciation	-27	-32
Disposals	17	48
Transferred from property, plant and equipment	-8	-
Accumulated depreciation as at 31 December	**-347**	**-329**
Impairments as at 1 January	-149	-121
Impairments	-34	-58
Reversal of impairments	16	6
Reversal of impairments on disposal	14	24
Transferred from property, plant and equipment	-1	-
Impairments as at 31 December	**-154**	**-149**
Total investment property	**1,698**	**1,617**

Investment property is leased to third parties and is diversified over the rural, residential, office and retail sectors in the Netherlands.

In 2014, a further tranche in ASR Dutch Prime Retail Fund (DPRF) was transferred by a.s.r. to institutional investors thereby further reducing a.s.r.'s property exposure from 58% to 56%.

Impairments amounting to € 34 million were recognized in 2014 (2013: € 58 million), mainly relating to residential and commercial property.

Investment property with a cost price less accumulated depreciation and impairment of € 924 million (2013: € 909 million) is held by the ASR Dutch Prime Retail Fund and ASR Dutch Core Residential Fund which are governed under fund agreements.

Proceeds from the sale of investment properties and rental incomes are recognized as investment income. For details, see chapter 6.24. In 2014, rentals amounted to € 133 million (2013: € 138 million).

Direct operating expenses arising from investment property amounted to € 24 million (2013: € 25 million). Given the low vacancy level, virtually all direct operating expenses relate to investment properties generating rental income. Direct operating expenses of investment property are classified as operating expenses.

6.10.2 Fair value model

	2014	2013
At 1 January	100	117
Purchases	1	-
Disposal	-2	-12
Revaluation through profit and loss	-2	-8
Exchange rate differences	-	-
Transfer between investments on behalf of policyholders and investment property	-31	3
Total investment property	**66**	**100**

6.10.3 Vacant Investment properties

The percentages of vacant investment properties are as follows:

	2014	2013
Retail	4.4%	3.3%
Residential	4.3%	5.5%
Offices	16.7%	13.5%
Other	0.3%	0.2%

6.11 Associates and joint ventures

	Interest	31 December 2014	31 December 2013
Real estate development joint ventures	ranging between 11% and 50%	27	27
Associates		15	15
Total		**42**	**42**

	Real Estate Development Joint Ventures	Associates	Total
At January	27	15	42
Acquisition	9	1	10
Disposal	-	-1	-1
Share of profit/(loss)	-9	5	-4
Dividend	-	-5	-5
Carrying amount at 31 December 2014	**27**	**15**	**42**

The joint ventures relate primarily to real estate development arrangements.

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.

Where the associate's and the joint venture'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.

The 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.

	31 December 2014			31 December 2013		
	Real Estate Development Joint Ventures	Associates	Total	Real Estate Development Joint Ventures	Associates	Total
Total assets	303	240	543	386	194	580
Total liabilities	198	214	412	279	180	459
Total income	-12	194	182	23	156	179
Profit and loss from continuing operations	-18	4	-14	-5	1	-4
Total comprehensive income	-17	4	-13	1	1	2

The real estate development joint ventures consist of numerous contractual agreement with other developers and property owners, whereby the parties agree to develop real estate projects. Various guarantees for the real estate development projects have been issued by a.s.r. (see chapter 6.37).

In 2014, loans to associates and joint ventures amounted to € 5 million (2013: € 17 million). These loans are classified as loans and receivable.

6.12 Financial assets and derivatives

Financial assets and derivatives can be broken down as follows:

	31 December 2014	31 December 2013
Investments		
Available for sale (chapter 6.12.1)	22,849	19,571
Investments at fair value through profit and loss (chapter 6.12.2)	114	117
	22,963	**19,688**
Loans and receivables (chapter 6.12.3)	9,231	8,489
Derivatives assets (chapter 6.12.4)	3,435	1,054
Derivatives liabilities (chapter 6.12.4)	-387	-535
Cash and cash equivalents (chapter 6.12.5)	3,135	1,521
	15,414	**10,529**
Investments on behalf of policyholders		
At fair value through profit and loss (chapter 6.12.2)	8,333	8,049
Total	**46,710**	**38,266**

The table below gives a detailed overview of the types of financial assets held:

	Investments 31 December 2014	Investments 31 December 2013	Investments on behalf of Policyholders 31 December 2014	Investments on behalf of Policyholders 31 December 2013	Total Financial Assets 31 December 2014	Total Financial Assets 31 December 2013
Equities	2,276	2,387	2,827	3,372	5,103	5,759
Listed equity funds	-	-	1,896	1,658	1,896	1,658
Fixed-interest securities	20,576	17,178	3,198	2,501	23,774	19,679
Loans and receivables	9,231	8,489	-	-	9,231	8,489
Derivatives assets	3,435	1,054	-	-	3,435	1,054
Derivatives liabilities	-387	-535	-	-	-387	-535
Cash and cash equivalents	3,135	1,521	43	84	3,178	1,605
Investment property	-	-	240	216	240	216
Other	111	123	129	218	240	341
Total	**38,377**	**30,217**	**8,333**	**8,049**	**46,710**	**38,266**

6.12.1 Investments available for sale

Investments available for sale can be broken down as follows:

	31 December 2014	31 December 2013
Government bonds	11,643	8,528
Corporate bonds	8,403	8,047
Mortgage-backed securities	375	367
Other asset-backed securities	156	236
Unlisted equities	174	125
Listed equities	1,987	2,145
Other investments	111	123
Total investments available for sale	**22,849**	**19,571**

Changes in investment available for sale	2014	2013
At 1 January	19,571	20,431
Purchases	6,498	4,779
Repayments	-825	-715
Disposal	-4,548	-4,718
Realized gains through profit and loss	452	379
Revaluation recognized in equity	1,643	-502
(Reversals of) Impairments	7	32
Amortization	-55	-47
Exchange rate differences	29	-67
Other changes	77	-1
Carrying amount at 31 December	**22,849**	**19,571**

The increase in other changes relates mainly to changes in accounting policies.

Impairment of investments available for sale
The following table is a breakdown of impairments of investments available for sale:

	2014	2013
At 1 January	-684	-778
Increase in impairments through profit and loss	-34	-21
Release of impairments through profit and loss	41	53
Reversal of impairments due to disposal	41	87
Translation differences and other adjustments	4	-25
At 31 December	**-632**	**-684**

The increase in translation differences and other adjustments relates mainly to exchange-rate differences on investments available for sale. Impairments recognized on government bonds are based on the existing impairment policy.

6.12.2 Investments at fair value through profit and loss

Investments at fair value through profit and loss can be broken down as follows:

	Investments 31 December 2014	Investments 31 December 2013	Investments on behalf of Policyholders 31 December 2014	Investments on behalf of Policyholders 31 December 2013	Total 31 December 2014	Total 31 December 2013
Government bonds	-	-	1,373	936	1,373	936
Corporate bonds	-	-	1,825	1,565	1,825	1,565
Unlisted equities	61	64	-	-	61	64
Listed equities	53	53	2,827	3,372	2,880	3,425
Listed equity funds	-	-	1,896	1,658	1,896	1,658
Investment property	-	-	240	216	240	216
Other investments	-	-	172	302	172	302
Total investments at fair value through profit and loss	**114**	**117**	**8,333**	**8,049**	**8,447**	**8,166**

Changes in investments at fair value through profit and loss:

	Investments 31 December 2014	Investments 31 December 2013	Investments on behalf of Policyholders 31 December 2014	Investments on behalf of Policyholders 31 December 2013	Total 31 December 2014	Total 31 December 2013
At 1 January	117	137	8,049	8,217	8,166	8,354
Purchases	51	20	2,578	662	2,629	682
Disposal	-52	-44	-2,990	-1,493	-3,042	-1,537
Revaluation through profit and loss	14	3	769	704	783	707
Transfer between investments on behalf of policyholders and investment property	-17	-	48	-3	31	-3
Exchange rate differences	-	-	13	-9	13	-9
Other changes	1	1	-134	-29	-133	-28
Carrying amount at 31 December	**114**	**117**	**8,333**	**8,049**	**8,447**	**8,166**

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 chapter 6.6.1).

All investments at fair value through profit and loss are designated as such by a.s.r. upon initial recognition. As a result of the implementation IFRS 10, investments amounting to €57 million where reclassified to investments at fair value through profit and loss as of 1 January 2013.

Equities and bonds are lent in exchange for a fee, with collateral obtained as security. At the end of 2014, the value of the securities lent was € 7,937 million (2013: 7,052 million) with the collateral furnished as security representing a value of € 9,805 million (2013: € 8,840 million) consisting of mortgage loans and corporate and government bonds.

6.12.3 Loans and receivables

Loans and receivables measured at amortised cost can be broken down as follows:

	31 December 2014	31 December 2013
Government and public sector	214	223
Mortgage loans	5,552	4,796
Consumer loans	7	7
Other loans	130	169
Total due from customers	**5,903**	**5,195**
Impairments		
- Specific credit risks	-52	-62
- IBNR	-	-
Due from customers	**5,851**	**5,133**
Interest-bearing deposits	62	76
Loans and advances	2,647	2,509
Other	-	7
Total due from credit institutions	**2,709**	**2,592**
Impairments		
- Specific credit risks	-56	-61
- IBNR	-	-
Due from banks	**2,653**	**2,531**
Due from policyholders	293	325
Due from intermediaries	160	174
Reinsurance receivables	76	84
Due from Health Insurance Fund	60	24
Other receivables	190	253
Total trade and other receivables	**779**	**860**
Impairments		
- Specific credit risks	-50	-35
- IBNR	-2	-
Trade and other receivables	**727**	**825**
Total loans and receivables	**9,231**	**8,489**

The increase in the mortgage loans is primarily due to the increased sales of the 'WelThuis Hypotheek' in 2014.

The savings-linked mortgage loans amounting to € 2,702 million (2013: € 2,520 million) are included in the financial assets.

Impairment of loans and receivables
The following table breaks down the changes in impairments of loans and receivables:

	2014	2013
At 1 January	-158	-124
Increase in impairments through profit and loss	-34	-57
Release of impairments through profit and loss	16	15
Reversal of impairments due to disposal	16	8
At 31 December	**-160**	**-158**

The fair value of the loans and receivables is included in the fair value hierarchy tables (see chapter 6.6.2).

6.12.4 Derivatives

Derivatives consist of derivatives held for trading purposes to hedge primarily interest-rate movement and to a limited extent derivatives held for cash flow hedging.

Derivatives held for trading concerns 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 6.24).

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 counterparty 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.

The derivatives can be broken down as follows:

	31 December 2014			31 December 2013		
	Asset	Liability	Notional amount	Asset	Liability	Notional amount
Derivatives						
Foreign exchange contracts	-	1	34	6	-	59
Interest-rate contracts						
- Swaps	2,154	386	18,283	327	532	19,117
- Options	1,264	-	10,645	712	-	12,169
Equity index contracts	17	-	541	9	-	543
Total return swap	-	-	5	-	1	106
	3,435	**387**	**29,508**	**1,054**	**533**	**31,994**
Derivatives held for cash flow hedging						
Interest-rate contracts	-	-	61	-	2	91
Total as at 31 December	**3,435**	**387**	**29,569**	**1,054**	**535**	**32,085**

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 calculated using OIS discounting: under this method the cash flows of the contracts are estimated using the underlying yield curve of the instrument. In practice, these are Euribor curves with 3-monthly or 6-monthly interest-rate resets. Subsequently, the cash flows are discounted using Eonia for EUR instruments and the US Federal Funds rate for USD instruments.

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.

The cash flows in connection with interest-rate contracts included in derivatives held for cash flow hedging end in 2016. No cash flow hedges became ineffective in 2014. No amounts were transferred from the cash flow hedging reserve to the income statement 2014.

For details, see chapter 6.3 on risk management.

6.12.5 Cash and cash equivalents

	31 December 2014	31 December 2013
Due from banks	571	754
Due from banks falling due within three months	2,564	767
Total cash and cash equivalents	**3,135**	**1,521**

All cash and cash equivalents are freely available, except cash related to cash collateral which is managed separately from other cash equivalents. The cash components include € 3,027 million (2013: € 677 million) related to cash collateral received on derivative instruments and securities lending. There are no cash components related to cash collateral given (2013: € 168 million).

Debt related to cash collateral on derivatives instruments is included in the amount due to banks (chapter 6.21).

Interest expenses on cash collateral is standardized in the ISDA/CSA's and based on EONIA.

6.13 Deferred taxes

	31 December 2014	31 December 2013
Deferred tax assets	478	228
Deferred tax liabilities	-	-
Net deferred tax	**478**	**228**

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% (2013: 25.0%) is applied when calculating deferred tax.

The deferred tax asset is mainly caused by additions which been made to the liabilities arising from insurance contracts and have already been recognized in the income tax expense.

	1 January 2014	Changes recognized in profit and loss	Changes recognized in other comprehensive income	Other	31 December 2014
Financial assets held for trading	-63	-645	-	-	-708
Investments	-252	8	-407	-	-651
Investment property	-242	1	-	-	-241
Property, plant and equipment	6	-	-	-	6
Intangible assets	-	-	-	-	-
Liabilities arising from insurance contracts	791	778	358	-	1,927
Employee benefits	73	-26	176	-	223
Provisions	-	-	-	-	-
Amounts received in advance	-71	-7	1	27	-50
Unutilized tax losses	-	-	-	-	-
Other	-14	-13	-1	-	-28
Gross deferred tax	**228**	**96**	**127**	**27**	**478**
Write-down of deferred tax assets	-	-	-	-	-
Net deferred tax	**228**	**96**	**127**	**27**	**478**

	1 January 2013	Changes recognized in profit and loss	Changes recognized in other comprehensive income	Other	31 December 2013
Financial assets held for trading	-489	426	-	-	-63
Investments	-431	35	144	-	-252
Investment property	-262	20	-	-	-242
Property, plant and equipment	4	2	-	-	6
Intangible assets	-	-	-	-	-
Liabilities arising from insurance contracts	1,114	-176	-147	-	791
Employee benefits	159	-46	-40	-	73
Provisions	1	-1	-	-	-
Amounts received in advance	-69	-13	-	11	-71
Unutilized tax losses	-	-	-	-	-
Other	-15	-	1	-	-14
Gross deferred tax	**12**	**247**	**-42**	**11**	**228**
Write-down of deferred tax assets	-	-	-	-	-
Net deferred tax	**12**	**247**	**-42**	**11**	**228**

The increase in the deferred taxes is primarily as a result of the amendments to the post-employment benefit plans (amounting € 150 million). The other changes in the deferred taxes are resulting from the net changes, as a result of acquisitions and value increased in the fair value of the derivatives and the related shadow accounting in the liabilities arising from insurance contracts, amounting to € 100 million.

6.14 Other assets

The table below shows the composition of other assets:

	31 December 2014	31 December 2013
Deferred investment and interest income	483	516
Property developments	100	137
Prepaid costs and other non-financial assets	94	6
Total other assets	**677**	**659**

Interest expenses incurred related to property developments amounting to € 1 million were capitalized in 2014 (2013: € 2 million) and included in property developments.

6.15 Equity

6.15.1 Share capital

Share capital can be broken down as follows:

	31 December 2014	31 December 2013
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.

6.15.2 Unrealized gains and losses recorded in equity

	Investments available for sale	Revaluation of associates	Cash flow hedge reserve	DPF component	Total
31 December 2014					
Gross unrealized gains and losses	3,043	-	-	-	3,043
Related tax	-695	-	-	-	-695
Shadow accounting	-2,064	-	-	-	-2,064
Tax related to shadow accounting	516	-	-	-	516
Unrealized gains and losses related to segregated investment pools	-84	-	-	-	-84
Tax related to segregated investment pools	21	-	-	-	21
Total	**737**	**-**	**-**	**-**	**737**
31 December 2013					
Gross unrealized gains and losses	1,398	6	-1	2	1,405
Related tax	-288	-	-	-	-288
Shadow accounting	-657	-	-	-	-657
Tax related to shadow accounting	164				164
Unrealized gains and losses related to segregated investment pools	-58	-	-	-	-58
Tax related to segregated investment pools	15	-	-	-	15
Total	**574**	**6**	**-1**	**2**	**581**

Life insurance contracts have been entered into that, in addition to offering a guaranteed element, entitle policyholders to additional benefits (see accounting policy J, chapter 6.2). 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.

6.15.3 Actuarial gains and losses

The actuarial gains and losses related to the post-employment pension plans amount to € -634 million (2013: € -107 million). See chapter 6.17.1 for a summary of the movements in the defined benefit obligation through equity amounting to € -706 million (2013: € 152 million).

6.15.4 Other equity instruments

In 2014, a.s.r. announced a combination of capital market transactions in order to further optimize the capital position. The implementation of the capital optimization consists of the following:

- New issue of hybrid Tier 2 instruments 5% Fixed to Fixed Rate Undated Subordinated securities for an amount of € 497 million.
- Buy-back offer of hybrid Tier 1 instruments at a fixed tender offer price amounting to € 278 million (including additional discretionary interest on redemption amounting to € 63 million).
- Redemption of hybrid Tier 1 instruments variable interest (3-month Euribor + 2.3%) and hybrid Tier 1 instruments 6.25% fixed interest amounting to € 96 million.

The combination of transactions further optimized the Group's capital structure for upcoming Solvency II regulations, enhancing the strong capital position of the Group and phasing-out the guarantee structure provided by ASR Levensverzekeringen N.V., a group company. Transaction costs related to the capital optimization amount to € 2 million.

Position as at 31 December	2014	2013	Coupon date
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	-	84	Per quarter with effect from 26 October 2009
Hybrid Tier 1 instrument 6.25% fixed interest	-	12	Per quarter with effect from 30 September 2009
Hybrid Tier 1 instrument 10% fixed interest	187	382	Annually with effect from 26 October 2010
Hybrid Tier 1 instrument 7.25% fixed interest	17	37	Annually with effect from 30 September 2010
Hybrid Tier 2 instrument 5% fixed interest	497	-	Annually with effect from 30 September 2015
Total	**701**	**515**	

The Tier 1 and Tier 2 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:

	Date
Hybrid Tier 1 instrument 10% fixed interest	26 October 2019
Hybrid Tier 1 instrument 7.25% fixed interest	30 September 2019
Hybrid Tier 2 instrument 5% fixed interest	30 September 2024

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:

	31 December 2014	31 December 2013
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	2,205	2,174
Hybrid Tier 1 instrument 6.25% fixed interest	771	771
Hybrid Tier 1 instrument 10% fixed interest	99,255	38,631
Hybrid Tier 1 instrument 7.25% fixed interest	6,254	2,731
Hybrid Tier 2 instrument 5% fixed interest	-	-
Total	**108,485**	**44,307**

The Tier 1 and Tier 2 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. In 2014, the discretionary interest amounting to € 108 million, comprises € 45 million related to regular payments and € 63 million related to additional discretionary interest on redemption.

6.15.5 Non-controlling interests

Movements in non-controlling interests can be broken down as follows:

	2014	2013
At 1 January	-18	-13
Share of total comprehensive income	-2	-5
At 31 December	**-20**	**-18**

The negative non-controlling interest relates to property development projects where non-controlling shareholders have committed to increase capital when required.

6.16 Insurance liabilities

6.16.1 Liabilities arising from insurance contracts

Insurance contracts with retained exposure can be broken down as follows:

	Gross		Of which reinsurance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Provision for unearned premiums	419	414	10	5
Provision for claims (including IBNR)	4,152	3,826	409	402
Non-life insurance contracts	**4,571**	**4,240**	**419**	**407**
Life insurance contracts	**23,652**	**19,688**	**-**	**-**
Total liabilities arising from insurance contracts	**28,223**	**23,928**	**419**	**407**

Changes in liabilities arising from non-life insurance contracts can be broken down as follows:

	Gross		Of which reinsurance	
	2014	2013	2014	2013
Provision for unearned premiums				
At 1 January	414	416	5	38
Changes in provision for unearned premiums	4	-1	6	-34
Other changes	1	-1	-1	1
Provision for unearned premiums as at 31 December	**419**	**414**	**10**	**5**
Provision for claims (including IBNR)				
At 1 January	3,826	3,710	402	407
Benefits paid	-1,659	-1,705	-85	-101
Changes in provision for claims	1,750	1,923	92	96
Changes in shadow accounting through equity	235	-102	-	-
Other	-	-	-	-
Provision for claims (including IBNR) as at 31 December	**4,152**	**3,826**	**409**	**402**
Non-life insurance contracts as at 31 December	**4,571**	**4,240**	**419**	**407**

The provisions for claims comprise:

	Gross	
	31 December 2014	31 December 2013
Claims reported	3,662	3,299
IBNR	490	527
Total provisions for claims	**4,152**	**3,826**

Changes in liabilities arising from Life insurance contracts can be broken down as follows:

	2014	2013
At 1 January	19,766	21,416
Acquisition of insurance portfolios	-	33
Premiums received	818	898
Regular interest added	628	636
Realized gains and losses	753	619
Amortization of realized gains	-98	-86
Benefits	-1,330	-1,498
Technical result	-3	-84
Release of cost recovery	-140	-158
Changes in shadow accounting through equity	1,172	-518
Changes in shadow accounting through income	2,487	-1,323
Other changes	-341	-169
At 31 December	**23,712**	**19,766**
Interest margin participations to be written down		
At 1 January	-87	-112
Write-down recognized in profit and loss	20	24
Other changes	-	1
At 31 December	**-67**	**-87**
Provision for discretionary profit-sharing, bonuses and discounts		
At 1 January	9	10
Profit-sharing, bonuses and discounts granted in the financial year	-2	-1
At 31 December	**7**	**9**
Total life insurance contracts at year-end	**23,652**	**19,688**

At year-end 2014, the liabilities included guarantee provisions directly attributable to policyholders for a carrying amount of € 108 million (2013: € 139 million). Other changes primarily include the effect of the conversion of some insurance contracts amounting to - € 318 million (2013: - € 128 million) which are included in the liabilities arising from insurance contracts on behalf of policyholders.

