

2014

Annual Report REAAL NV

The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

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Key figures

In € millions	2014	2013	2012	2011	2010
Result					
REAAL Life	100	-439	72	246	208
REAAL Non-life	-110	--	-84	32	16
REAAL Other	--	-43	-15	1	-18
REAAL	-10	-482	-27	279	206
ACTIAM ¹	11	--	--	--	--
Zwitserleven	-613	-143	-122	-87	36
REAAL NV	-612	-625	-149	192	242
Income					
Net premium income	2,898	2,967	3,232	3,450	3,574
Investment income	1,469	1,434	1,598	1,432	1,498
Investment income for account of policyholders	2,159	628	1,511	-39	815
Other income	8	132	96	277	212
Total income	6,534	5,161	6,437	5,120	6,099
Total expenses	7,349	5,934	6,579	4,868	5,793
Result before taxation	-815	-773	-142	252	306
Taxation	-203	-148	4	59	63
Net result discontinued operations and minority interests	--	--	3	1	1
Net result	-612	-625	-149	192	242
Statement of financial position					
Total assets	60,525	55,475	56,464	53,990	53,044
Investments	36,648	32,979	34,768	32,818	33,940
Investments for account of policyholders	14,559	13,491	13,265	12,443	12,641
Loans and advances to banks	321	362	452	499	356
Total equity	2,015	2,589	2,932	4,020	3,630
Insurance contracts	46,646	41,263	42,102	38,827	38,844
Amounts due to banks	1,754	3,035	3,745	3,154	4,506
Ratios					
New annual