6.16.2 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 2005 to 2014.

Gross claims (cumulative) as at 31 December 2014	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Claims year Total
At year-end:											
1st claims year	1,258	1,201	1,389	1,571	1,731	1,712	1,771	1,969	1,841	1,763	
2006	1,141	-	-	-	-	-	-	-	-	-	
2007	1,041	1,167	-	-	-	-	-	-	-	-	
2008	1,002	1,076	1,294	-	-	-	-	-	-	-	
2009	1,013	1,067	1,262	1,480	-	-	-	-	-	-	
2010	1,022	1,079	1,213	1,456	1,677	-	-	-	-	-	
2011	1,042	1,087	1,218	1,436	1,636	1,764	-	-	-	-	
2012	1,041	1,085	1,229	1,438	1,660	1,681	1,667	-	-	-	
2013	1,054	1,096	1,243	1,461	1,682	1,712	1,646	1,874	-	-	
2014	1,045	1,124	1,277	1,494	1,710	1,739	1,669	1,867	1,789	-	
Gross claims at 31 December 2014	**1,045**	**1,124**	**1,277**	**1,494**	**1,710**	**1,739**	**1,669**	**1,867**	**1,789**	**1,763**	
Cumulative gross paid claims	990	1,020	1,143	1,301	1,442	1,421	1,329	1,457	1,259	715	
Gross outstanding claims											
liabilities (including IBNR)	**55**	**104**	**134**	**193**	**268**	**318**	**340**	**410**	**530**	**1,048**	**3,400**
Claim liabilities prior years											392
Other claim liabilities											34
Shadow accounting											326
Total claims liabilities											**4,152**

Gross claims (cumulative) as at 31 December 2013	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Claims year Total
At year-end:											
1st claims year	1,405	1,258	1,201	1,389	1,571	1,731	1,712	1,771	1,969	1,841	
2005	1,221	-	-	-	-	-	-	-	-	-	
2006	1,113	1,141	-	-	-	-	-	-	-	-	
2007	1,093	1,041	1,167	-	-	-	-	-	-	-	
2008	1,092	1,002	1,076	1,294	-	-	-	-	-	-	
2009	1,083	1,013	1,067	1,262	1,480	-	-	-	-	-	
2010	1,101	1,022	1,079	1,213	1,456	1,677	-	-	-	-	
2011	1,096	1,042	1,087	1,218	1,436	1,636	1,764	-	-	-	
2012	1,100	1,041	1,085	1,229	1,438	1,660	1,681	1,667	-	-	
2013	1,091	1,054	1,096	1,243	1,461	1,682	1,712	1,646	1,874	-	
Gross claims at 31 December 2013	**1,091**	**1,054**	**1,096**	**1,243**	**1,461**	**1,682**	**1,712**	**1,646**	**1,874**	**1,841**	
Cumulative gross paid claims	1,051	975	1,000	1,118	1,268	1,397	1,361	1,266	1,363	749	
Gross outstanding claims											
liabilities (including IBNR)	**40**	**79**	**96**	**125**	**193**	**285**	**351**	**380**	**511**	**1,092**	**3,152**
Claim liabilities prior years											508
Other claim liabilities											75
Shadow accounting											91
Total claims liabilities											**3,826**

6.16.3 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:

	2014	2013
At 1 January	8,992	8,926
Premiums received	610	676
Interest added	122	106
Benefits	-944	-1,338
Effect of fair value changes related to financial assets	781	672
Technical result	-13	-31
Release of cost recovery	-109	-130
Other changes	340	111
At 31 December	**9,779**	**8,992**

At year-end 2014, the liabilities included a guarantee provision for a carrying amount of € 26 million (2013: € 47 million) and a provision related to unit-linked insurance contracts and pension contracts for a carrying amount of € 197 million (2013: € 218 million). These provisions relate to compensation for the cost of these contracts. Other changes primarily includes the effect of the conversion of some insurance contracts amounting to € 318 million (2013: € 128 million) which were previously included in the liabilities arising from insurance contracts.

Liabilities arising from insurance contracts on behalf of policyholders also include liabilities where conversions and switches have occurred in the insurance contract administration. The insurance contract continues to be classified as an insurance contracts on behalf of policyholders. The insurance contract still meets the definition of an insurance contract on behalf of policyholder and therefore continues to be include in the insurance contracts on behalf of policyholders administration. However, as a result of the conversion and switches, liabilities arising from insurance contracts on behalf of policyholder amounting to € 1.151 million (2013: € 804 million) are not backed directly with investments on behalf of policyholders. The related investments are however, included in investments – available for sale.

6.17 Employee benefits

Employee benefits can be broken down as follows:

	31 December 2014	31 December 2013
Post-employment benefits pensions (chapter 6.17.1)	3,087	2,405
Post-employment benefits other than pensions (chapter 6.17.1)	29	15
Post-employment benefit obligation	**3,116**	**2,420**
Other long-term employee benefits (chapter 6.17.2)	7	6
Total	**3,123**	**2,426**

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:

	2014	2013
Post-employment benefits pensions	-48	-108
Post-employment benefits other than pensions	-18	-1
Total	**-66**	**-109**
Other long-term employee benefits	-1	3
Costs of post-employment benefits	**-67**	**-106**

The costs relate to all members of the a.s.r. post-employment benefit plan and included the other income as a result of the amendments to the post-employment benefit plans amounting to € 78 million (2013: € 27 million).

6.17.1 Pension and other post-employment benefits

A number of defined benefit post-employment benefit plans for its employees and former employees exist. 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 ('Basic plan'). All other employees remain active within the existing plan at the date of first employment. Previous plans for former employees are also still active. The methods and techniques used to calculate the defined benefit obligations are based on IAS 19 requirements and calculated by an independent actuary.

Changes in 2014

a.s.r. has harmonized the (inflation) indexation in its post-employment benefit plan for both employees and former employees in 2014. This has resulted in the foundation of a separate account to fund future inflation indexation based on the consumer price index, maximized to 3%, by investing € 285 million in a dedicated separate account administrated by ASR Levensverzekering N.V. The sole purpose of the separate account is to provide indexation when the proceeds of the existing investments backing the pension plan are insufficient to meet the indexation.
Furthermore, the following changes will also take place, 1 January 2015, for employees primarily in order to comply with pension and tax legislation:

- the accrual rate for old age pensions was changed to 1.875% (2013: 1.9%);
- retirement age changed to 67 years (2013: 65 years or 62 years);
- maximum pensionable salary capped at € 100,000;
- minimum franchise has changed.

As a result of the above mentioned amendments a past service cost is accounted for in 2014 amounting to € 78 million which has been recognized in the Other income in 2014 (see chapter 6.26).

Changes in 2013

As of 1 January 2014, the accrual rate for old age pensions was changed to 1.9% (2013: 2.25% or 2.0%). As a result of this amendment a past service cost is accounted for in 2014 amounting to € 27 million which has been recognized in the Other income in 2014 (see chapter 6.26).

The pension contributions are paid by a.s.r. and employees also 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 for factors such as inflation, and the discount rate.

The post-employment benefit plans for a.s.r.'s employees have been insured by ASR Levensverzekering N.V. since 2008.

Besides pension benefits, the defined benefits plans include personnel arrangements for financial products (such as mortgages and health insurance), which remain in place after retirement.

The table below shows movements in the defined benefit obligation:

	Pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Defined benefit obligation at 1 January	2,405	2,517	15	21
Included in income statement				
Current service cost, contributions by employer	34	39	-	1
Interest cost	92	96	-	-
Past service cost	-78	-27	18	-
Total	**48**	**108**	**18**	**1**
Remeasurement of liabilities included in OCI				
Discount rate change	904	-41	1	-1
Other assumptions change	-185	-97	-3	-3
Experience adjustments	-13	-14	-	-
Total	**706**	**-152**	**-2**	**-4**
Current service cost, contributions by employee	9	9	-	-
Benefits	-81	-77	-2	-3
Defined benefit obligation at 31 December	**3,087**	**2,405**	**29**	**15**

Employees account for 25% (2013: 23%) of the DBO and 38% (2013: 41%) of the DBO relates to former employees currently receiving pension benefits.

The discount rate has decreased by 1.9% point to 2.0% at 31 December 2014 (2013: 3.9%), resulting in an € 904 million increase in the DBO.

The change in other assumptions amounts to € 163 million (2013: € 107 million) due to a change in indexation percentage former employees.

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 and the defined benefit obligation:

	Pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Experience adjustments to qualifying investments, gain (loss)	-	-	-	-
As % of qualifying investments as at 31 December	-	-	-	-
Experienced adjustments to defined benefit obligation, loss (gain)	13	14	3	3
As a % of liabilities as at 31 December	0.4%	0.6%	10.3%	21.5%

The principal actuarial assumptions and parameters at year end were as follows:

	Pension plans		Other post-employment benefits	
	2014	2013	2014	2013
Discount rate	2.0%	3.9%	0.7%	2.1%
Expected return on plan assets	-	-	-	-
Future salary increases (including price inflation and merit)	1.2%	1.5%	1.2%	1.5%
Future pension increases (including price inflation)	1.5%	1.8%	-	-
Indexation % employees[1]	1.2%	0.6%	-	0.6%
Indexation % former employees[2]	1.3%	1.7%	-	1.7%
Accrual rate	1.9%	1.9%	-	-
Mortality (years)	20.5	22.0	-	-
Future mortgage interest (in connection with grantable discounts)	-	-	2.8%	3.5%

In the calculation of the defined benefit obligation 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;
- most recent mortality table ‘AG Prognosetafel 2014’ is used.
- The period of indexation is based on the expected duration of the separate account to fund the future inflation indexation.

In 2014, the discount rate methodology has changes and is based on the IBoxx € Corporates AA 10+ curve. All other methods used for determining the DBO and assumptions are consistent with those applied in 2013.

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the defined benefit obligation by the amounts shown below:

	Pension plans		Other post-employment benefits	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	-520	690	-3	3
Indexation employees (1% movement)	20	-10	-	-
Indexation former employees (1% movement)	465	-334	-	-
Future salary growth (1% movement)	4	-4	-	-
Future pension growth (1% movement)	471	-363	-	-
Future mortality (1 year movement)	-117	115	-	-

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	31 December 2014	31 December 2013
Equities	14%	15%
Fixed-interest securities	80%	79%
Real estate	5%	5%
Cash	1%	1%

The non-qualifying assets managed by a group company are not taken into account in measuring the net defined benefit obligation. At year-end 2014, the fair value of these assets amounted to € 2,409 million (2013: € 1,915 million), which includes the separate account to fund future inflation indexation amounting to € 292 million (31 December 2013: nil).

1 For 2014 after 10 years 0.0%
2 For 2014 after 10 years partially 0.0%

For the non-qualifying assets backing the post-employment benefit plans, a.s.r. has drawn up general guidelines for asset mix based on criteria such as geographical location and ratings. To ensure the investment guidelines remains in line with the conditions of post-employment benefit obligations, a.s.r. regularly performs Asset Liability Management (ALM) studies. Transactions in the non-qualifying assets are done within the guidelines. As the post-employment benefit plans are a liability on group level, the underlying insurance and market risks are in scope of a.s.r.'s risk policies. (see chapter 6.3). The overall interest-rate risk of the group is managed using interest-rate swaps and swaptions (see chapter 6.3.4.1). These swaps and swaptions have not been allocated directly to the post-employment benefit obligations; neither are they included as part of the fair value of the non-qualifying assets managed by the group company.

Under IFRS, assets managed by insurance companies that form part of the group do not qualify as qualifying assets. Investment income from these assets has therefore not been included in the above figures. Actual investment returns for 2014 amounted to € 101 million (2013: € 100 million). These returns have been recognized in investment income (chapter 6.24).

As an employer, a.s.r. is expected to pay contributions for pension plans and other post-employment benefits in the coming financial year amounting to € 103 million (excluding the positive effect of the investment income) and € 0.2 million respectively.

As 31 December 2014 the duration of the defined benefit obligation was 19 years (2013: 17 years).

6.17.2 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

	31 December 2014	31 December 2013
Net liability as at 1 January	6	10
Total expenses	1	-3
Other	-	-1
Net liability as at 31 December	**7**	**6**

The underlying assumptions are as follows:

Actuarial year-end assumptions	31 December 2014	31 December 2013
Discount rate	0.7%	2.4%
Salary increases	1.2%	1.5%
Expected remaining service years	8.9	8.7

6.18 Provisions

The table below shows movements in provisions:

	31 December 2014	31 December 2013
At 1 January	36	31
Additional foreseen amounts	48	45
Reversal of unused amounts	-4	-
Usages in course of year	-41	-40
Other changes	-1	-
At 31 December	**38**	**36**

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.

An amount of € 18 million of the provisions falls due within one year (2013: € 15 million).

6.19 Borrowings

As at year-end 2014, borrowings comprised loans having the following terms to maturity:

	31 December 2014	31 December 2013
Falling due within 1 year	27	50
Falling due between 1 and 5 years	65	21
Falling due after 5 years	25	27
Total borrowings	**117**	**98**

At year-end 2014, the fair value of borrowings was € 117 million (2013: € 98 million). See chapter 6.6.2. The average interest-rate payable on other borrowings was 2.60 % (2013: 3.30%).

These borrowings are used for investment purposes (property, group pension contracts), for balance sheet management, and for short-term cash flow management.

6.20 Due to customers

Amounts owed to customers can be broken down as follows

	31 December 2014	31 December 2013
Debts to policyholders, agents and intermediaries	909	458
Debts to reinsurers	12	19
Savings	733	540
Other liabilities	295	349
Total due to customers	**1,949**	**1,366**

All carrying amounts reflect the fair value as at the balance sheet date (see chapter 6.6.2).

The increase of 'debts to policyholders, agents and intermediaries' is related to a pre-payment received in 2014, as a result of the buy-out of Stichting Chevron Pensioenfonds (the Chevron pension fund) amounting to € 370 million. Savings went up as a result of increased deposits in annuity savings accounts at a.s.r. bank.

6.21 Due to banks

The increase in amounts owed to banks € 3,277 million (2013: € 677 million) is primarily the result of cash collateral received under ISDAs concluded with counterparties. There is no significant difference between the carrying amount of € 3,277 million (2013: € 677 million) due to banks and the fair value of these liabilities (see chapter 6.6.2).

The average interest-rate payable for the cash collateral received in 2014 is 0.09% (EONIA) (2013: 0.09%). There are no specific terms and conditions, because these depend on the development of the value of the underlying instrument.

6.22 Other liabilities

Other liabilities can be broken down as follows:

	31 December 2014	31 December 2013
Deferred income	252	318
Accrued interest	87	114
Other liabilities	262	317
Short-term employee benefits	58	63
Trade payables	135	206
Tax payable	255	354
Total other liabilities	**1,049**	**1,372**

There is no difference between the carrying value of other liabilities and their fair value (see chapter 6.6.2).

Notes to the consolidated income statement

6.23 Gross insurance premiums

The table below shows the composition of gross insurance premiums:

	2014	2013
Non-life insurance contracts – gross earned premiums	**2,355**	**2,393**
Life insurance contracts retained exposure	818	898
Life insurance contracts on behalf of policyholders	610	633
Total life insurance contracts	**1,428**	**1,531**
Total gross insurance premiums	**3,783**	**3,924**

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 in chapter 6.5.

Premiums non-life	2014	2013
Gross premiums written	2,359	2,392
Changes in provisions for unearned premiums	-4	1
Non-life insurance contracts - gross earned premiums	**2,355**	**2,393**

Non-recurring and regular insurance premiums can be broken down as follows:

Premiums life	2014	2013
Retained exposure Group		
Non-recurring premiums written	62	73
Periodic premiums written	188	250
Group total	**250**	**323**
Individual		
Non-recurring premiums written	116	104
Periodic premiums written	452	471
Individual total	**568**	**575**
Total contracts retained exposure	**818**	**898**
On behalf of policyholders Group		
Non-recurring premiums written	24	21
Periodic premiums written	253	233
Group total	**277**	**254**
Individual		
Non-recurring premiums written	4	4
Periodic premiums written	329	375
Individual total	**333**	**379**
Total contracts on behalf of policyholders	**610**	**633**
Total life insurance contracts	**1,428**	**1,531**

Total life insurance contract premiums include the elimination of € 82 million in premiums related to the a.s.r. post-employment benefit plans (2013: € 91 million) and the elimination of investment fees amounting to € 33 million (2013 € 44 million).

6.24 Investment income

6.24.1 Total investment income

The table below shows a breakdown of investment income per category:

	2014	2013
Interest income	1,185	1,244
Dividend and other investment income	232	240
Total investment income	**1,417**	**1,484**

The table below breaks down interest income per category:

	2014	2013
Interest income from receivables due from credit institutions	133	132
Interest income from investments	532	575
Interest income from amounts due from customers	248	223
Interest income from trade receivables and derivatives	253	309
Other interest income	19	5
Total interest income	**1,185**	**1,244**

The effective interest method has been applied to an amount of € 904 million of the interest income from financial assets not classified at fair value through profit and loss (2013: € 920 million).

Interest income includes € 18 million (2013: € 31 million) in interest received on impaired fixed-income securities.

Dividend and other investment income per category can be broken down as follows:

	2014	2013
Dividend on equities	39	43
Rentals from investment property	133	138
Other investment income	60	59
Total dividend and other investment income	**232**	**240**

6.24.2 Realized gains and losses

The table below shows a breakdown of realized gains and losses per category:

	2014	2013
Investment property		
- Realized gains	49	114
- Realized losses	-3	-1
Group companies, associates and joint ventures		
- Realized gains	-1	-
- Realized losses	-	-
Investments available for sale		
Fixed-interest securities		
- Realized gains	345	306
- Realized losses	-2	-14
Equities		
- Realized gains	116	110
- Realized losses	-7	-29
Other investments		
- Realized gains	-	-
- Realized losses	-	-
Total realized gains and losses	**497**	**486**

Reversal of impairments on fixed-interest securities as a result of disposal amounts to € 32 million (2013: € 68 million).

6.24.3 Fair value gains and losses

Fair value gains and losses per category can be broken down as follows:

	2014	2013
Realized gains and losses on derivatives	512	380
Unrealized gains and losses on derivatives	2,483	-1,335
Financial assets at fair value through profit and loss	28	-21
Other fair value gains and losses	-3	1
Additions to Insurance liabilities due to shadow accounting (chapter 6.16)	-2,487	1,323
Total fair value gains and losses	**533**	**348**

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.

6.25 Fee and commission income

Fee and commission income consists of the following components:

	2014	2013
Commission on reinsurance	23	35
Other fee and commission income	12	10
Total fee and commission income	**35**	**45**

6.26 Other income

Other income can be broken down as follows:

	2014	2013
Proceeds from property developments	118	139
Other income	120	66
Total other income	**238**	**205**

The other income includes the past service cost related to the amendment to the a.s.r. post-employment benefit plans amounting to € 60 million (2013: € 27 million) (see chapter 6.17).

6.27 Net insurance claims and benefits

Net insurance claims and benefits can be summarized as follows:

Total Non-life and Life	2014	2013
Insurance claims and benefits	-5,214	-5,122
Insurance claims and benefits recovered from reinsurers	100	110
Net insurance claims and benefits	**-5,114**	**-5,012**

Non-life	2014	2013
Claims paid	-1,659	-1,705
Change in provision for outstanding claims	-92	-217
Amortization of VOBA (chapter 6.7)	-	-1
Insurance claims and benefits	**-1,751**	**-1,923**
Insurance claims and benefits recovered from reinsurers	92	96
Net insurance claims and benefits, Non-life	**-1,659**	**-1,827**

Life	2014	2013
Claims paid	-2,274	-2,848
Changes in liabilities arising from insurance contracts	-372	-246
Changes in liabilities arising from insurance contracts on behalf of policyholders	-798	-86
Amortization of VOBA (chapter 6.7)	-19	-19
Insurance claims and benefits	**-3,463**	**-3,199**
Insurance claims and benefits recovered from reinsurers	8	14
Net insurance claims and benefits, Life	**-3,455**	**-3,185**

6.28 Operating expenses

Operating expenses can be broken down as follows:

	2014	2013
Salaries and wages	-228	-239
Social security contributions	-31	-30
Employee benefit charges	-35	-37
Employee discounts	-1	-8
Other short-term employee benefits	-7	6
Total cost of own staff	**-302**	**-308**
Cost of external staff	-64	-59
Consultancy costs and fees	-74	-75
Marketing, advertising and public relations expenses	-8	-21
Technology and system costs	-47	-40
Amortization of software (chapter 6.7)	-1	-1
Depreciation of property, plant and equipment (chapter 6.9)	-9	-9
Other operating expenses	-36	-34
Total other operating expenses	**-239**	**-239**
Total operating expenses	**-541**	**-547**

Operating expenses continued to fall in 2014 despite investments in strategic projects and increased expenses related to the privatization of a.s.r.

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	2014	2013
Non-life	1,154	1,151
Life	615	644
Other	2,316	2,369
Total employees	**4,085**	**4,164**

As a result of continuing cost-cutting programmes, the total work force decreased by 2% to 4,085 FTE (2013: 4,164 FTE). The 'total work force' consists of the number of internal and external FTEs. The number of internal FTE decreased by 7% to 3,513 FTE (2013: 3,789 FTE) and the number of external FTE increased to 572 FTE (2013: 375 FTE). The increase in the number of external FTE can be contributed to the start of several strategic projects in 2014.

In the presentation of the a.s.r.'s workforce per segment employees related to administrative expenses and overheads are allocated to segment Other.

6.29 Acquisition costs

Acquisition costs can be broken down as follows:

	2014	2013
Commission fees	-386	-424
Amortization of deferred acquisition costs (chapter 6.8)	-27	-31
Total acquisition costs	**-413**	**-455**

6.30 Impairment of assets

The table below is a summary of impairments:

	2014	2013
Intangible assets	-93	-3
Property, plant & equipment (chapter 6.9)	4	-21
Investment property (chapter 6.10)	-18	-52
Associates and joint ventures (chapter 6.11)	-	-5
Investments available for sale (chapter 6.12.1)	7	32
Loans and receivables (chapter 6.12.3)	-18	-42
Total impairments	**-118**	**-91**

In 2014 an additional amortization has been recognized of € 93 million relating to the Amersfoortse Stad Rotterdam unit linked portfolio (see also chapter 6.7).

Changes in impairments of investments available for sale can be broken down as follows:

	2014	2013
Equities	-26	-14
Bonds	-8	-7
Reversal of collateralized debt obligations	30	18
Reversal of impairments on bonds	11	35
Total impairments in investments	**7**	**32**

6.31 Interest expense

The table below is a breakdown of the interest expense:

	2014	2013
Interest on employee benefits	-92	-96
Interest on derivatives	-179	-214
Interest owed to banks	-10	-11
Interest owed to customers	-13	-11
Interest on borrowings	-3	-4
Other interest expenses	-18	-21
Total interest expenses	**-315**	**-357**

6.32 Other expenses

	2014	2013
Costs associated with sale of development property	-118	-195
Operation and depreciation of investment property	-53	-57
Other expenses	-43	-27
Total other expenses	**-214**	**-279**

Included in the costs associated with sale of development property is an amount of € 19 million (2013: € 64 million) related to provisions recognized for possible future loss related to land and property development projects held as other assets.

In 2013, the item other expenses included an amount of € 714 thousand related to the 'Crisisheffing' high-income crisis levy of which € 166 thousand relates to the executive directors. As of 2014, this levy is not applicable anymore and therefore no amounts are included in 2014.

6.33 Income tax expense

The income tax expense can be broken down as follows:

	2014	2013
Current tax for financial year	-209	-252
Current taxes referring to previous periods	19	-79
Total current tax	**-190**	**-331**
Deferred tax for financial year	92	247
Previously unrecognized tax losses, tax credits and other temporary differences that reduce deferred tax expense	4	-
Total deferred tax	**96**	**247**
Income tax expenses	**-94**	**-84**

The table below shows a reconciliation of the expected income tax expense with the actual income tax expense. The expected income tax expense is determined by applying the tax rate in the Netherlands to the profit before tax in 2014, this rate was 25.0% (2013: 25.0%). The enacted tax rate for 2015 will be 25.0%.

	2014	2013
Profit before tax	473	360
Current tax rates	25%	25%
Expected income tax expense	**-118**	**-90**
Effects of:		
Tax-exempt interest	6	5
Tax-exempt dividends	4	8
Tax-exempt capital gains	15	5
Changes in impairments	-5	-16
Adjustments for taxes due on previous financial years	7	4
Other effects	-3	-
Income tax expenses	**-94**	**-84**

6.34 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, NLFI, 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 length transactions.

The remuneration of the a.s.r. Executive Board and Supervisory Board are described in chapter 6.35 (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 (and real estate development joint ventures);
- other related parties.

	Associates		Joint ventures		Other related parties		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Balance sheet items with related parties as at 31 December								
Associates	15	15	27	27	-	-	42	42
Loans and receivables	5	14	-	-	2	2	7	16
Other assets	5	13	-	-	-	-	5	13
Other liabilities	1	2	-	-	-	-	1	2
Transactions in the income statement for the financial year								
Interest income	1	1	-	-	-	-	1	1

Provisions for impairment amounting to € 1 million (2013: € 5 million) have been recognized on the loans and receivables.

In addition to the dividend paid and the discretionary interest to holders of equity instruments amounting to € 99 million (2013: € 88 million) and € 108 million (2013: € 44 million) respectively a.s.r. incurred expenses on behalf of NLFI amounting to € 5 million (2013: € 4 million) for strategic expenses related to the privatization.

Mortgage loans to the Executive Board can be broken down as follows:

Amounts in Euros x 1,000	Outstanding		Average interest %		Settlement	
Executive directors	2014	2013	2014	2013	2014	2013
J.P.M. Baeten	661	691	3.2%	3.2%	-	-
M.H. Verwoest	856	500	3.1%	3.5%	-	-
Total	**1,517**	**1,191**	**-**	**-**	**-**	**-**

These mortgage loans held by the members of the Executive Board have been issued based on current employee conditions. The normal employee conditions include limits and thresholds to the amounts that qualify for a personnel interest-rate discount. For mortgage loans greater than € 340 thousand arm's length conditions apply.
The insurance contracts held by the members of the Executive Board are subject to the normal employee condition.

6.35 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.

6.35.1 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	2014			2013		
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[1]	30	14	44	30	14	44
M. Scheltema[1]	30	14	44	30	14	44
Total	**135**	**38**	**173**	**135**	**38**	**173**

6.35.2 Remuneration of current and former executive directors

The remuneration of current and former executive directors is in accordance with the 2014 remuneration policy. This policy was approved by the shareholder.

In accordance with the 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 directors for the 2014 a.s.r. financial year. The deferred variable remuneration for 2010 has been disbursed to executive directors and former executive directors entitled to this remuneration in accordance with remuneration law and the variable remuneration policy valid in 2010 as disclosed in the 2010 annual report. J.P.M. Baeten, being the only remaining executive director at year end, also falling under the 2010 variable remuneration policy has refrained from any disbursement of long-term variable remuneration.

1 The amount as a committee member also includes remuneration for services as supervisory director of ASR Bank N.V. amounting to 4,000 euro per annum per supervisory director.

The remuneration can be broken down as follows:

Amounts for 2014 in Euros x 1,000 Executive directors	Fixed employee benefits[1]	Short-term variable employee benefits	Post-employment benefits	Pension benefits[2]	Expense allowance	Termination benefits	Long-term variable remuneration[3]	Total, including long-term variable remuneration
J.P.M. Baeten	524	-	-	212	5	-	-	741
R.T. Wijmenga*	270	-	-	97	4	246	9	626
H.C. Figee**	314	-	-	45	3	-	-	362
K.T.V. Bergstein	399	-	-	100	5	-	-	504
M.H. Verwoest	401	-	-	99	5	-	-	505
Total	**1,908**	**-**	**-**	**553**	**22**	**246**	**9**	**2,738**

Amounts for 2013 in Euros x 1,000 Executive directors	Fixed employee benefits[1]	Short-term variable employee benefits	Post-employment benefits	Pension benefits[2]	Expense allowance	Termination benefits	Long-term variable remuneration	Total, including long-term variable remuneration
J.P.M. Baeten	520	-	-	222	5	-	-	747
R.T. Wijmenga	403	-	-	131	5	-	-	539
K.T.V. Bergstein	396	-	-	93	5	-	-	494
M.H. Verwoest	396	-	-	110	5	-	-	511
Total	**1,715**	**-**	**-**	**556**	**20**	**-**	**-**	**2,291**

The long-term variable remuneration adjusted for the customer satisfaction in accordance with the 2010 variable remuneration policy, as disclosed in the 2010 annual report, for three former executive directors amounts to € 16,536. The amount does not concern any of the persons mentioned in the tables above. The only remaining executive director falling under the 2010 variable remuneration policy, J.P.M. Baeten, refrained from any disbursement of long-term variable remuneration.

1 In 2014 the fixed employee benefits increased in line with the annual CAO-index. The fixed employee benefits of ordinary board members are basically similar. Variations also arise as a result of differences in fiscal treatment of lease cars.

2 The pension benefits include pensions and VPL. In 2014 a one-off VPL benefit is disbursed to all employees being the compensation for the maximized fiscal accrual rate in pension schemes of 1,9% as of 1 January 2014. In 2014, no additional charges were made and no additional pension benefits have been granted to the executive directors. The changes in the cost of pension benefits are mainly the result of the impact of age, years of service, gender and age differentiated disability, mortality and other actuarial assumptions as well as interest-rate developments.

3 Part of the 2010 variable remuneration is deferred and adjusted for the customer satisfaction (NPS score) in accordance with the 2010 variable remuneration policy for the 2010 executive directors. The absolute increase in the NPS score between the grant date and the reference date amounts to 17% and translates into an increase in the long-term variable remuneration of 8,5%. The long-term variable remuneration was disbursed to R.T. Wijmenga.

* Term of service ended on 31 August 2014. The termination benefit has been determined in 2014 in accordance with the Dutch Corporate Governance Code (article II.2.8) and contractual obligations and amounts to 8.5 months' salary.

** Joined a.s.r. on 1 April 2014.

6.36 Acquisitions

In 2014 there were no significant acquisitions made by a.s.r.

6.37 Contingent liabilities and assets

6.37.1 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. The costs of the compensation scheme for unit-linked insurance contracts have been fully recognized in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognized in the liabilities arising from insurance contracts and legal provisions (see chapter 6.16).

Dutch insurers see an increase in insurance policies complaints/claims based on grounds other than the cost compensation. Current and possible future legal proceedings could have a substantial financial and reputational impact. However it is not possible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings. Currently there are no indications that such a provision would be necessary for a.s.r.

As for other claims and legal proceedings, including related to employee-benefits, 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.

6.37.2 Investment obligations and guarantees

Where property developments are concerned, ASR Vastgoed Vermogensbeheer has assumed investment obligations for an amount of € 87 million (2013: € 261 million) and has issued guarantees to third parties for a total amount of € 330 million (2013: € 330 million).

a.s.r. has issued guarantees to third parties for a total amount of € 364 million (2013: € 437 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.

6.37.3 Lease commitments

The table below breaks down the commitments for non-cancellable operating leases as at 31 December:

Lease commitments	2014	2013
No later than 3 months	1	1
Later than 3 months and no later than 1 year	3	4
Later than 1 year and no later than 5 years	6	7
Later than 5 years	-	-
Total	**10**	**12**

Other commitments have been entered into primarily for facility and ICT contract related to an amount of € 62 million (2013: € 41 million).

Annual lease costs	2014	2013
Lease payments	**6**	**6**

6.37.4 Expected future rental income

The table below breaks down the expected future rental income on investment property lease as at 31 December:

	2014	2013
No later than 1 year	110	107
Later than 1 year and no later than 5 years	279	260
Later than 5 years	131	122
Total	**520**	**489**

6.38 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 3,513 FTE's internal employees (2013: 3,789) and is a leading insurance company in the Netherlands. In 2014 a.s.r. sold insurance products under the following labels: a.s.r, De Amersfoortse, Europeesche Verzekeringen, Ditzo and Ardanta.

The financial statements for 2014 were approved by the Supervisory Board on 2 April 2015 and will be presented to the Annual General Meeting of Shareholders for adoption. The Executive Board released the financial statements for publication on 16 April 2015.

6.39 List of principal group companies and associates

Company name	Equity interest	Rate of controle	Seat	Segment
Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.[1]	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
ASR Nederland Vastgoed Maatschappij N.V.[1]	100,00	100,00	Utrecht	Life / Non-life
ASR Levensverzekering N.V.[1,2]	100,00	100,00	Utrecht	Life
Deltafort Beleggingen I B.V.	50,00	50,00	Amsterdam	Life
Sycamore 5 B.V.[1]	100,00	100,00	Utrecht	Life
Sycamore 6 B.V.[1]	100,00	100,00	Utrecht	Life
ArboNed Holding B.V.	41,00	41,00	Utrecht	Other
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]	100,00	100,00	Rotterdam	Other
ASR Hypotheken B.V.[1]	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.	100,00	100,00	Utrecht	Other
ASR Vastgoed Vermogensbeheer B.V.[1,3]	100,00	100,00	Utrecht	Other
Brand New Day Premiepensioeninstelling N.V.[3]	50,00	50,00	Amsterdam	Other
B.V. Nederlandse Hulpverleningsorganisatie-SOS International	100,00	100,00	Amsterdam	Other
PoliService B.V.[3]	100,00	100,00	Zeist	Other

The principal group companies and associates are located in the Netherlands.

For notes to equity interests in associates and joint ventures, see chapter 6.11. The list of equity interests which are 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.

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 Wft registered companies.

6.40 Company financial statements

6.40.1 Company balance sheet

Company name	Note	31 December 2014	31 December 2013
Subsidiaries, joint ventures and associates	6.40.3.2	3,831	3,652
Loans to group companies	6.40.3.3	75	122
Loans and receivables	6.40.3.4	27	29
Receivables from group companies	6.40.3.5	2,710	2,283
Deferred tax assets	6.40.3.6	124	22
Other assets		21	3
Cash and cash equivalents	6.40.3.7	5	5
Total assets		**6,793**	**6,116**
Equity			
Share capital	6.40.3.8	100	100
Share premium reserve	6.40.3.8	962	962
Statutory reserves	6.40.3.8	550	492
Actuarial gains and losses	6.40.3.8	-634	-107
Other reserves	6.40.3.8	987	790
Profit for the year	6.40.3.8	381	281
Total equity attributable to shareholders		**2,346**	**2,518**
Other equity instruments	6.40.3.8	701	515
Equity attributable to holders of equity instruments		**3,047**	**3,033**
Employee benefits	6.40.3.9	3,123	2,426
Provisions	6.40.3.10	13	20
Borrowings	6.40.3.11	-	30
Debts to group companies	6.40.3.12	29	182
Due to banks	6.40.3.13	250	-
Other liabilities	6.40.3.14	331	425
Total liabilities		**3,746**	**3,083**
Total liabilities and equity		**6,793**	**6,116**

The numbers following the line items refer to the relevant chapters in the notes to the company financial statements.

6.40.2 Company income statement

	2014	2013
Share of profit/(loss) of group companies	410	296
Other income and expenses after tax	-29	-15
Profit for the year	**381**	**281**

6.40.3 Notes to the company financial statements

6.40.3.1 Accounting policies

The consolidated financial statements of a.s.r. for 2014 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 euro.

6.40.3.2 Subsidiaries, joint ventures and associates

	2014	2013
At 1 January	3,652	3,809
Additions to capital	69	153
Share of profit	410	296
Dividend received	-356	-697
Revaluations	58	94
Change in DPF component	-2	-2
Other changes	-	-1
At 31 December	**3,831**	**3,652**

6.40.3.3 Loans to group companies

	2014	2013
At 1 January	122	289
Issues	92	192
Repayments	-139	-359
At 31 December	**75**	**122**

The loans to group companies consist primarily of deposits with group companies of € 29 million (2013: € 47 million) repayable within one year, no loans with a maturity term within 3 years (2013: € 29 million, average interest-rate of 4.5%) and loans of € 46 million (2013: € 46 million) with a maturity term longer than 3 years and an average interest-rate of 5.6% (2013: 5.6%).

6.40.3.4 Loans and receivables

	2014	2013
At 1 January	29	31
Repayments	-2	-2
At 31 December	**27**	**29**

6.40.3.5 Receivables from group companies

Receivables from group companies includes the receivable with respect to non-qualifying plan assets (see chapter 6.17) administered by ASR Levensverzekering N.V. amounting to € 2,510 million (2013: € 2,031 million). This included the separate account to fund future inflation indexation amounting to € 292 million as at 31 December 2014. The remaining portion of the receivables from group companies is payable on demand.

6.40.3.6 Deferred tax assets

The deferred tax assets relate primarily to employee benefits (including the asset resulting from the insurance contracts which is administered by ASR Levensverzekering N.V.) amounting to € 157 million (2013: € 42 million) off set by the equalization reserve of € 30 million (2013: € 18 million).

6.40.3.7 Cash and cash equivalents

Cash and cash equivalents are stated at face value. They are fully and freely available to the company.

6.40.3.8 Equity

	Share capital	Share premium reserve	Actuarial gains and losses	Statutory reserves	Other reserves	Profit for the year	Equity attributable to shareholders	Other equity instruments	Equity
At 1 January 2013	100	962	-224	398	609	316	2,161	515	2,676
Profit for the year	-	-	-	-	-	281	281	-	281
Remeasurement of post employment									
benefit obligation	-	-	117	-	-	-	117	-	117
Unrealized change in value	-	-	-	94	-13	-	81	-	81
Dividend paid	-	-	-	-	-	-88	-88	-	-88
Result carried over from previous financial year	-	-	-	-	228	-228	-	-	-
Change in reserves required by law	-	-	-	-	-	-	-	-	-
Profit carried over from previous financial year	-	-	-	-	-	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-44	-	-44	-	-44
Issue of other equity instruments	-	-	-	-	-	-	-	-	-
Cost of issue of other equity instruments	-	-	-	-	-	-	-	-	-
Change in reserves required by law	-	-	-	-	-	-	-	-	-
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	11
Other	-	-	-	-	-1	-	-1	-	-1
At 31 December 2013	**100**	**962**	**-107**	**492**	**790**	**281**	**2,518**	**515**	**3,033**
At 1 January 2014	100	962	-107	492	790	281	2,518	515	3,033
Profit for the year	-	-	-	-	-	381	381	-	381
Remeasurement of post employment									
benefit obligation	-	-	-527	-	-	-	-527	-	-527
Unrealized change in value	-	-	-	58	98	-	156	-	156
Dividend paid	-	-	-	-	-	-99	-99	-	-99
Result carried over from previous financial year	-	-	-	-	182	-182	-	-	-
Change in reserves required by law	-	-	-	-	-	-	-	-	-
Profit carried over from previous financial year	-	-	-	-	-	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-108	-	-108	-	-108
Issue of other equity instruments	-	-	-	-	-	-	-	186	186
Cost of issue of other equity instruments	-	-	-	-	-2	-	-2	-	-2
Change in reserves required by law	-	-	-	-	-	-	-	-	-
Tax relating to interest on other equity instruments	-	-	-	-	27	-	27	-	27
Other	-	-	-	-	-	-	-	-	-
At 31 December 2014	**100**	**962**	**-634**	**550**	**987**	**381**	**2,346**	**701**	**3,047**

The statutory reserve relates to the revaluation of investments in group companies. In 2014 no expected claims for additional benefits under insurance contracts with DPF are included in the Other reserves (2013: € 2 million). For a breakdown of the Share capital, see chapter 6.15.1.

Other equity instruments

The other equity instruments relate to three (2013: four) different hybrid Tier 1 instruments classified as equity (see chapter 6.15.3). The payments of all amounts due in respect of the other equity instruments is guaranteed on a subordinated basis by ASR Levensverzekering N.V., a group company.

6.40.3.9 Employee benefits

Employee benefits can be broken down as follows (see chapter 6.17 for further details):

	31 December 2014	31 December 2013
Post-employment benefits pensions	3,087	2,405
Post-employment benefits other than pensions	29	15
Other long-term employee benefits	7	6
Total employee benefits	**3,123**	**2,426**

6.40.3.10 Provisions

The table below shows movements in provisions:

	31 December 2014	31 December 2013
At 1 January	20	19
Additional provisions	24	24
Utilized in course of year	-31	-23
At 31 December	**13**	**20**

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.

6.40.3.11 Borrowings

In 2014, the borrowings from group companies was settled in accordance with the normal terms of the borrowing. The average interest-rate was 3.8%.

6.40.3.12 Debts to group companies

	31 December 2014	31 December 2013
Debts to group companies	-	135
Deposits due to group companies	29	47
Debt to group companies	**29**	**182**

The debts to group companies contain short term debts which are immediately collectable and deposits due to group companies with an interest-rate ranging between 1.6% and 1.7%. The maturities of the deposits range between 6 and 12 months.

6.40.3.13 Due to banks

In 2014 due to banks contains € 250 million, with a maturity of 1 year and an interest-rate of 1-month Euribor + 0.6%.

6.40.3.14 Other liabilities

	31 December 2014	31 December 2013
Other liabilities	49	49
Short-term employee benefits	10	10
Trade payables	17	12
Tax payables	255	354
Total other liabilities	**331**	**425**

6.40.3.15 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 2014 and 2013 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	2014	2013
Examining and auditing the financial statements under the articles of association and other group company audits under the articles of association	2,087	1,863
Other audit services	515	681
Other non-audit services	-	98
Total audit fees	**2,602**	**2,642**

6.40.3.16 Contingent liabilities

Joint and several liability
ASR Nederland N.V. forms a fiscal unity for corporate income tax and VAT with nearly all of its subsidiaries. The company and its subsidiaries that form part of the fiscal unity are jointly and severally liable for taxation payable by the fiscal entity.

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 chapter 6.39 List of principal group companies and associates.

Investment obligations and guarantees
ASR Nederland N.V. has issued guarantees to third parties for a total amount of € 333 million (2013: € 323 million) for real estate development projects and the acquisition of property.

Lease commitments
For the table with the breakdown of the commitments for non-cancellable operating leases, see chapter 6.37.

Commitments to group companies
ASR Nederland N.V. has committed to a capital increase of ASR Bank N.V. amounting to € 34 million for the period until 2017. The amount will be paid in tranches when required by ASR Bank N.V. depending on its required solvency. As a consequence of the growing business, a capital tranche amounting to € 5.8 million has been made in 2014.

Utrecht, 2 April 2015

Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Margot Scheltema

Executive Board
Jos Baeten
Karin Bergstein
Chris Figee
Michel Verwoest

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Chapter 7

Other information

7.1 Independent auditor's report

To: The General Meeting of Shareholders of ASR Nederland N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the accompanying financial statements 2014 of ASR Nederland N.V. (the Company), based in Utrecht. The financial statements include the consolidated financial statements and the company 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 2014 and of its results and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.
- The company financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2014 and of its results for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements comprise:
- the consolidated balance sheet as at 31 December 2014;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended; and
- the 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 2014;
- the company income statement for the year then ended; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ASR Nederland N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and will be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 30 million. The materiality is determined with reference to a benchmark of total equity (1%), which is essential for determining the solvency of the Company. Due to the long-term insurance liabilities and the related solvency requirements we consider total equity the most important metric for the financial position of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of group entities, which also have own statutory reporting requirements, were based on statutory audit materiality which is lower than the materiality used for the financial statements of the Company as a whole.

We agreed with the Supervisory Board that misstatements in excess of € 1.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ASR Nederland N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of ASR Nederland N.V.

Because we are ultimately responsibility for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. We included almost all insurance and bank entities in the audit scope for consolidation purposes, resulting in a coverage of 99% of total assets, 93% of gross premiums written and 94% of net result. We performed for the remaining entities, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement. All entities in scope for group reporting are audited by KPMG Accountants N.V.

By implementing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements and the company financial statements.

Our key audit matters

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

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

Sensitivities in the calculation of the liabilities arising from insurance contracts and related impairment of Value of Business Acquired (VOBA)

The calculation of the liabilities arising from insurance contracts and the related VOBA is complex and highly judgmental and is based on assumptions which are affected by (future) economic and political conditions. The assumptions used relate to risks regarding mortality, longevity, catastrophe, lapse and expense. Also the cost compensation for unit-linked insurance contracts impacts the valuation of the liabilities arising from insurance contracts and the related VOBA. Furthermore, the valuation of the liabilities arising from insurance contracts is affected by government regulations, in particular regarding the claim allocations to the Company from workers' compensations insurance (WGA-ER) and healthcare insurance.

The assumptions require significant Executive Board's judgment. The Company has comprehensive procedures and internal controls in place to determine the value of the liabilities arising from insurance contracts and the related VOBA. As disclosed in note 6.7, in 2014 the Executive Board identified an impairment trigger regarding the VOBA, based on structural market developments regarding unit-linked insurance policies. The Executive Board performed an impairment test on the VOBA at the level of the unit-linked portfolio, and as a consequence the Executive Board recorded an impairment loss.

Our audit included, amongst others, comprehensive testing of the Company's procedures regarding the determination of the assumptions and data used for the impairment testing, based on market observable data and actuarial analysis of the technical results during the year compared with the expected outcome based on the used assumptions. We discussed the outcome of the internally prepared analysis with the internal actuaries and the external (certifying) actuaries and we compared the assumptions used with market observable data, making use of our own actuarial experts. We furthermore focused on the adequacy of disclosure of the provisions and the related risks and assumptions in notes 6.2.2.D, 6.2.2.J, 6.3.6 and 6.16 of the financial statements.

We found that the assumptions used and related estimates resulted in a cautious valuation of liabilities arising from insurance contracts and the related VOBA.

Application of shadow accounting has a significant impact on the financial statements

The Company applies shadow accounting in its financial reporting as disclosed in note 6.2.2.J. As a result (un)realized results on fixed income investments and interest derivatives, held for hedging the interest risk in the technical provisions, are not recognized in equity or income but are added to or deducted from the insurance liabilities. Shadow accounting is only applied for interest rate effects. Shadow accounting is complex, requires significant Executive Boards judgment regarding results that apply for shadow accounting and has a significant impact on the technical provisions.

In relation to shadow accounting also the impact on the provisioning for Employee benefits is of importance. In the financial statements, the Company is accounting for Employee benefits based on IAS19 as disclosed in note 6.2.2.L. The underlying pension contract for own employees is administrated by ASR Levensverzekering N.V. This contract does not qualify as a plan asset according to IAS19, because ASR Levensverzekering N.V. is a consolidated group company. Due to the overlay interest hedging strategy of the Company, the swaps and swaptions are not specifically allocated to the pension contract for own employees. Therefore the results from the swaps and swaptions as a whole are accounted for in Liabilities arising from insurance contracts, based on the shadow accounting policy of the Company, whereas the impact of declining interest rates on the provisioning for Employee benefits is part of actuarial gains and losses that are recognized in equity (see note 6.17.1).

As part of our audit procedures we tested the valuation of the fixed income investments and interest derivatives, held for hedging the interest risk in the technical provisions. Furthermore we tested the internal controls regarding the accounting of the (un)realized results and relating shadow accounting adjustments and the appropriate elimination of impairment results on the fixed income investments that do not apply for shadow accounting.

We found that shadow accounting is consistently and appropriately applied by the company and that the shadow accounting methodology contributes to the cautious provisioning for the liabilities arising from insurance contracts.

Sensitivities in the calculation of the solvency ratio

For the calculation of the solvency ratios as disclosed in note 6.4.1.2 the surplus from the liability adequacy test (test margin) and the surplus of the investment property value (the difference between the book value and the fair value) are important inputs. The surplus from the liability adequacy test is especially sensitive for changes in interest rates and cost parameters as disclosed in note 6.3.4. The surplus of the investment property value is especially sensitive to market developments.

Our audit procedures include challenging the underlying assumptions used by the Executive Board for the liability adequacy test, making use of market observable data such as interest rates and publications of the Dutch Central Bank. We assessed the outcome of the liability adequacy test with the internal actuaries and the external (certifying) actuaries, making use of our own actuarial experts. As part of our audit we tested the internal procedures regarding the valuation of the investment property portfolio and assessed whether the fair value of investment property was based on valuation reports of independent professional property appraisers. We furthermore focused on the adequacy of disclosure on investment property and assumptions in note 6.6.3 of the financial statements.

We found that the solvency ratios are calculated adequately and substantiated by the surplus in both the Liability adequacy test and the investment property value.

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Report on the Report of the Executive Board and the other information

Pursuant to legal requirements under Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Report of the Executive Board and other data), we declare that:

- We have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required under Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- Further we report that the Report of the Executive Board, to the extent we can assess, is consistent with the financial statements.

Engagement

We were appointed before 2008 for the first time as auditor of ASR Nederland N.V. and operated as auditor since then. We were re-appointed by the General Meeting of Shareholders as auditor of ASR Nederland N.V. on 17 April 2014 regarding the audit for year 2014. Due to regulations we will ultimately rotate after the audit of book year 2015.

Utrecht, 2 April 2015

KPMG Accountants N.V.

W. Teeuwissen RA

7.2 Events after the balance sheet date

Voluntary change in accounting policy as of 1 January 2015.

a.s.r.'s accounting policy in 2014 was to capitalize commission fees for Non-life and Life insurance contracts and to amortize it over the period over which the relevant premiums are realized. The deferred acquisition costs (DAC) capitalized as at 31 December 2014 amounted to € 213 million. As per 1 January 2014 the capitalized acquisition costs amounted to € 241 million of which €28 million was amortized in 2014.

With effect from 1 January 2015, all costs incurred to acquire insurance contracts (acquisition costs), will be charged directly to the income statement. This voluntary change in accounting policy is effected as it will provide the users of the financial statements with more meaningful information, considering the effects of the changes in legislation enacted in recent years. This change in accounting policy will enhance the ability to understand a.s.r.'s financial position taking into account industry trends and cost-benefit considerations and furthermore retaining consistency in the accounting policy for a.s.r.'s Non-life and Life segment.

The change in accounting policy will be applied with retrospective effect in the 2015 annual report. The change in accounting policy will result in a decrease of total equity as at 31 December 2014 of € 160 million after tax (€ 53 million) to € 2,867 million. The profit for the year 2014 increases by € 21 million to € 402 million.

ASR Dutch Prime Retail Fund and ASR Dutch Core Residential Fund.

In 2015, a further tranche in ASR Dutch Prime Retail Fund (DPRF) and a first and second tranche of ASR Dutch Core Residential Fund (DCRF) were transferred by a.s.r. to institutional investors. Thereby further reducing a.s.r.'s investment property exposure from 56% to 41% for DPRF and from 100% to 93% for DCRF. As a result of these transactions, a.s.r. will recognize a net profit after tax of € 60 million in 2015 as a result of the realized gain on investment property.

7.3 Other equity interests

For notes to equity interests in associates and joint ventures see chapter 6.11.

The list of equitiy 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.

7.4 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. The Executive Board's proposals for the Company's reservation and dividend policies shall be subject to the approval of the Supervisory Board. These policies shall subsequently be adjusted and amended, if appropriate, by the Annual General Meeting of Shareholders (AGM). If the Executive Board does not make any proposals, the AGM shall have the right to adopt the reservation and dividend policies at its own discretion. The adoption and any subsequent amendments of the reservation and dividend policies shall be addressed and recorded as a separate agenda item in the AGM, in which process any departures from these proposals shall be explained stating the reasons.

3. The AGM shall determine annually, either on the recommendation of the Executive Board and subject to the approval of the Supervisory Board or on its own initiative, which part of the profit is to be retained or distributed.
4. With respect to the provisions of paragraph 1, the AGM shall have the right, either on the recommendation of the Executive Board and subject to the approval of the Supervisory Board or on its own initiative, to charge distributions to the distributable part of the net assets.
5. The AGM shall have the right, either on the recommendation of the Executive Board and subject to the approval of the Supervisory Board or on its own initiative, to distribute an interim dividend subject to the conditions set out under paragraph 1 above as evidenced by an interim statement of assets and liabilities referred to in Section 105(4), Book 2 of the Netherlands Civil Code.
6. No profit shall be distributed to the Company in respect of shares held by the Company in its own capital.
7. When calculating the profit, the shares held by the Company on which no dividend is distributed to the Company pursuant to paragraph 5 shall be disregarded.
8. Dividends shall be released for payment on a date determined by the Executive Board; this date shall not fall any later than on the fifth working day following the date of the dividend resolution. If the matter involves the distribution of an interim dividend, this day shall not fall any later than on the tenth working day following the date of the dividend resolution.
9. The claim of the shareholder for payment shall be barred after five years have elapsed.

7.5 Profit appropriation

The Executive Board will propose to the Annual General Meeting of Shareholders to distribute € 138,9 million in dividend on ordinary shares for 2014.

7.6 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
A financial 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.

Net Promoter Score
Is a management tool that can be used to gauge the loyalty of a firm's customer relationships.

Non-participating life insurance contracts
In non-participating life insurance contracts all values related to the policy (death benefits, cash surrender values, premiums) are usually determined at policy issue, for the life of the contract, and usually cannot be altered after issue.

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 cashgenerating 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.

7.7 List of acronyms

ALM	Asset Liability Management
CCR	Counterparty Credit rating (Standards and Poor's)
CDO	Collateralized debt obligation
CDS	Credit default swap
CRSA	Control Risk Self Assessment
CoC	Cost of Capital)
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
CSA	Credit Support Annex
DAC	Deferred acquisition costs
DBO	Defined Benefit Obligation
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
ERM	Enterprise Risk Management
EUR	Euro
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 and Poor's)
ISDA	International Swaps and Derivatives Association
LAT	Liability Adequacy Test
LTGA	Long Term Guarantee Assessment
OIS	Overnight Index Swap
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
QIS	Quantitative Impact Studies (Solvency II)
RICS	Royal Institution of Chartered Surveyors
Saas	Software as a service
SCR	Solvency Capital Requirement
TVOG	Time Value of Financial Options and Guarantees
UFR	Ultimate Forward rate
USD	United States Dollar
VOBA	Value of Business Acquired
VPL	Early retirement and life cycle 'VUT (Vervroegd UitTreden), Prepensioen en Levensloop'
WFT	The Dutch Act on Financial Supervision which regulates the supervision of financial institutions in the Netherlands (Wet op het financieel toezicht).

Appendix 1

Governance Principles

In accordance with the Governance Principles for Insurance Companies, which are also referred to as the Dutch Insurance Code ('the Code'), insurers are required to account for their compliance with each principle of the Code separately. The compliance reports are to be included in consolidated/company annual reports and published on the group/company website. a.s.r.'s compliance report is given below. This report has also been posted on the website (www.asrnl.com).

1. Compliance with the Code

1.1 Application

a.s.r. applies all the principles of the Code. Compliance with the principles is carefully monitored and, where possible, improved, taking account of the continually changing needs of stakeholders. Any comparable legal and regulatory requirements that go beyond the principles set down in the Code are observed.

a.s.r. applies the Code to the following insurance companies:

- ASR Schadeverzekering N.V.
- ASR Levensverzekering N.V.
- ASR Basis Ziektekostenverzekering N.V.
- ASR Aanvullende Ziektekostenverzekering N.V.
- N.V. Amersfoortse Algemene Verzekering Maatschappij
- Europeesche Verzekering Maatschappij N.V.

1.2 Accountability

If an insurer is part of a group, it may apply parts of the Code at either group or consolidated level. a.s.r. has opted for application of the Code's principles at consolidated level. ASR Bank N.V. reports on its compliance with the Dutch Banking Code in a separate report.

2. Supervisory Board

2.1 Composition and expertise

2.1.1 *The Supervisory Board shall be composed in such a way as to enable the proper performance of its duties. Complementarity, joint management, independence and diversity are key to the proper performance of the Supervisory Board's duties.*

Compliance with this principle is enshrined in the Supervisory Board's regulations and profile. The regulations stipulate that the Supervisory Board should be composed in such a way as to enable the proper performance of its duties. The Supervisory Board has drafted a profile detailing its size and composition, taking account of the company's nature and business, and of the expertise, experience and independence called for in its members. The Supervisory Board aims for diversity in its membership as to age and gender, among others aspects. Once a year, the Supervisory Board evaluates its profile in order to learn lessons for its composition, practices and competencies. When candidates are nominated for appointment or re-appointment, the requirements regarding the composition and competencies of the Supervisory Board are considered in light of the profile.

The Supervisory Board is diverse in terms of the gender and professional background of its members. The diversity of the members of the Supervisory Board guarantees its complementary profile. Supervisory Board members satisfy the independence criteria set down in the Dutch Corporate Governance Code. The members perform their duties collectively and with joint responsibility.

The Supervisory Board may request any information it deems necessary for the performance of its duties and consult external experts. The Supervisory Board performs a self-assessment at least once a year, which includes the composition of the Supervisory Board as well as other matters.

The Supervisory Board's regulations, its general profile and a short CV of each member have been posted on the corporate website (www.asrnl.com).

2.1.2 *The Supervisory Board should have a sufficient number of members to enable the proper performance of the duties of the Board and its committees. What is deemed to be a suitable number also depends on the nature, size and complexity of the insurer.*

The Supervisory Board has four members. In view of the company's nature and business and the desired experience and expertise, the Supervisory Board deems four members a suitable number to enable the proper performance of its duties and those of its committees. The Supervisory Board underwent an external assessment in 2014 (see 2.1.10).

2.1.3 *The Supervisory Board members shall have thorough knowledge of the insurer's rule in society and of the interests of all its stakeholders, and shall carefully consider the interests of the insurer's stakeholders, such as customers, shareholders and employees.*

The Supervisory Board's regulations require the Supervisory Board to take into consideration the interests of all stakeholders of a.s.r. and all its regulated entities, including any relevant corporate social responsibility aspects of the various business lines.

Shortly after their appointment, Supervisory Board members follow a tailored induction programme to introduce them to a.s.r and their role as Supervisory Board members. The programme focuses on a.s.r.'s role in society, including the interests of customers, intermediaries, employees and the shareholder.

The Supervisory Board explicitly considers the interests of the various stakeholders in any issue it deals with. In order to gain a good understanding of these interests, the Supervisory Board conducted several interviews with the shareholder, the regulators and the Works Council in 2014.

2.1.4 *Each Supervisory Board member shall be capable of assessing the main aspects of the* *insurer's overall strategy in order to form a considered and independent opinion of the basic risk exposures. Each member shall also have the specific expertise required to perform his or her role within the Supervisory Board. To this end, an individual profile – in line with the general profile for the Supervisory Board – shall be compiled whenever a vacancy arises.*

The regulations stipulate that each Supervisory Board member must be able to assess the main aspects of a.s.r.'s overall strategy. All members must have plenty of experience in highly responsible positions and a proven track record of well-considered business decisions. The composition of the Supervisory Board enables members to be critical of each other, the Executive Board or any subsidiary interest.

Members are nominated for their potential contribution in terms of knowledge, experience and skills in one or more areas, in accordance with the Supervisory Board's needs at that time.

At least once a year, the Supervisory Board discusses its own performance and that of its individual members, and the conclusions to be drawn from this. The desired profile, composition and competencies of the Supervisory Board are discussed once a year.

2.1.5 *As part of the process to fill the vacancy of chair of the Supervisory Board, an individual profile shall be drawn up focusing on the insurer's requirements in terms of expertise and experience in relation to the financial sector, and knowledge of the socio-economic and political culture, and the social environment of the insurer's main markets.*

When the incumbent chair of the Supervisory Board steps down, the Supervisory Board will draft an individual profile in line with the general profile for the entire Supervisory Board that also covers the requirements concerning financial sector experience and expertise, and knowledge of the socio-economic and political culture and the social environment of the main markets in which the insurer operates.

The incumbent chair of the Supervisory Board possesses wide knowledge and many years' experience of the financial services sector and of the socio-economic and political culture and the social environment of the main markets in which a.s.r. operates.

2.1.6 *The availability and accessibility of each member of the Supervisory Board, the chair in particular, shall be such as to enable the proper performance of their duties as Supervisory Board members and Supervisory Board committee members.*

The chair and members of the Supervisory Board pledged on their appointment, and have managed in practice, to make themselves sufficiently available and accessible to enable the proper performance of their duties as Supervisory Board members and Supervisory Board Committee members.

Members' availability may be deduced from their attendance at meetings. As disclosed in this Annual Report, each meeting in 2014 was attended by all members of the Supervisory Board. Outside meetings, members may be contacted (individually) and are available for discussion and consultation. A number of non-routine conference calls were scheduled in 2014, which required the members of the Supervisory Board to make themselves available outside meetings.

2.1.7 *Members of the Supervisory Board shall each be paid an appropriate fee proportionate to the time required to perform their duties. The size of the fee shall be independent of the insurer's results.*

a.s.r. has a restrained remuneration policy, which is exercised with due care. The members of a.s.r.'s Supervisory Board are paid a fee proportionate to the time required to perform their duties. The level of their fee is adopted by the Annual General Meeting of Shareholders (AGM) and is not linked to a.s.r.'s results.

2.1.8 *The chair of the Supervisory Board shall ensure that a programme of continuing education is in place for the members of the Supervisory Board, aimed at maintaining and, where necessary, enhancing members' skills and expertise. This programme shall at least cover relevant developments regarding the insurer and the financial sector, corporate governance in general and that of the* *financial sector in particular, the duty of care to customers, integrity, risk management, financial reporting and audits. All members shall take part in the programme and satisfy the continuing education requirements.*

The chair of the Supervisory Board is responsible for the effectiveness of the Supervisory Board and its committees. The Supervisory Board's regulations stipulate that members are to follow a programme of continuing education (CE) and satisfy the CE requirements.

In 2014, three CE sessions were organized for the members of the Supervisory Board. These sessions covered developments in the contracted care market, consumer behaviour in various stages of the value chain and emotional capital. Members can use the annual self-assessment to indicate whether they require additional training and education in specific topics, which is then organized within the CE framework.

2.1.9 *An evaluation of the effectiveness of the continuing education referred to under principle 2.1.8 shall form part of the Supervisory Board's annual assessment.*

The Supervisory Board takes account of the effectiveness of the CE programme in its annual evaluation and assessment of members' performance, and discusses whether members have sufficiently enhanced their knowledge of the topics covered in the CE programme.

2.1.10 *In addition to the Supervisory Board's annual self-assessment, the Supervisory Board's performance shall be assessed once every three years under independent guidance. This shall include an evaluation of individual members' commitment, the culture within the Supervisory Board as a whole and the relationship between the Supervisory and Executive Boards.*

The Supervisory Board's regulations stipulate that the Board should conduct an annual assessment of its performance and that this assessment is to take place under the guidance of an external party every three years. In 2014, this assessment was performed under external guidance, using feedback questionnaires and interviews. The findings were first discussed within the Supervisory Board and subsequently with the Executive Board.

2.2 Duties and procedures

2.2.1 *In the conduct of its supervisory duties, the Supervisory Board shall pay particular attention to the insurer's risk management. Discussions of the insurer's risk management should always be prepared by a special risk management or similar committee chosen from among the Supervisory Board members.*

In 2014, in accordance with the relevant provisions of its regulations, the Supervisory Board adopted the Executive Board's proposal concerning the risk appetite. The Supervisory Board was advised on this matter by the Audit & Risk Committee. The Supervisory Board also discussed and adopted the proposals for applying the risk appetite of ASR Nederland N.V. to licensees of ASR Nederland N.V. The regulations of the Audit & Risk Committee have been published on www.asrnl.com as an annex to the Supervisory Board's regulations (in Dutch).

2.2.2 *Members of the Audit & Risk Committee shall be subject to specific requirements concerning competence and experience. Some members of the risk management committee need to possess in-depth knowledge of the financial and technical aspects of risk management or have the experience needed to make a thorough risk assessment, and some members of the audit committee shall possess in-depth knowledge of financial reporting, internal control and auditing or have the experience needed to exercise thorough supervision of these matters.*

The regulations governing the Audit & Risk Committee stipulate that this Committee is to be composed in such a way as to ensure the availability of sufficient knowledge and/or experience of the financial and technical aspects of risk management, financial reporting, internal control and auditing to enable adequate supervision in these matters.

The Audit & Risk Committee consists of two members, appointed by the Supervisory Board.

The regular meetings of the Audit & Risk Committee, held no fewer than five times a year, are to be attended, at least, by the CFO and the heads of the Audit, Risk Management and Integrity departments (the latter being responsible for Compliance). An overview of the members of the Audit & Risk Committee and their CVs is given on pages 85 and 87 of this Annual Report. The CVs of the members show that this principle is being met.

3. Executive Board

3.1 Composition and expertise

3.1.1 *The Executive Board shall be composed in such a way as to enable the proper performance of its duties. Complementarity, joint management and diversity are key to the proper performance of the Executive Board's duties.*

The duties and responsibilities of the Executive Board members and the experience and competencies they are expected to possess are described in detail in a.s.r.'s Articles of Association, the Executive Board's regulations and the Board members' job profiles. Management is conducted collectively. Complementarity and diversity are taken into account when filling Board vacancies.

The Executive Board has four members. The composition of the Board is characterized by complementarity and diversity of gender and age, as evidenced by the abbreviated CVs posted on the corporate website (www.asrnl.com) and included on page 85 of this report.

3.1.2 *Each member of the Executive Board shall possess in-depth knowledge of the financial sector in general and the insurance industry in particular, of the insurer's role in society and of the interests of all stakeholders. Each member shall also be highly knowledgeable, capable of analyzing and deciding on the main aspects of the insurer's overall strategy and forming a considered and independent opinion of the risk exposures.*

This principle is enshrined in the job profiles for the Executive Board members and is assessed by the Supervisory Board (and/or its Selection, Appointment & Remuneration Committee) whenever vacancies in the Executive Board are being filled. Executive Board members are further subject to a suitability check conducted by the Dutch Central Bank (DNB), to ensure that the composition of the Executive Board is adequate to the proper discharge of its duties.

For new Executive Board members, a tailored induction programme is put together, providing a detailed introduction to a.s.r.'s role in society, its stakeholders and their interests, and the overall strategy. To keep members' skills up to date, a continuing education programme has been set up (see 3.1.3). The performance of the Executive Board is periodically assessed by the Supervisory Board.

The members of the Executive Board have varying backgrounds and expertise in the insurance industry and the financial sector (see their abbreviated CVs on www.asrnl.com and on page 85 of this report).

3.1.3 *The chair of the Executive Board shall ensure that a programme of continuing education is in place, aimed at maintaining and, where necessary, enhancing members' skills and expertise The programme shall at least cover relevant developments in the following areas: the insurer, the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audits.*

The Executive Board's regulations and the a.s.r. reliability and suitability policy guarantee that Executive Board members follow a programme of continuing education (CE). The CE programme comprises both individual and group modules on developments in the financial sector, corporate governance in general and that of the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting, auditing and consistent, well-balanced decision-making.

In 2014, the members of the Executive Board attended various CE sessions as a group. These sessions focused mainly on acquiring knowledge of new distribution and business models, including their practical applicability to the insurance business. Executive Board members also took individual training courses as part of the CE programme.

3.1.4 *All Executive Board members shall take part in the programme referred to under 3.1.3 and satisfy* *the permanent education requirements. This is a prerequisite for being able to perform adequately as an Executive Board member. The Supervisory Board shall ascertain whether the members of the Executive Board possess the required expertise.*

The Supervisory Board's regulations stipulate that it will periodically assess the performance of the Executive Board members by ascertaining whether they continue to satisfy the suitability requirements imposed by DNB. All Executive Board members attended the CE sessions. The suitability requirements were covered in the target-setting meetings and performance appraisals conducted with the Executive Board members.

3.1.5 *Each year, the insurer shall disclose in its annual report how it has implemented principles 3.1.3 and 3.1.4.*

The implementation of principles 3.1.3 and 3.1.4 is described in this report.

3.1.6 *Taking account of the risk appetite approved by the Supervisory Board, the Executive Board shall carefully balance the insurer's commercial interests and the risks to be taken.*

In performing its duties, the Executive Board carefully balances the insurer's commercial interests against the financial risks, taking all the stakeholders and the applicable laws and codes of conduct into consideration and basing itself on the risk appetite as proposed by the Executive Board in accordance with the regulations and adopted by the Supervisory Board.

3.1.7 *The Executive Board shall charge one of its members with the duty to prepare the Executive Board's decisions in respect of risk management. This member shall be involved, in a timely manner, in the preparation of decisions that may be material to the insurer's risk profile, particularly if such decisions might cause the risk appetite approved by the Supervisory Board to be departed from. In the performance of the risk management function, the focus should also be on the importance of financial stability and the possible impact of systemic risks on the institution's risk profile.*

The Executive Board bears collective responsibility for the management of the company and hence for its general risk management policy. It is the responsibility of the CFO to prepare the decision-making on risk management, and this responsibility has been included in the CFO's job profile. In 2014, the CFO prepared all decision-making concerning risk management and the risk appetite. The CFO was involved, in a timely manner, in the preparation of decisions that are material to a.s.r.'s risk profile. In the performance of the risk management function, the focus was also on the importance of financial stability and the possible impact of systemic risks on a.s.r.'s risk profile. The Head of Risk Management reports to the CFO and has a direct line to the Audit & Risk Committee.

3.1.8 *The Executive Board member charged with the duty to prepare the Board's decision-making on risk management shall be able to combine this duty with other areas of responsibility, provided that he or she has no individual commercial responsibility for, and operates independently from, commercial areas of responsibility.*

The CFO has further areas of responsibility besides Risk Management; these are Finance, Accounting, Reporting & Control (ARC) and Financial Markets. The CFO's duties pertaining to these areas of responsibility – and any (financial) results gained from them – do not involve any customer-driven, commercial activities.

3.2 Duties and procedures

3.2.1 *In its actions, the insurer's Executive Board shall carefully balance all interests of the insurer's stakeholders, such as customers, shareholders and employees, taking account of the insurer's continuity, the social environment in which it operates and the applicable laws and codes of conduct.*

a.s.r.'s Executive Board is responsible for the management of a.s.r and its affiliated companies. This responsibility includes the achievement of targets for a.s.r. as a whole, the strategy and associated risk profile, developments in financial performance and any social aspects of doing business that are relevant to a.s.r. The Executive Board is responsible, in particular, for carefully balancing the commercial interests and the risk appetite. Carefully balancing all interests of stakeholders is common practice at a.s.r. and, as such, has been included in the Executive Board's regulations and the internal Code of Conduct.

3.2.2 *Putting customers' interests first is a precondition for the insurer's continuity. Without prejudice to principle 3.2.1, it is the responsibility of the Executive Board to ensure that the insurer treats its customers fairly at all times. The Executive Board must ensure that the duty of care to the customer is embedded in the insurer's culture.*

a.s.r. offers financial continuity and enables people to take well-considered risks in achieving their ambitions. a.s.r believes that for its services to be perceived as valuable, it must know what people consider important. Customers should be able to insure themselves in the way that is most appropriate to their situation, preferences and possibilities. Hence a.s.r. chooses to be a socially responsible insurer.

a.s.r. put this ambition and these principles into practice in 2014 by embedding the sustainability policy for the Product Approval & Review Process (PARP) firmly in its procedures for product reviews and for developing new propositions and adjusting existing ones. This allows a.s.r. to develop appropriate, fair and transparent propositions that truly add value for customers. a.s.r. also implemented a new customer information system that helps employees from different business lines to develop a complete picture of a customer, which can be used to fine-tune customer services.

The PARP is an assured part of the entire product development and testing process. Multidisciplinary development teams, the Product Teams and the PARP Board (see 4.5) work in accordance with the PARP. The PARP Board tests the quality of new products and assesses whether customer information is understandable, balanced and complete. a.s.r. also conducts a risk assessment of its existing product line to verify whether products still satisfy today's requirements.

a.s.r. works according to the Continuous Improvement approach and customer needs, complaints and contacts identified through closed-loop customer feedback. The a.s.r.-wide implementation of the closed-loop customer feedback was completed in 2014. This system enables employees to obtain feedback from customers on a continuous basis, translate these into ideas for improvement and implement targeted improvements. For customer feedback to be truly valuable, it needs to be integrated into day-to-day processes and behaviour. In the Health Insurance business, for instance, 26 suggestions for improvement were implemented, resulting in a marked increase in its NPS score.

Via the Customer Complaints department, a.s.r. also implements and assures issues that are important to its customers. This allows a.s.r. to be open to complaints, learn from them and strengthen ties with customers. The Executive Board is involved in the handling of complaints addressed to it and provides substantive input. In its complaints handling, a.s.r. aims for communication that is personal, engaged and written in plain language.

a.s.r.'s core values (i.e. personal, accountable and individual and authentic) are shared throughout the organization and employees are encouraged to act upon them – amongst each other and towards customers – by helping by taking action and avoiding waste.
The Executive Board uses periodic performance reports to monitor customer treatment within the different a.s.r. business lines.

3.2.3 *The members of the Executive Board shall fulfil their duties carefully, expertly and with integrity, while complying with all applicable laws, regulations, rules and codes of conduct. The members of the Executive Board shall each sign a moral and ethical declaration, a model of which is included in the notes to this Code. Insurers are free to add to this model to suit their own needs.*

The Executive Board's regulations stipulate that the members of the Executive Board shall fulfil their duties expertly, with due care and with integrity, while complying with all applicable laws, rules, regulations and codes of conduct.

From its mission, a.s.r. has derived three core values that serve as a 'moral backbone': to be authentic, to show a personal touch in contacts with others, and to be accountable for our own conduct and for honouring commitments. These core values are included in the declaration the Executive Board and senior management signed in 2011. The declaration has been posted on www.asrnl.com.

Under the Dutch Oath or Affirmation (Financial Sector) Regulation, which took effect on 1 January 2013, Chris Figee took the oath/affirmation as soon as he was appointed CFO.

3.2.4 *It is the duty of the Executive Board to ensure that the declaration referred to under principle 3.2.3 is transposed into principles guiding the actions of all the insurer's employees. On appointment, all new employees shall be explicitly informed of the meaning of these principles by means of a reference in their employment contract with the insurer, and they are expected to abide by them.*

All aspects of the moral and ethical declaration are addressed in the codes of conduct and integrity, and employment contracts specifically refer to these codes. a.s.r. provides information and support to employees on questions of how their own conduct and attitude may help to gain and maintain the trust of customers and other stakeholders. A key requirement in this respect is that conduct and attitude should be based on a.s.r.'s core values. Special attention is also given to this topic in the recruitment and selection process and the induction programme for new staff. For information about the core values, see www.asrnl.com.

4. Risk management

4.1 *The Executive Board, and within the Executive Board primarily the chair, shall be responsible for the adoption, implementation, monitoring and any necessary adjustments of the insurer's general risk management policy. The Executive Board shall submit a proposal for the risk appetite to the Supervisory Board at least once a year. Any material changes to the risk appetite proposed in the intervening period shall also be subject to the Supervisory Board's approval.*

The Executive Board bears collective responsibility for the management of the business, and hence for its overall risk management policy; final responsibility rests with the chair of the Executive Board. A division of duties was introduced within the Executive Board, under which the responsibility for risk management has been assigned to the CFO. The preparation of risk management policy decisions is one of the CFO's duties. Functional responsibility for the risk management has been assigned to the Chief Risk Officer (CRO). In the line, the CRO reports to the CFO. There is also an independent line of reporting from the CRO to the Audit & Risk Committee.

a.s.r.'s risk appetite is reviewed by the Executive Board on an annual basis (or in the event of major adjustments) and submitted for approval to the Supervisory Board. Each year, the Executive Board determines the risk-related priorities for a.s.r on the basis of a company-wide risk assessment. The risk-related priorities are approved by the Audit & Risk Committee.

4.2 *The Supervisory Board shall supervise the risk management policy pursued by the Executive Board. To that end, the Supervisory Board shall discuss the insurer's risk profile and assess, at a strategic level, whether the overall capital allocation and liquidity requirement are in agreement with the approved risk appetite. The Supervisory Board shall be assisted in the discharge of these supervisory duties by a Risk Management Committee formed from among its members.*

The Supervisory Board exercises periodic supervision over a.s.r.'s risk management. One of the topics discussed in a.s.r.'s Audit & Risk Committee is the risk profile. This discussion is based on financial and non-financial risk reports, and is aimed at monitoring whether the risk profile is in line with the risk appetite. The Supervisory Board's decision-making is prepared by the Audit & Risk Committee. Nevertheless, the Supervisory Board as a whole remains responsible for its decisions, even the ones prepared by a committee. This principle is enshrined in the regulations of both the Supervisory Board and the Audit & Risk Committee.

4.3 *The Supervisory Board shall periodically assess, at a strategic level, whether the overall business operations are in line with the insurer's risk appetite. The Executive Board shall provide the Supervisory Board with the information needed to perform this assessment in such a manner as to enable the latter to form a considered opinion.*

The Executive Board reports on financial and non-financial risk management on a three-monthly basis. Each year, the Executive Board determines the risk appetite and submits it to the Supervisory Board for approval. This principle is enshrined in the regulations for the Executive Board, the Supervisory Board and the Audit & Risk Committee, and forms a regular part of the management cycle.

4.4 *The Executive Board shall ensure that the risk management function is set up in such a way that the Board is informed, in a timely manner, of material risks to the insurer, so that these can be managed. Decisions that are material to the risk profile, capital allocation or liquidity requirement shall be taken by the Executive Board.*

The Executive Board is responsible for managing a.s.r.'s risk priorities and is provided with a quarterly status update. It also receives the key findings of the Financial Risk Committee and the Non-Financial Risk Committee on a quarterly basis. The Executive Board is presented with additional reports if developments requiring its attention take place between scheduled reporting dates. a.s.r. conducts at least annually its own risk and solvency assessment (ORSA) at both group and legal entity level. The ORSA is a process that measures the impact of adverse external developments or internally identified risks and threats to a.s.r.'s solvency position. Various strategic risks are transposed into scenarios that simulate the impact of the occurrence of these risks on the balance sheet and the solvency position. The Executive Board defines actions in order to mitigate the impact of the potential risks modelled in the various scenarios.

By segregating policy-making, policy implementation and compliance monitoring duties, a large measure of independence is achieved in risk management and risk management monitoring. a.s.r. has structured this segregation of duties in accordance with the principle of the three lines of defence. The first line of defence is responsible for identifying and managing risks to the business. The second line of defence is responsible for monitoring risk management and encouraging integrated, effective risk management procedures for the first line of defence. The third line of defence, formed by Audit, is responsible for an independent assessment of the effectiveness of the risk management system, the internal control structure and the adequacy of governance.

4.5 *Each insurer shall have a product approval process in place. The Executive Board shall be responsible for setting up and ensuring the effectiveness of the product approval process. Products going through an insurer's product approval process shall only be marketed or distributed after careful consideration of the risks by the insurer's risk management function and after a careful assessment of other relevant aspects, such as the duty of care towards customers. Internal audit shall, on the basis of an annual risk assessment, conduct an audit to determine whether the design, existence and operation of this process are effective and report its findings to the Executive Board and the risk management or other relevant committee of the Supervisory Board.*

a.s.r. has chosen to be a different insurer, one that, based on its core values of being personal, accountable, and authentic, really makes a difference for its customers. To that end, a.s.r. follows the Proposition Approval & Review Process (PARP). This process was approved by the Executive Board and delegates the Executive Board's power of final approval before a product is introduced to the PARP Board.

Every business line is responsible for the meticulous completion of the entire process. The PARP Board is chaired by the Marketing Director. People with the knowledge and skills required in a product development process have been given specific responsibility for the various sub-steps.

Treating customers fairly is central to every step of the process, and Risk Management and Compliance have each been given special responsibility. No product can be launched without the approval of these two corporate functions. The PARP process is further subject to an annual audit by the Audit Department, and safeguards have been put in place to ensure that recommendations made by Audit are implemented. The process is also evaluated by the PARP Board.

All new a.s.r. product propositions go through this process, which ensures that they are developed in such a way as to meet the needs of customers and treat customers fairly in a number of different scenarios. An important element is making sure that a proposition is geared to the target group. The duty of care and the duty to inform are also part of the process. A similar, but different process is in place for existing products, which are evaluated on the basis of a risk assessment. Even products no longer being offered are evaluated using today's set of standards.

In 2014, ten new propositions and 20 product adjustments were submitted to the PARP Board for approval. The review of six existing products was also submitted to the PARP Board for approval.

5. Audit

5.1 *The Executive Board shall ensure that the management of risks connected with the insurer's business is systematically monitored.*

a.s.r. is structured on the basis of the three lines of defence model. The first line of defence, i.e. management and staff who engage in the day-to-day business, the boards of the supervised entities and the Executive Board, is responsible for identifying and managing risks. The Risk Management & Compliance column, which provides frameworks, and monitors and reports on the level of risk management, forms the second line of defence. The third line of defence is the Internal Audit function, which is covered in Principle 5.3. As formalized in the Audit Charter, the Executive Board has commissioned Audit to systematically audit how the risks associated with a.s.r.'s operations and activities are managed. Audit reports periodically to the Executive Board and the Audit & Risk Committee, in which process the reports prepared by Audit are discussed in great detail.

5.2 *The insurer shall have its own internal audit function, which shall occupy an independent position. The head of the internal audit function shall report to the chair of the Executive Board and have a reporting line to the chair of the Audit Committee.*

The Audit Department has an independent position within a.s.r., as set down in the Audit Charter. The head of the Audit Department reports to the chair of the Executive Board and has a reporting line to the chair of the Audit & Risk Committee.

5.3 *The internal audit function shall assess the effectiveness of the design, existence and operation of the internal control structure. This assessment shall include a review of the quality and effectiveness of the insurer's governance, risk management and internal controls. The internal audit function shall report its findings to the Executive Board and the Audit Committee.*

The Audit Department provides a professional and independent assessment of the governance, risk management and internal control processes with the aim of aiding management in achieving the company's objectives. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimization. This statement of duties has been set down in the Audit Charter. The Audit Department reports its findings to the Executive Board and, by means of the quarterly management report, to the Audit & Risk Committee.

5.4 *A periodic exchange of information shall take place between the internal audit function, the independent external auditor and the Supervisory Board's risk management or audit committee. This exchange of information shall also cover the risk assessment and audit plans of the internal audit function and the independent external auditor.*

The Audit Department engages in periodic consultations with the independent external auditor, and as a rule it attends the meetings of the Audit & Risk Committee. In close consultation with the independent external auditor, Audit prepares an audit plan based on its risk assessment. These plans are approved by the Audit & Risk Committee.

5.5 *As part of the overall audit of the financial statements, the independent external auditor shall report its findings on the quality and effectiveness of the insurer's governance, risk management and internal control processes in its report to the Executive and Supervisory Boards.*

The independent external auditor reports its findings in its Board Report to the Executive and Supervisory Boards.

5.6 *The internal audit function shall take the initiative to meet with the Dutch Central Bank (DNB) and the independent external auditor at least once a year at an early stage in order to discuss each other's risk assessments, findings and audit plans.*

Audit has periodic consultations with DNB to discuss the risk assessment, findings and audit plan. The department also takes the initiative to organize a 'tripartite consultation' with DNB and the independent external auditor at least once a year. In 2014, one tripartite consultation was held.

6. Remuneration policy

6.1 Basis

6.1.1 *The insurer shall pursue a careful, restrained and sustainable remuneration policy, in line with its strategy, risk appetite, goals and values and taking account of its long-term interests, the relevant international context and public support. The Supervisory and Executive Boards shall adhere to this principle in carrying out their duties in respect of the remuneration policy.*

Improving and maintaining the integrity and robustness of a.s.r. is key to the remuneration policy, and the focus is squarely on the long-term interests of all a.s.r.'s stakeholders. The aim of the remuneration policy is to motivate employees to work for the interests of customers and other stakeholders within the parameters of the duty of care. The remuneration policy is based on the following principles:

- The remuneration policy is designed to help achieve a.s.r.'s strategy and targets.
- The remuneration policy cannot restrict a.s.r.'s scope to strengthen its regulatory capital, solvency margin or equity.
- Risk Management reviews the financial targets of a.s.r. and the individual targets of identified staff for their compatibility with a.s.r.'s risk profile on an annual basis (financial risk management). This department forms an opinion as to whether the agreed targets meet the organizational risk profile.
- The appraisal and remuneration criteria need to comply with the provisions stipulated in various national and international rules and regulations[1].
- The policy needs to be transparent and its structure and methods should be applicable to all layers of management and to employees subject to the collective bargaining agreement.
- A balance needs to be struck between trust in the intrinsic motivation of managers on the one hand and agreement on clear objectives and assessment of the performance on these objectives, and linking it to remuneration, on the other.
- Customer satisfaction indicators as well as financial and risk indicators should be used for assessing the performance of organizational and other targets.
- The level of remuneration is just below the median for the peer group.
- The total remuneration package should be appealing enough to allow a.s.r. to compete in the relevant segments of the labour market and attract and retain competent people.

Until 1 July 2014, all employees, except for the members of the Executive Board[2], were entitled to fixed and variable pay. With effect from 1 July 2014, variable pay has been eliminated; employees are now entitled to fixed pay only. The only employees still qualifying for a target-related pay component of up to 20% are a small group of 139 sales employees who come under the a.s.r. CBA (collective bargaining agreement) and pay structure for front-office positions. As a result, a.s.r. updated its remuneration policy in 2014. The updated policy was submitted to the Supervisory Board for approval in November 2014. The Supervisory Board approved the updated policy.

6.2 Governance

6.2.1 *The Supervisory Board shall be responsible for implementing and evaluating the remuneration policy for the Executive Board once it has been adopted. The Supervisory Board shall also approve the senior management remuneration policy and monitor its implementation by the Executive Board. Finally, the Supervisory Board shall approve the principles of the remuneration policy for the insurer's*

1 Reference is made to the Dutch Regulation on Sound Remuneration Policies 2014, the Dutch Corporate Governance Code, the Governance Principles for Insurers and the Dutch Banking Code, as well as to the Dutch Minimum Wage and Minimum Holiday Allowance Act and equal treatment rules.

2 Pursuant to the Dutch Act on the limitation of liability for DNB and AFM and the bonus prohibition for state-aided enterprises, the members of the Executive Board have not received any variable pay since the financial year 2011.

other employees. The insurer's remuneration policy includes the policy on the award of retention, exit and joining packages.

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 explicitly monitors the implementation of the remuneration policy for higher management within the control functions. The Supervisory Board approves the remuneration policy for senior management and monitors its implementation by the Executive Board. The Supervisory Board also assesses the principles of the remuneration policy for other employees.
The Supervisory Board has a Selection, Appointment & Remuneration Committee (SAR Committee) that is formed from among its members. The SAR Committee advises the Supervisory Board on the aforementioned duties and prepares the Board's decisions on these matters.

Human Resources reports, on an annual basis, to the SAR Committee and the Supervisory Board on the highest variable pay, the exit packages granted and the most salient issues regarding pay and benefits. a.s.r. offers no retention or joining packages. In this context, it should be noted that, as stated in 6.1.1, variable pay has been eliminated with effect from 1 July 2014[3].

6.2.2 *The Supervisory Board shall discuss the highest variable remuneration on an annual basis. The Supervisory Board shall oversee the Executive Board in the performance of its duty to ensure that all variable remuneration offered by the insurer is in line with the remuneration policy adopted by insurer and, particularly, that it satisfies the principles set down in this section. The Supervisory Board shall also discuss any material retention, exit and joining packages and ensures that these comply with the remuneration policy adopted by the insurer and are not excessive.*

With effect from 1 July 2014, variable pay has been eliminated; employees are now entitled to fixed pay only. The only employees still qualifying for a target-related pay component of up to 20% are a small group of 139 sales employess who come under the a.s.r. collectively agreed job classification and pay structure for sales employees.

Up to and including 30 June 2014, employees were entitled to fixed and variable pay. For this purpose, the Supervisory Board approved the senior management's individual target scores as proposed by the Executive Board, as well as the scores on the financial results and customer satisfaction aspects. Together, the scores for these three components determined the scale of the variable remuneration to be awarded. The Executive Board discusses the level of variable pay and checks it against the 'normal distribution'.

The Supervisory Board is responsible for the Executive Board members' annual performance appraisal and assessment. The Supervisory Board is also explicitly responsible for overseeing the assessment and remuneration of the control functions. The Executive Board conducts an annual assessment of the overall performance of all senior managers accountable to them and reports its findings to the Supervisory Board. The Supervisory Board ascertains whether the assessments comply with the adopted remuneration policy. In this context, it should be noted that, as stated in 6.1.1, variable pay has been eliminated with effect from 1 July 2014[4]. As a result, variable pay was adopted for the first half of 2014 only.

Human Resources reports on an annual basis to the SAR Committee and the Supervisory Board on the following topics:
- a.s.r.'s stance on pay and benefits
- existing pay and benefits arrangements
- compliance with arrangements and procedures as well as possible exceptions

3 As mentioned above, the only employees still qualifying for a target-related pay component of up to 20% are a small group of 139 sales employees who come under the a.s.r. CBA job classification and pay structure for front-office positions.

4 See footnote 3.

- the assessment results of the control functions' senior management
- any exit packages that have been awarded
- the most notable issues regarding pay and benefits
- reasons, if any, to amend components of the remuneration schemes.

As stated above, a.s.r. offers no retention or joining packages.

6.3 Executive remuneration

6.3.1 *An Executive Board member's remuneration shall be in reasonable proportion to the remuneration policy set by the insurer, and total pay and benefits shall, at the time they are set, be slightly lower than the median of comparable positions in and outside the financial sector, taking account of the relevant international context.*

a.s.r.'s remuneration policy starts from the principle that the average level of total pay and benefits should be just below the median of that of the peer group. A comparison with the peer group is made to determine the competitiveness of the Executive Board's total pay and benefits. The peer group comprises Dutch financial institutions and Dutch non-financial, medium-sized companies, both private and public. The SAR Committee periodically assesses whether the composition of the peer group remains adequate or should be revised. At least once every three years, a market comparison (remuneration benchmark) is performed by an external consultancy to check whether the remuneration of the Executive Board needs to be reviewed. The benchmark was last performed in 2014. The current remuneration of the Executive Board is far below the median of the peer group, which is reinforced by the prohibition of the payment of variable remuneration to Board members according to the Dutch Act on limitation of liability for DNB and AFM and the bonus prohibition for state-aided enterprises. The collectively agreed pay increase of 0.75% that was awarded to employees was also awarded to the members of the Executive Board.

6.3.2 *A golden handshake awarded to an Executive Board member shall not exceed the equivalent of one annual salary (the 'fixed pay' component). If a member of the Executive Board leaves office during their first term and it is evident that a golden handshake of up to one annual salary would be unreasonable, this member shall be eligible for a golden handshake of up to two times the annual fixed salary.*

The maximum severance pay for new and incumbent Executive Board members is one year's fixed salary.

6.3.3 *The long-term component shall be taken into account in awarding variable pay to members of the Executive Board, as should profitability and continuity. A material part of the variable remuneration shall be awarded conditionally and not paid until at least three years later.*

Remuneration is an instrument specifically designed to help achieve the strategy, business targets and ambitions a.s.r. has formulated. Annual performance targets are set for individual objectives, financial performance and customer satisfaction (both at group and entity level) in order to create a focus on the long-term interests of all stakeholders. In addition, variable pay is structured in line with the provisions of the Third Capital Requirements Directive and its transposition into the Regulation on Sound Remuneration Policies (Dutch acronym: RBB). This means that a material share (i.e. 50%) of variable pay is awarded conditionally 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 component is subject to an additional retention period of two years.

It should be noted that, 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 the Act. What is more, variable pay has been eliminated for all employees at a.s.r. with effect from 1 July 2014[5].

5 See footnote 3.

6.3.4 *Shares awarded to an Executive Board member for no consideration shall always be held for a period of five years or until termination of the employment contract if this is shorter. Options shall not be exercised within the first three years of having been awarded.*

a.s.r. does not award shares or options to employees.

6.4 Variable pay

6.4.1 *The award of variable pay shall be linked to the insurer's long-term objectives.*

Given that variable pay has been eliminated with effect from 1 July 2014, the following applies to the first half of 2014 only[6]. All a.s.r.'s employees are entitled to a fixed and a variable pay component. One-third of the variable component depends on the achievement of individual targets set for a calendar year and two-thirds on the company's performance, as measured by the financial results (1/3) and customer satisfaction (1/3). This excludes employees in so-called control functions (Audit, Risk, Compliance and the Director of Human Resources). To safeguard the independence of employees in these positions, their variable pay does not depend on commercial results. Their variable pay only depends on the individual results component. At the beginning of each calendar year, employees and their managers agree on individual targets that need to be achieved during that year. These are recorded in an assessment and individual target form. The employee and their manager evaluate the progress made on these targets at least once a year. The targets need to reflect a clear focus on the long-term, sustainable interests of all stakeholders.

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. As mentioned earlier, variable pay has been eliminated with effect from 1 July 2014, which is why the above applies to the first half of 2014 only[7].

6.4.2 *Each insurer shall cap the ratio between fixed and variable pay at a level suitable to their business. The variable pay of an Executive Board member shall not exceed 100% of their fixed income.*

Variable pay has been eliminated at a.s.r. with effect from 1 July 2014; employees are now entitled to fixed pay only. The only employees still qualifying for variable pay are a small group of sales employees positions come under the a.s.r. CBA job classification and pay structure for front-office positions.
Up to and including 30 June 2014, employees were entitled to fixed and variable pay[8], which was capped at 60% for senior management, 40% for higher management and 18% for back-office and front-office staff. In accordance with the Dutch 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 the Act.

6.4.3 *Variable pay shall be based on the performance of the individual, their division and the insurer as a whole, and be measured using performance criteria that are assessable and set in advance. In addition to financial criteria, non-financial performance criteria shall also play an important role in an individual's assessment. Performance criteria for the insurer's remuneration policy shall be formulated as objectively as possible.*

Variable pay is set each year on the basis of the scores on three components (i.e. an individual component, an entity-level component and a group component) in which context the performance on financial targets and customer satisfaction is measured (with the exception of control functions as mentioned in 6.4.1). This means that 40% to 60% of variable pay depends on non-financial criteria. The performance criteria provide no incentives for irresponsible risk-taking.

6 See footnote 3.
7 See footnote 3.
8 See footnote 3.

The procedure for setting, evaluating and reviewing the targets for the variable pay of sales and back-office staff is contained in the a.s.r. collective bargaining agreement, the CBA job classification and pay structure for sales and backoffice positions, the assessment procedure and a manual. The procedures for higher and senior management and the Executive Board have been elaborated in the remuneration policy document. As mentioned earlier, variable pay has been eliminated with effect from 1 July 2014, which is why the above applies to the first half of 2014 only[9].

6.4.4 *When assessing performance on the basis of the agreed criteria, the financial performance shall be adjusted to allow for actual and estimated risks and costs of capital.*

The scores on the agreed performance criteria for variable pay are adjusted to allow for risks and costs. In setting the performance scores, the Supervisory Board is advised by the Selection, Appointment & Remuneration (SAR) Committee, which receives input and advice from Risk Management, Compliance, Audit and Human Resources. The Supervisory Board sets the scores. The procedure for target-setting and risk management (ex ante and ex post) is formalized in the remuneration policy document.

6.4.5 *In exceptional circumstances, e.g. if application of the agreed criteria would result in a member of the Executive Board unjustly being awarded variable pay, the Supervisory Board shall have the discretionary power to adjust the variable pay if it is of the opinion that not doing so would have unjust or unintended consequences.*

The members of the Executive Board are assessed on pre-agreed targets. These targets and general performance are assessed by the Supervisory Board on an annual basis. So long as variable pay components have not been awarded unconditionally, and if unadjusted variable pay would be unfair and unreasonable, the Supervisory Board has the power to adjust the amount of the variable pay to a suitable level.

6.4.6 *The Supervisory Board shall be entitled to claim repayment of variable pay awarded to an Executive Board member on the basis of incorrect financial or other data from that member.*

The company has the power to reclaim all or part of any variable pay awarded on the basis of incorrect information about the achievement of targets or the occurrence of circumstances that were a precondition for the variable pay to be awarded. Such proceedings may also be instituted by the Supervisory Board on behalf of a.s.r. Compliance will indicate whether there are grounds for invoking the claw-back clause, which is a part of the conditions of employment for the Executive Board and has been formalized in the assessment letter.

9 See footnote 3.

7. Compliance

The insurer shall have a procedure in place for assuring timely identification and implementation of new rules and regulations and review this procedure on an annual basis. The following corporate functions should be involved in the procedure as a minimum: the Executive Board, the Internal Supervisor, Risk Management, Compliance, Internal Audit and the Actuarial function.

Based on their own professional expertise, the functions involved (Audit, Risk Management, Compliance, Legal, Finance, Human Resources, Actuarial and Accounting, Reporting & Control) identify applicable rules and regulations relevant to a.s.r. Such information is obtained from newsletters, the internet and other media, memberships of industry and trade associations, such as the Dutch Association of Insurers, the Dutch Banking Association, the Dutch Fund and Asset Management Association, and from expert external service providers such as law firms and the independent external auditor. The set of duties (or Charter) of each of these functions includes the duty to inform stakeholders within a.s.r. of new rules and regulations in a timely manner, to give advice where needed and to monitor implementation (Compliance). Secondly, periodic communications about proposed and current rules and regulations are distributed throughout a.s.r. Finally, Compliance publishes a biannual list for the benefit of senior management and the Executive and Supervisory Boards detailing all the existing and new rules and regulations pertaining to supervision relevant to a.s.r.

Appendix 2

Global Reporting Initiative-index

The Annual Report is based on the G3.1 guidelines for sustainability reporting of the Global Reporting Initiative (GRI). The GRI uses application levels to specify the extent to which its reporting principles and guidelines have been applied. a.s.r.'s sustainability report has been prepared according to level B of the G3.1 guidelines.

The GRI-index table shown below specifies where the reader can find GRI disclosures in the Annual Report.

G3.1 Content Index - Financial Services Sector Supplement

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization.	Fully	Chapter 1.2
1.2	Description of key impacts, risks and opportunities.	Fully	Chapter 2.4
2. Organizational Profile			
2.1	Name of the organization.	Fully	ASR Nederland N.V. Chapter 6.38
2.2	Primarily brands, products, and/or services.	Fully	Chapter 1.1 Chapter 1.5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Chapter 6.5.1
2.4	Location of organization’s headquarters.	Fully	Chapter 1.1
2.5	Number of countries where the organizations operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Chapter 1.1
2.6	Nature of ownership and legal form.	Fully	Chapter 5.1.4 Chapter 6.15.1
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Chapter 2.2.1
2.8	Scale of the reporting organization.	Fully	Chapter 1.1 Chapter 2.2.1
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	Chapter 5.1.4
2.10	Awards received in the reporting period.	Fully	Chapter 1.3

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
3. Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information.	Fully	1 January 2014 to 31 December 2014.
3.2	Date of most recent previous report.	Fully	1 April 2014
3.3	Reporting cycle (annual, biennial, etc.).	Fully	Annual
3.4	Contact point for questions regarding the report or its contents.	Fully	Page 286
3.5	Process for defining report content.	Fully	Chapter 3.1.6 Regulators, Government and politics, Financial (international) market players and Shareholders.
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	The quantitative and qualitative information provided concerns a.s.r. as a whole, except where explicitly stated that information applies to one specific business unit or a business line.
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	ASR Nederland N.V. reports on its core business.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	All reported figures have been calculated on the same bases as last year. The comparative figures have been restated to reflect any changes in accounting policies. Chapter 2.2.1 Chapter 6.2.1
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	Chapter 6.2.1 Chapter 6.2.2 Chapter 6.2.3
3.10	Explanation of the effect of any re-statement of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurements methods).	Fully	Chapter 6.2.1

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	Chapter 6.2.1
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	Page 5 (Introduction) Chapter 3.1.6 Appendix 2, page 250
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	KPMG will audit the entire annual report to establish that it is compatible with the financial statements. They will specifically issue an independent auditor's report on the financial statements. KPMG will also perform specific checks of figures and reconciliations, and rule out any inconsistencies with the true and fair view of the financial statements. In addition, they will verify whether the report of the Executive Board complies with the relevant statutory provisions. The disclosures in the CSR chapter and the GRI-index have not been audited.
4. Governance, Commitments and Engagements			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Chapter 5.1.3
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Chapter 5.1.3
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	a.s.r. has a two-tier structure rather than a unitary board structure. Chapter 5.1.4
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Chapter 3.1.2 Chapter 5 www.asrnl.com
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	Chapter 5.1.5 www.asrnl.com

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	Chapter 5.1.3 Chapter 5.1.4 www.asrnl.com
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Chapter 5.1.3 Executive Board regulations www.asrnl.com Governance Principles (Appendix 1)
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	Fully	Chapter 3.1.2 Policy on incidents Incentives policy Customer Due Diligence Duty of care Anti-corruption Charter Policy for additional positions a.s.r. code of conduct Integrity statement Whistle-blowing procedure Rules governing price-sensitive information and private investment transactions (insider rules). The regulations listed above have been posted on the a.s.r. Infonet (intranet).
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Chapter 5.1.1 Chapter 5.1.2 Chapter 5.1.3 Governance Principles (Appendix 1)
4.10	Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Chapter 5.1.1 Chapter 5.1.3 Governance Principles (Appendix 1) Supervisory Board regulations www.asrnl.com
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	Chapter 2.1 Chapter 3.1.1

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	Page 273
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	Page 273
4.14	List of stakeholder groups engaged by the organization.	Fully	Page 275
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	The selection of stakeholders was made by defining groups that have a direct or indirect stake in the organization.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group.	Fully	Page 275
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	Page 275
G3.1 FSSS DMAs			
DMA PS	**Disclosure on Management Approach PS**		
Aspects	**Product Portfolio**	Fully	Chapter 3.1.1 Chapter 3.1.3 Chapter 3.1.4
FS1	Policies with specific environmental and social components applied to business lines.	Fully	Chapter 3.1.3 Chapter 3.1.4
FS2	Procedures for assessing and screening environmental and social risks in business lines.	Fully	Chapter 3.1.3 Chapter 3.1.4

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Fully	a.s.r.'s Customer Due Diligence policy applies to all business lines. The goal of this policy is to manage any integrity risks associated with the service provision. The CDD policy rests on four pillars, i.e.: 1) client acceptance; 2) client identification and verification; 3) monitoring and review of clients, accounts and transactions; and 4) risk management. In the CDD process, the client base is divided into various risk categories based on risks associated with the client in question and risks associated with the products or services. The various risk categories are governed by different acceptance procedures. a.s.r. reviews the risk that a client's income has been earned from illegal trade and industrial activities or from socially unacceptable activities.
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Fully	a.s.r. is committed to developing and improving its employees' competency on a continuous basis. This contributes to a better customer service. Employees receive training and coaching, and are given workshops and on-the-job training to improve their competency and skills, and to increase their expertise and customer focus.
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Fully	Over the past years, a.s.r. has taken various steps to increase the level of sustainability in its business practices and it has sought media attention for its efforts in this regard. Major themes are taken up with customers; potential approaches to such themes are discussed in customer panels. Chapter 3.1.1 Chapter 3.1.3 Chapter 3.1.4
	Audits	Fully	Chapter 3.1.3 Page 260 (FS9)
	Active ownership	Fully	Chapter 3.1.3
DMA EC	**Disclosure on Management Approach EC**		
Aspects	Economic Performance COMM	Fully	Chapter 1.1 Chapter 2.2.1 Chapter 2.2.2 Chapter 2.2.3 Chapter 2.2.4 Chapter 6

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
	Market presence	Fully	Chapter 1.1 Chapter 1.4 Chapter 1.5
	Indirect economic impacts	Fully	Chapter 1.4 Chapter 3.1.1 Chapter 3.1.3 Chapter 3.1.4 Chapter 3.1.5
DMA EN	**Disclosure on Management Approach EN**		
Aspects	Materials	Fully	Chapter 3.1.4 Page 262 (EN1)
	Energy	Fully	Chapter 3.1.4 Page 279
	Water	Partially	Page 279
	Biodiversity	Fully	Chapter 3.1.3 Chapter 3.1.4 Page 279
	Emissions, effluents and waste	Fully	Chapter 3.1.4 Page 281, 282 and 283
	Products and services	Fully	Chapter 3.1.1
	Compliance	Fully	Chapter 3.1.2 Governance Principles, Appendix 1
	Transport	Fully	Chapter 3.1.4
	Overall	Fully	Chapter 3.1.3 Chapter 3.1.4
DMA LA	**Disclosure on Management Approach LA**		
Aspects	Employment	Fully	Chapter 3.1.2
	Labor/management relations	Fully	Chapter 3.1.2
	Occupational health and safety Comm	Fully	Chapter 3.1.2
	Training and education	Fully	Chapter 3.1.2
	Diversity and equal opportunity	Fully	Chapter 3.1.2

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
	Equal remuneration for women and men	Fully	Page 267 (LA14)
DMA HR	**Disclosure on Management Approach HR**		
Aspects	Investment and procurement practices	Fully	Chapter 3.1.3
	Non-discrimination	Fully	Chapter 3.1.3 Chapter 3.1.4
	Freedom of association and collective bargaining	Fully	ASR Nederland N.V. encourages the right of assembly. Our employees are unionized and they are represented by the Works Council, which is made up of 19 members from every product line and business line.
	Child labor	Fully	Chapter 3.1.3
	Prevention of forced and compulsory labor	Fully	Chapter 3.1.3
	Security practices	Not	
	Indigenous rights	Fully	Chapter 3.1.3
	Assessment	Fully	Chapter 3.1.3
	Remediation	Not	
DMA SO	**Disclosure on Management Approach SO**		
Aspects	Local communities	Fully	Chapter 3.1.5
	Corruption	Partially	Chapter 3.1.2
	Public Policy	Fully	a.s.r. is a member of the Dutch Association of Insurers, the Dutch Association of Health Insurers and the Dutch Banking Association. These sector organizations lobby for a.s.r.'s interests in the Netherlands.
	Anti-competitive behavior	Fully	Page 270 (SO7)
	Compliance	Fully	Chapter 3.1.2 Chapter 5.1.2 www.asrnl.com
DMA PR	**Disclosure on Management Approach PR**		
Aspects	Customer health and safety	Fully	Chapter 3.1.1
	Product and service labelling	Fully	Chapter 3.1.1

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
FS15	Policies for the fair design and sale of financial products and services.	Fully	a.s.r. wants to serve its customers in the best way possible. The a.s.r. strategy has returned to the core of what insurance is all about: helping people by taking action. In the market, this mission translates into a prudent and responsible image and community involvement campaigns for all three brands. The Proposition Approval & Review Process (PARP) is designed to monitor the development and management of both active and inactive products. The a.s.r., De Amersfoortse, Ditzo, De Europeesche Verzekeringen and Ardanta brands seek to be in control of their product development and product management. They also set great store by meeting statutory and self-imposed standards (voluntary codes). a.s.r. offers high-quality propositions that clearly meet business and consumer needs and match the values of a.s.r. brands at the same time.
	Marketing communications	Fully	Chapter 3.1.1
	Customer privacy	Fully	www.asrnl.com
	Compliance	Fully	www.asrnl.com
Performance Indicators			
Product Portfolio			
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector.	Fully	Chapter 6.3.4.2 Chapter 6.5
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Fully	Chapter 1.3 (Page 17) Chapter 3.1.3 Chapter 3.1.4 Chapter 3.1.5
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Fully	Chapter 3.1.3 Chapter 3.1.4

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Audit			
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Fully	Chapter 3.1.3 a.s.r. Audit forms a professional and independent opinion of governance, risk management and internal control processes with the purpose of supporting management in achieving the corporate targets. In this process, Audit evaluates the effectiveness of the governance, risk management and internal control processes, and offers practical advice on how to further streamline these processes. In 2014, Audit performed the following sustainability audits: **Public interest:** 1. ASR Nederland N.V. – Dutch Insurance Code 2. a.s.r. bank – Dutch Banking Code (including PARP) 3. a.s.r. bank – assessment of risk management 4. Security – fraud prevention programme 5. Human Resources – sound remuneration policy **Treating customers fairly:** 1. ASR Nederland N.V. – complaints management 2. Marketing – PARP 3. ASR Nederland N.V. – Customer-Oriented Insurance Quality Mark (a.s.r./Ditzo/De Amersfoortse/ Europeesche Verzekeringen) 4. Pensions – Customer-Oriented Insurance Quality Mark for processes involving transfer of accrued benefits and divorce 5. a.s.r. bank – compliance with modern savings policy 6. Pensions – Pension Insurance Advance Levy Fund 7. Life – forest compensation **Sustainability:** 1. Facility Services – facility management – management of renovation risks (financial and operational) 2. a.s.r. Real Estate – process of managing tenancy agreements in SAP. No environmental audits were performed in 2014.

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Active Ownership			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Fully	Chapter 3.1.3
FS11	Percentage of assets subject to positive and negative environmental screening.	Fully	Chapter 3.1.3
FS12	Voting policy/policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	Fully	Chapter 3.1.3 www.asrnl.com
Economic Performance			
EC1COMM	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community	Fully	Chapter 1.1 Chapter 2.2.1 Chapter 6
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	Chapter 3.1.3 www.asrnl.com Chapter 3.1.4
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	Chapter 6.17
EC4	Significant financial assistance received from government.	Fully	Chapter 5.1.4
Market Presence			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Partially	Starting salaries at a.s.r. are above the local minimum wage. Given that the entry-level wage varies greatly because of the broad diversity of roles, no exact range of ratios can be provided.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not	Given that ASR Nederland N.V. is based exclusively in the Netherlands, this indicator is not applicable.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not	Given that ASR Nederland N.V. is based exclusively in the Netherlands, this indicator is not applicable.

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Indirect Economic Impact			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Not	Not applicable
EC9	Understanding and describing significant direct economic impacts, including the extent of impacts.	Fully	Chapter 1.2 Chapter 2.1
Environmental			
Indicator	Disclosure	Level of reporting	Location of disclosure
Materials			
EN1	Materials used by weight or volume.	Fully	437,631.21 kilos (438 tonnes) of paper Total paper consumption in kg per FTE: 125
EN2	Percentage of materials used that are recycled input materials.	Not	Not applicable
Energy			
EN3	Direct energy consumption by primarily energy source.	Fully	Chapter 3.1.4 Page 279
EN4	Indirect energy consumption by primarily source.	Not	Not applicable
EN5	Energy saved due to conservation and efficiency improvements.	Fully	Chapter 3.1.4
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	Chapter 3.1.4
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	Chapter 3.1.4

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Water			
EN8	Total water withdrawal by source.	Partially	Page 279
EN9	Water sources significantly affected by withdrawal of water.	Not	Not applicable
EN10	Percentage and total volume of water recycled and reused.	Not	Not applicable
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	Surface area of land (owned or managed by a.s.r.) in, or adjacent to, protected areas: 5,018.60 hectares. Areas of high biodiversity value: 1,810 hectares.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	Investments SRI policy 2.4 (see www.asrnl.com)
EN13	Habitats protected and restored.	Fully	Page 279 (EN14)
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Fully	Page 279
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Fully	Page 279 (EN14)
Emissions, Effluents and Waste			
EN16COMM	Total direct and indirect greenhouse gas emissions by weight.	Fully	Chapter 3.1.4 Page 280
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	Not applicable
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	Chapter 3.1.4 Page 281
EN19	Emissions of ozone-depleting substances by weight.	Not	Not applicable

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
EN20	NOx, Sox, and other significant air emissions by type and weight.	Not	Not applicable
EN21	Total water discharge by quality and destination.	Not	Not applicable
EN22COMM	Total weight of waste by type and disposal method.	Fully	Chapter 3.1.4 Page 282
EN23	Total number and volume of significant spills.	Not	Not applicable
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	Not applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	Not applicable
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not	Not applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	Not applicable
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	No fines or sanctions were imposed in 2014 for non-compliance with environmental laws and regulations.
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Fully	Chapter 3.1.4 Page 280-282 (EN16 and EN18)

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Overall			
EN30	Total environmental protection expenditures and investments by type.	Fully	Chapter 3.1.4 EN3, EN8, EN16, EN22 Chapter 3.1.3 and report entitled Socially Responsible Investments (SRI), Detail Criteria for Positive Screening www.asrnl.com), Part 2 (environment domain) The report mentioned above addresses the relevant international standards and provides a breakdown into 11 subdomains. The report lists the criteria of environmental protection, including protection of the atmosphere (2.3), protection of internationally important wetlands (2.4), protection of the quality and supply of freshwater resources (2.5) and protection of waters against pollution caused by nitrates from agricultural sources (2.5).
Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	ASR Nederland N.V., which is based in the Netherlands only, does not have any foreign operations. Chapter 3.1.2 (page 57) Page 203 Page 284
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	Page 284
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	Only the selection system has an option that is not available to part-time employees: back-office employees working fewer than 1,976 hours per year cannot work 52 or 104 hours more or less on an annual basis. Employees on a one-year contract do not qualify for parental leave.
LA15	Return to work and retention rates after parental leave, by gender.	Not	
Labor/management relations			

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	96.2% fall under a collective bargaining agreement. 3.8% do not fall under a collective bargaining agreement (HM, SM and Executive Board).
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	a.s.r. notifies employees as soon as possible of future developments that might affect their employability; the aim is to create early awareness among employees of such and to allow them to prepare for a change of roles, either within or outside a.s.r. Employees who are ultimately made redundant as a result of a restructuring are offered six months of job coaching. After these six months, their employment contract with a.s.r. is terminated. If an employee's employment contract is terminated as part of the Redundancy Plan, the employee does not have a notice period. In all other cases, both a.s.r. and the employee have a two-month notice period on the understanding that a.s.r. will at least observe the statutory notice period if the employment contract was signed (more than) five years ago.
Occupational Health and Safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	Workforce representation is vested in the Safety, Health, Welfare and Environment Committee of the Works Council, of which seven members represent the Works Council and two represent Human Resources, as well as in the occupational health and safety advisory groups in Utrecht/Amersfoort, and at Europeesche Verzekeringen and Ardanta (12 employees). This brings the total number of employees sitting on formal joint management-worker health and safety committees to 21. As a result, the interests of everyone working at a.s.r. are being looked after.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender.	Fully	The absenteeism rate for 2014 was 3.3%. The absenteeism frequency rate was 1.0. The in-house emergency services responded to 27 incidents, none of which were work-related. Our occupational and safety board reported 32 incidents of occupational disability. There were no work-related fatalities.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	a.s.r. offers an absenteeism course for managers and HR officers. a.s.r. has engaged Arboned, an occupational health and safety service, to assist with risk assessment and evaluation.
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	These agreements are outlined in the occupational health and safety catalogue for the insurance sector (www.gezondverbond.nl, Dutch only) and the obligations resulting from collective bargaining provisions for the insurance sector (Chapter 7, Occupational health and safety) form the parameters for the occupational health and safety policy.

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Training and Education			
LA10	Average hours of training per year per employee by gender, and by employee category.	Not	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	In the context of sustainable employability, several initiatives, courses and training budgets were being offered on 1 January 2015 with a view to continuous employability. Chapter 3.1.2
LA12	Percentage of employees receiving regular performance and career development reviews by gender.	Fully	100%: all employees are educated about performance and career development during target-setting, progress and performance appraisal interviews with their managers.
Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Chapter 3.1.2 Page 285
Equal Remuneration for Women and Men			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	Men and women with comparable work experience, achievements and potential are equally rewarded. For comparable roles, differences in performance may result in differences in salary levels.
Investment and Procurement Practices			
HR1COMM	Percentage and total number of significant investment agreements and contract that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Fully	Chapter 3.1.3 Chapter 3.1.4
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	Chapter 3.1.3 Chapter 3.1.4
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	No training is provided with regard to aspects of human rights.

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
Non-discrimination			
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	There were no incidents of discrimination in 2014.
Freedom of Association and Collective Bargaining Non-discrimination			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	Chapter 3.1.3 Chapter 3.1.4
Child Labor			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	Chapter 3.1.3 Chapter 3.1.4
Prevention of Forced and Compulsory Labor			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	Chapter 3.1.3 Chapter 3.1.4
Security Practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	Not applicable
Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Fully	Chapter 3.1.3
Assessment			

Profile Disclosure	Application level Disclosure	B Level of reporting	Location of disclosure
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Fully	Chapter 3.1.3
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not	Not applicable
Local Communities			
SO1 (FSSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not	Not applicable
SO1 (G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Fully	Chapter 3.1.5
FS13	Access points in low-populated or economically disadvantaged areas by type.	Not	Not applicable
FS14	Initiatives to improve access to financial services for disadvantaged people.	Partially	Ditzo’s responsive website is suitable for viewing on smartphones and tablets. The website adjusts automatically to screen orientation and to screen size. The same principle is used for other a.s.r. websites as well. In addition, the guidelines of the Accessible Websites Hallmark (Waarmerk drempelvrij.nl) form a basis for continuous website improvements.
SO9	Operations with significant potential or actual negative impacts on local communities.	Fully	Chapter 3.1.3
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Fully	Chapter 3.1.3
Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Partially	Chapter 3.1.2

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Partially	a.s.r. has certified fraud coordinators who take continuing education courses every year.
SO4	Actions taken in response to incidents of corruption.	Partially	Failure to observe these rules of conduct will be considered as a serious breach of the trust that the employer has in the employee, and will lead to disciplinary action. Compliance produces quarterly reports and ad-hoc reports that are discussed by the Executive Board and the Audit Committee.
Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	a.s.r. is represented in such bodies as the Dutch Association of Insurers, the Dutch Association of Health Insurers and the Dutch Banking Association. Dutch pension system: a.s.r. engaged in a dialogue with representatives of political youth parties and trade unions to discuss the pension situation for young people.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	No contributions.
Anti-competitive Behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Fully	No legal proceedings in 2014.
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	No fines in 2014.
Customer Health and Safety			

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Fully	As part of PARP, products are tested for their cost effectiveness, usefulness, safety and reliability. Based on these criteria, we create sustainable value for our customers. These criteria are assessed throughout a product's lifecycle.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Fully	No incidents in 2014.
Product and Service Labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	Besides testing for cost effectiveness, usefulness, safety and reliability, PARP also reviews whether information meets the relevant statutory requirements and self-imposed regulations (voluntary codes).
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning products and service information and labeling by type of outcomes.	Fully	The review of products showed on several occasions that there is room for improvement in information provision. These findings have been followed up.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	1. An independent agency reviews our customer satisfaction annually. A survey by the Dutch Association of Insurers provides information about how to improve our performance on the Customer-Oriented Insurance Quality Mark (KKV). The quality mark audit was satisfactory in 2014. a.s.r. was again awarded the quality mark in 2014. 2. The Net Promoter Score (NPS) and Closed-Loop Feedback (CLF) system have been implemented for the customer contact desks of all a.s.r. brands and business lines. Customer service and customer experience will be improved based on the NPS rating.
FS16	Initiatives to enhance financial literacy by type of beneficiary.	Fully	Chapter 3.1.5
Marketing Communications			

	Application level	B	
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsoring.	Fully	a.s.r. has a checklist for marketing communications (subject to annual updates). This list specifies applicable laws and regulations, and voluntary codes. Additionally, we have the commissions and personal data guide. All communications are reviewed for their compatibility with the applicable regulations and voluntary codes on a multidisciplinary level.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	No violations.
Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	a.s.r. received 18 valid complaints about privacy violations in 2014.
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	No fines in 2014.

Appendices to GRI-index

GRI-index: 4.12

Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.

Guidelines signed:

Dutch Corporate Governance Code
Governance Principles for Insurers
Dutch Banking Code
UN Global Compact
UN Principles for Responsible Investment
UN Principles for Sustainable Insurance
UNEP Finance Initiative
Dutch Sustainable Investment Code
Call to Action: Anti-Corruption and the Global Development Agenda
Circle Economy
Dutch Manifest for Socially Responsible Purchasing and Business Practices (MVOI)
Dutch Multi-year Energy Agreement (MJA-3)
Green Deal Manifest

GRI-index: 4.13

Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:

- Has positions in governance bodies;
- Participates in projects or committees;
- Provides substantive funding beyond routine membership dues; or
- Views membership as strategic.

For details on the additional positions of the members of the Executive Board and the Supervisory Board, see chapter 5.1.3.

The additional positions of executives and memberships of ASR Nederland N.V. are listed below.

Dutch Association of Insurers

- Member of the Board – Jos Baeten, CEO
- Chair of Investment Policy Committee – Jack Julicher, CIO Financial Markets
- Member of Insurance Fraud Prevention Committee and member of PKMM (Forum for small and medium sized companies) – Gerard ten Brincke, Managing Director of Europeesche Verzekeringen
- Sector Board Life - Member of the Board – Fleur Rieter, Managing Director of pension business
- Sector Board Non-life - Member of the Board – Robert van der Schaaf, Managing Director of non-life business
- Sector Board Health - Member of the Board – Frank Romijn, Managing Director of occupational disability business
- Chair/member of various working groups within the Dutch Association of Insurers – Frank Romijn, Managing Director of occupational disability business

Advisory Council for Financial Services Management, Amsterdam University of Applied Sciences

- Member – Wytzejan de Jong, Managing Director of a.s.r. bank
- Member of Education & Professional Development Committee – Frank Romijn, Managing Director of occupational disability business

Centre for Insurance Statistics

- Committee member – Frank Romijn, Managing Director of occupational disability business

Keerpunt Hilversum, a company for reintegration

- Member of the Supervisory Board – Frank Romijn, Managing Director of occupational disability business

Dutch Reinsurance Company for Terrorism Losses (NHT)
- Member of the Supervisory Board – Frank Romijn, Managing Director of occupational disability business

Dutch Association of Health Insurers
- Member of the Board – Petra van Holst, Managing Director of health insurance business

The Personal Injury Council
- Chair – Robert van der Schaaf, Managing Director of non-life business

Schadegarant/Glasgarant (Association of car and windshield damage repair companies)
- Board Member – Robert van der Schaaf, Managing Director of non-life business

SOS International
- Member of the Supervisory Board – Gerard ten Brincke - Managing Director of Europeesche Verzekeringen

ETI-Group
- Member of the Board – Gerard ten Brincke, Managing Director of Europeesche Verzekeringen

Social Fund a.s.r.
- Chairman of Board of – Gerard ten Brincke, Managing Director of Europeesche Verzekeringen

IIR
- Member of the Advisory Board – Wytzejan de Jong, Managing Director of a.s.r. bank

SKYDOO
- Member of the Board – Wytzejan de Jong, Managing Director of a.s.r. bank

FSM Academy Amsterdam
- Member Advisory Board – Wytzejan de Jong, Managing Director of a.s.r. bank

a.s.r. property fund
- Member Advisory Board – Fleur Rieter, Managing Director of pension business

a.s.r. Fonds Sicav
- Chair of the Board of Directors – Fleur Rieter, Managing Director of pension business

Netspar
- Member of Foundation Board – Fleur Rieter, Managing Director of pension business

Foundation Sustainable Micropensions of developing countries
- Member – Fleur Rieter, Managing Director of pension business

Brand New Day
- Chair of the Supervisory Board – Fleur Rieter, Managing Director of pension business

The Royal Actuarial Association
- Member of the recommendation commission – Fleur Rieter, Managing Director of pension business

VU University Amsterdam
- Lecturer – Patrick Klijnsmit – Director of Accounting, Reporting & Control

Dutch Association of Institutional Property Investors (IVBN)
- Chair – Dick Gort, Managing Director of real estate business

Dutch Green Building Council (DGBC)
- Founding partner

Association of Dutch Property Developers (NEPROM)
- Sustainability Committee

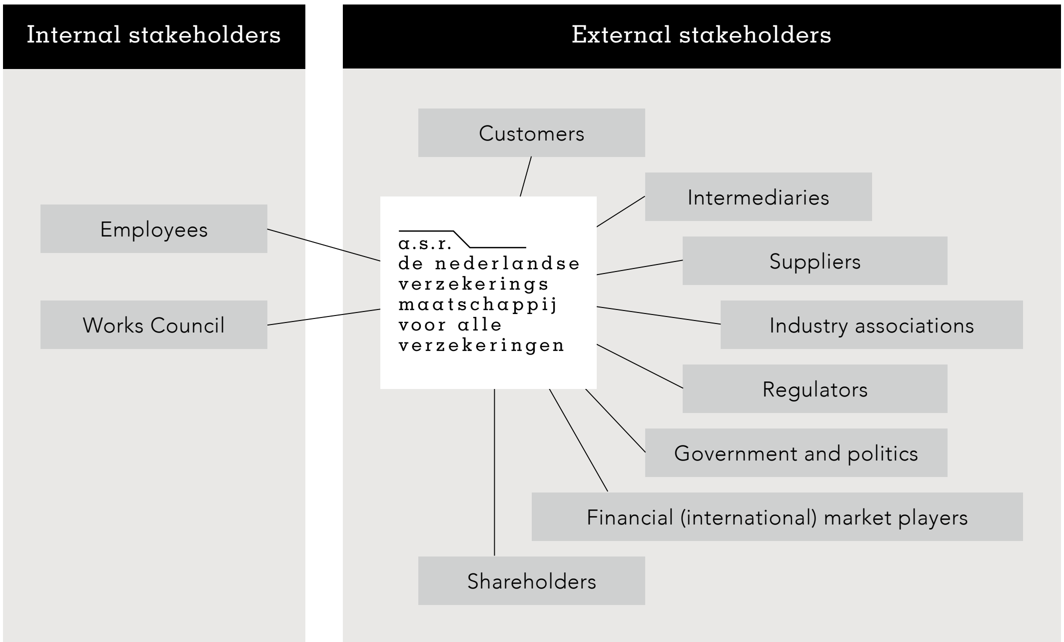
Dutch Green Building Council (DGBC)
- Co-founder

Memberships:

MVO Nederland (Dutch CSR Council) – Partner in Large Enterprises Network
Dutch Fund and Asset Management Association (DUFAS)
Dutch Association of Investors for Sustainable Development (VBDO)
Dutch Banking Association (NVB)
European Association for Investors in Non-listed Real Estate Vehicles (INREV)

GRI-index: 4.14

List of stakeholder groups engaged by the organization.



GRI-index: 4.16 and 4.17

Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group and key topics and concerns that have been raised through engagement, and how the organization has responded to those key topics and concerns, including through its reporting.

Stakeholder	Activity	Purpose	Frequency	Follow-up
Shareholder (NLFI)	Formal meeting	Inform AGM, EGM of quarterly financial results		In subsequent publications, meetings and sessions
Shareholder (NLFI)	Informal contacts	Provide information, e.g. about the need and options for privatization and consolidation, including the process involving VIVAT/REAAL and attracting private investors	Throughout the year	Continuous contact; where needed, follow-up sessions are scheduled after every meeting
Shareholder (NLFI)	Executive consultation	Consult about the need and options for consolidation, including the process involving VIVAT/REAAL and attracting private investors; a joint steering group of representatives of the Executive Board of a.s.r. and NLFI management reported to this consultative body		Continuous contact; where needed, follow-up sessions are scheduled after every meeting
Government and politics	Meetings, telephone calls	Provide information about developments at a.s.r. and in the market	Throughout the year	Continuous contact; where needed, follow-up sessions are scheduled after every meeting

Stakeholder	Activity	Purpose	Frequency	Follow-up
MPs of various political parties	Meetings, working visits and sessions	Provide information about situation involving a.s.r.	Throughout the year, monthly	In subsequent meetings, debates and sessions
City of Utrecht	Meetings, working visits and sessions	Provide information about the various plans, particularly involving property development	Throughout the year, monthly	In subsequent meetings and sessions
PA counterparts at various stakeholders (financial sector, civil servants, MPs, etc.)	Meetings	Provide information about developments at a.s.r.	Throughout the year, maintained frequent and continuous contact	In subsequent meetings and sessions
Trade unions	Meetings, telephone calls	Consult about the a.s.r. collectively agreed job classification system and remuneration structure and about the industry-wide CBA	Seven consultative sessions with trade unions about the a.s.r. CBAs; five sessions about the industry-wide CBA	In subsequent contacts and publications
Regulators (AFM and DNB)	Meetings, telephone calls	Regularly provide information about developments at a.s.r. and discuss specific issues		
Financial markets	Meetings, presentations	Provide information about a.s.r.'s operating results and investment opportunities		
Investors, equity analysts, rating agencies	Conference call about annual results for 2013	Provide information about annual results for 2013	26 February 2014	In subsequent publications, meetings and sessions
Investors, equity analysts, rating agencies	Conference call about interim results for 2014	Provide information about interim results for 2014	20 August 2014	In subsequent publications, meetings and sessions
Bond investors, equity analysts, rating agencies	Meetings, telephone calls	Provide information about developments at a.s.r. and in the market	Throughout the year	In subsequent publications and contacts
Bond investors	Roadshow	Place a hybrid bond	18, 19 and 22 September 2014	In subsequent contacts and publications
Intermediaries	Client lunches	Exchange information between individual advisers and the management of Intermediary Distribution/ Product Lines about developments in the market, in the adviser's practice and at a.s.r.	Throughout the year, except in summer	Through account management/specialists
Intermediaries	Captain's dinner at Insurance Sector Day	Exchange information between MT members of offices and a.s.r. managers	25 November 2014	Through account management/ specialists

Stakeholder	Activity	Purpose	Frequency	Follow-up
Intermediaries	Advisory workshops for employers in 2015 (income protection/ occupational disability)	Provide advisers with an understanding of changes for employers in 2015 in the area of income protection insurance and action to be taken	October 2014	Through specialists in health and income protection business
Intermediaries	Routine 'Income Now' course, including CE course on income protection (as required under the Dutch Financial Supervision Act), four-day course	Educate advisers about income protection-related issues, culminating in CE course exam	In March and April, and in September, October and November 2014	Specialists in health and income protection business scheduled follow-up sessions and awarded course certificates; advisers are also asked to attend refresher courses
Intermediaries	Claims settlement workshops	In dialogue with advisers who have claims settlement authority, educate intermediaries about developments in claims, changes in mandates and communication, and share actual claims information with each other	May 2014	The workshop is updated every two years
Intermediaries	Amersfoortse Pension Programme, knowledge and networking sessions	-Offer knowledge and advisory support to pension advisers -Inform pension advisers of the status of the conversion of a.s.r. and De Amersfoortse, and our approach to the raising of the statutory retirement age to 67 -Have pension advisers connect with colleagues	June and July 2014	Through the Pension Inventory Programme
Intermediaries	Pension programme master classes on affordability and AFM's take on the pension advice	Improve pension advice and formalize agreements	October and November 2014	Through the Pension Inventory Programme
Intermediaries	Webinars on Additional Pension Benefits (EPU)	-Explain new procedure for EPU requests to advisers -Solicit ideas and feedback from advisers	30 September 2014, two sessions	Account managers followed up based on a survey completed by trainees
Intermediaries	Seminar on liability	Impart knowledge, update market developments and identify opportunities		
Customers	Initial letter *Werkgeverspensioen* (De Amersfoortse's new employee pension proposition)	Improve the readability and retrievability of the information provision to customers		

Stakeholder	Activity	Purpose	Frequency	Follow-up
Customers	Offer letter Werknemers-pensioen (De Amersfoortse's new employee pension proposition)	Improve the readability and retrievability of the information provision to customers		
Customers	Investor account	Improve the readability and retrievability of the information provision to customers		
Renovation				
Employees and their families	Family Day	Involve employees and their families in the renovation	27 September 2014, one-off event	Infonet
Dutch Green Building Week (DGBW)	Tour of the building, theme week	Sustainable/green construction/ renovation	26 September 2014, annual event	Infonet
Contacts with contractor	Meetings and presentations	Maintain contacts	Throughout the year, on various occasions	No follow-up
Neighbours	Sessions, letters	Provide information and solicit involvement	DGBW, 27 September 2014 and February 2015	Feedback
Businesses in Rijnsweerd	Session, letter	Provide information and solicit involvement	DGBW, 27 September 2014 and February 2015	Feedback
City/Province	Lobbying, liaising	Promote sustainability in Rijnsweerd area, clarify role of a.s.r.	Throughout the year	Various forms of feedback were provided
Press	Press release, articles, interviews	Sustainable renovation of a.s.r. building	Throughout the year	Various forms of feedback were provided
Employees	Renovation news, information sessions, posters, photographs and videos	Provide information, solicit involvement and inspire	Throughout the year	Various forms of feedback were provided
Businesses in Rijnsweerd	Cooperation	Cooperate on a sustainable basis	Throughout the year	Various forms of feedback were provided
Social enterprises	Cooperation	Define social uses	Throughout the year	Various forms of feedback were provided

GRI-index: EN3

Direct energy consumption by primarily energy source.

	2010	2011	2012	2013	2014
					Electricity (KWh)
Archimedeslaan	13,090,552	13,436,894	12,680,511	9,768,012	8,021,289
Stadsring	2,241,107	2,039,424	1,895,021	1,870,680	1,701,138
Pythagoraslaan	699,906	733,907	731,467	660,858	600,522
Corkstraat	107,255	92,666	75,183	61,647	68,615
Total	**16,138,820**	**16,302,891**	**15,382,182**	**12,361,197**	**10,391,564**

	2010	2011	2012	2013	2014
					Gas (m3)
Archimedeslaan	838,943	768,810	806,126	725,576	422,333
Stadsring	197,805	154,159	150,777	163,655	105,114
Pythagoraslaan	60,428	44,513	47,954	51,968	39,180
Corkstraat	40,474	21,674	50,484	40,711	37,629
Total	**1,137,650**	**989,156**	**1,055,341**	**981,910**	**604,256**

GRI-index: EN8

Total water withdrawal by source.

	2010	2011	2012	2013	2014
					Water (m3)
Archimedeslaan	43,077	42,753	40,479	35,749	25,432
Stadsring	4,689	4,960	5,602	5,421	3,873
Pythagoraslaan	1,956	2,291	2,555	2,353	2,367
Corkstraat	255	67	120	548	218
Total	**49,977**	**50,071**	**48,756**	**44,071**	**31,890**

GRI-index: EN14

Strategies, current actions, and future plans for managing impacts on biodiversity.

a.s.r. has taken the following measures to promote biodiversity.

House sparrow

Over the past 20 years, the number of breeding pairs of the house sparrow (Passer Domesticus) has dropped significantly (by over 50%). In the Netherlands, the house sparrow is on the Red List of threatened species. House sparrows preferably make their nests in buildings. a.s.r. contributes to conserving the species by fitting 40 nest boxes to the facade of its headquarters. The nest boxes will have been fitted by the end of 2015.

Swift

Similar to the house sparrow, the number of breeding pairs of the swift (Apodidae) in the Netherlands has dropped significantly. In the Netherlands, the swift has not yet made it onto the Red List of threatened species. Swifts preferably also make their nests in buildings. a.s.r. contributes to conserving the species by fitting 20 nest boxes to the facade of is headquarters. The nest boxes will have been fitted by the end of 2015.

Bats

Bats (Chiroptera) are protected in the Netherlands. The a.s.r. headquarters are built on bat foraging territory. In 2013, approximately 23 bat shelters were installed. At the end of 2014, a.s.r.'s ecology expert established that various shelters were being used by bats. The facade of the new building is not suitable for bat nests. For this reason, a.s.r. will install a number of nest boxes units on the grounds before the end of 2015.

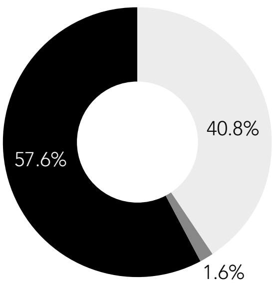
In addition, a.s.r. wants to promote biodiversity by maintaining the gardens to a high standard so that native plants have a greater chance of survival. In designing the garden, a muddy layer of soil was added to attract amphibians. A number of willows (Salix) have been planted as well. Composting stations have been created using the branches of this fast-growing type of tree. By taking these initiatives, a.s.r. hopes to contribute to the conservation of the grass snake (Natrix natrix), a rare species that is on the Red List of threatened species.

GRI-index: EN16

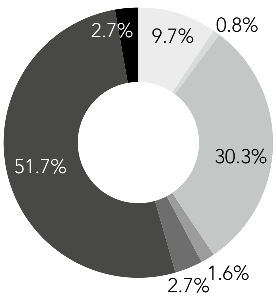
Total direct and indirect greenhouse gas emissions by weight.

Total carbon emissions.

The graphs below break down total carbon emissions per scope and per emission category.



Emissions per scope



Emissions per category

Scope	Category	%
Scope 1	Fuel and heat	9.7%
	Cooling	0.8%
	Business travel	30.3%
		40.8%
Scope 2	Electricity	1.6%
		1.6%
Scope 3	Business travel	3.2%
	Commuting	51.7%
	Waste	2.7%
		57.6%

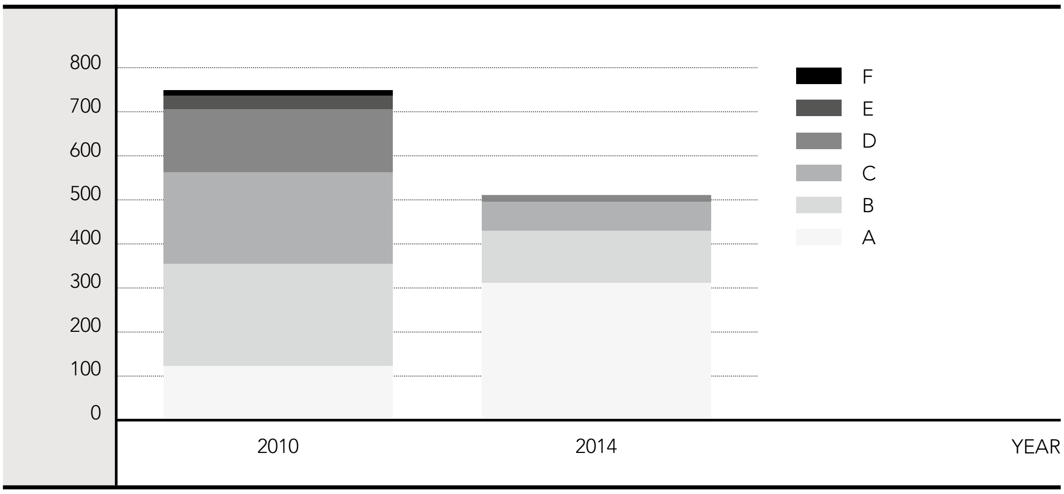
Scope	Category	Emissions	%
Scope 1	Fuel and heat	756.0	9.7
	Cooling	59.0	0.8
	Business travel	2,353.6	30.3
		3,168.6	
Scope 2	Electricity	120.3	1.6
		120.3	
Scope 3	Business travel	249.5	3.2
	Commuting	4,014.2	51.7
	Waste	208.4	2.7
		4,472.1	
Total			**100%**

Location	Emissions (tonnes of carbon dioxide equivalents)
ASR Nederland N.V.	**7,761.10**

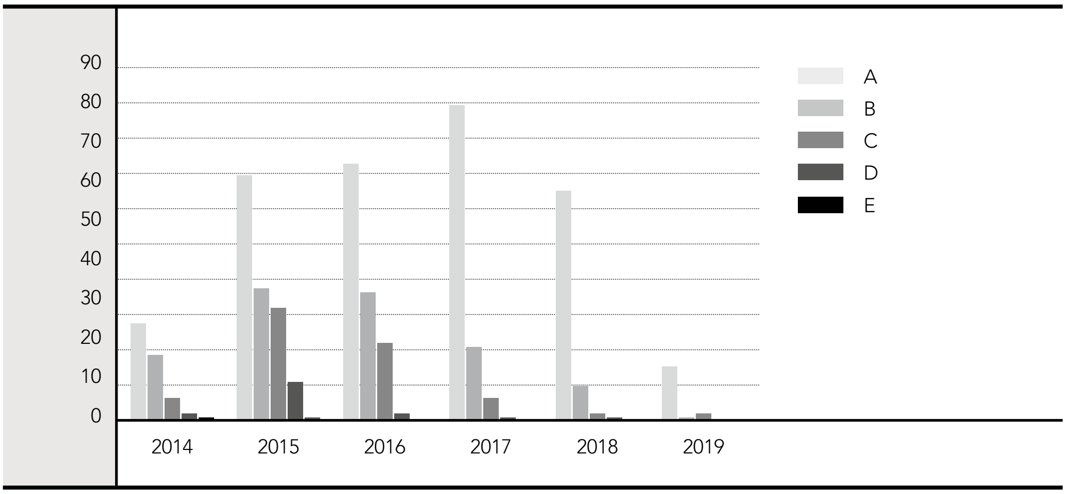
GRI-index: EN18

Initiatives to reduce greenhouse gas emissions and reductions achieved.

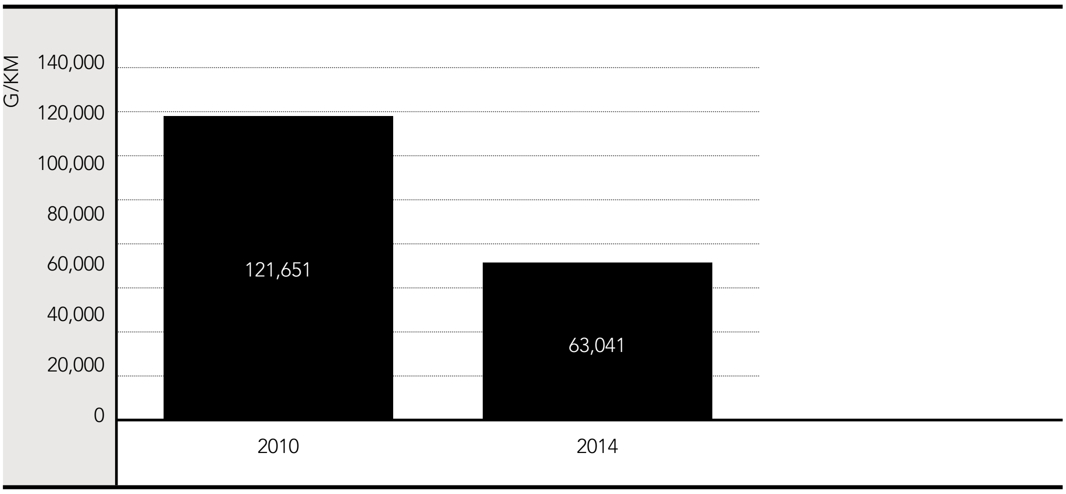
Number of energy-efficient lease cars.



Termination of energy-efficien lease contracts (A through E label)



Total EXW carbon emissions (g/km).



GRI-index: EN22COMM

Total weight of waste by type and disposal method.

					Residual waste
	2010	2011	2012	2013	2014
Archimedeslaan	149,880	168,940	116,710	114,340	126,693
Stadsring	43,096	75,846	92,640	86,250	92,952
Pythagoraslaan	9,658	22,307	51,490	47,970	51,504
Corkstraat		2,997	5,160	4,720	1,716
Total	**202,634**	**270,090**	**266,000**	**253,280**	**272,865**

	Paper and cardboard				
	2010	2011	2012	2013	2014
Archimedeslaan	212,540	233,438	180,270	118,030	170,439
Stadsring	66,175	98,783	41,580	36,910	22,885
Pythagoraslaan	10,185	18,181	13,200	16,210	8,927
Corkstraat		64,865	58,469	34,130	61,537
Total	**288,900**	**415,267**	**293,519**	**205,280**	**263,788**

	Swill				
	2010	2011	2012	2013	2014
Archimedeslaan	18,400	21,040	19,710	22,350	8,280
Stadsring					
Pythagoraslaan	2,400	3,260	5,300	4,380	221
Corkstraat					
Total	**20,800**	**24,300**	**25,010**	**26,730**	**8,501**

	Other waste				
	2010	2011	2012	2013	2014
Archimedeslaan	74,397	112,555	119,015	20,460	30,298
Stadsring	7,536	110	13,040	60	6,911
Pythagoraslaan	4,922	9,496	13,510	7,600	1,714
Corkstraat	40,474	21,674	50,484	40,711	37,629
Total	**86,855**	**122,161**	**145,565**	**28,120**	**38,923**

What follows is an overview of waste flows that a.s.r. collects and processes.

Residual waste
The residual waste collected in 2014 was processed in a waste power plant. This residual waste was converted into (partially green) energy and heat.

Paper and cardboard
All collected cardboard and archives were recycled in the paper industry. The archives were collected as confidential paper and confidentially destroyed. After destruction, this paper was used as a high-grade base material in the paper industry.

Swill/organic waste
In 2014, a.s.r. separated substantial amounts of swill and organic waste from its residual waste. All of this waste was converted into biogas, making this waste flow entirely green.

Glass
All glass was collected and recycled into new glass. Recycling one tonne of glass offers a saving of 1.4 tonnes in base materials.

Wood
All wood that is collected is sorted. The highest-quality wood is used in the fibreboard industry as a base material in the fibreboard industry. Lower-quality wood not suitable for the fibreboard industry is used as an energy carrier for energy generation.

GRI-index: LA1

Total workforce by employment type and employment contract.

The figures below (incl. LA2 and LA13) do not include the employees of SOS International, Poliservice and Assuradeurenhuys.

	Female	Male	Total
Part-time employees	853	304	1,157
Full-time employees	550	1,934	2,484
Total	**1,403**	**2,238**	**3,641**

	Female	Male	Total
Contracts of definite duration	108	104	212
Contracts of indefinite duration	1,295	2,134	3,429
Total	**1,403**	**2,238**	**3,641**

GRI-index: LA2

Total number and rate of new employee hires and employee turnover by age group, gender and region.

ASR Nederland N.V., which is based in the Netherlands only, does not have any foreign operations.

Age group	Influx of female employees	Influx of male employees	Total influx	Outflux of female employees	Outflux of male employees	Total outflux
16-20	21	14	35	9	11	20
20-25	40	38	78	34	33	67
25-30	31	18	49	31	29	60
30-35	11	17	28	19	35	54
35-40	13	15	28	22	31	53
40-45	11	11	22	26	36	62
45-50	9	11	20	20	43	63
50-55	7	5	12	19	38	57
55-60		5	5	14	45	59
60-65				11	45	56
>65		1	1	3	4	7
Total	**143**	**135**	**278**	**208**	**350**	**558**

GRI-index: LA13

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.

Job group	Female	Male	Total
Interns	41	24	65
Back office 01		1	1
Back office 02	16	15	31
Back office 03	53	12	65
Back office 04	24	27	51
Back office 05	168	105	273
Back office 06	353	290	643
Back office 07	206	291	497
Back office 08	132	343	475
Back office 09	139	321	460
Back office 10	98	239	337
Back office 11	80	222	302
Back office 12	35	129	164
Front office	5	9	14
Front office 02		1	1
Front office 05	7	5	12
Front office 06	1		1
Front office 07	2	6	8
Front office 08	1	5	6
Front office 09	3	42	45
Front office 10	3	39	42
Front office 11	1	3	4
Front office 12	1	5	6
Higher management 13	13	39	52
Higher management 14	12	30	42
Higher management 15	4	13	17
Senior Management 22	2	6	8
Senior Management 23	2	13	15
Executive Board	1	3	4
Total	**1,403**	**2,238**	**3,641**

Breakdown of workforce by gender and age.

AGE group	Female	Male	Total
16-20	16	9	25
20-25	42	37	78
25-30	109	87	196
30-35	190	209	399
35-40	239	276	515
40-45	241	343	584
45-50	241	407	648
50-55	191	388	579
55-60	98	330	428
60-65	36	151	187
>65		1	1
Total	**1,403**	**2,238**	**3,641**

Contact details

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The a.s.r. Annual Report 2014 is published in the English language only. a.s.r. also only publishes the annual report digitally. This reduces the a.s.r. paper consumption, which is one of our sustainability goals. The report can be downloaded as a pdf.

We welcome feedback or questions on our report. You can contact us as follows:

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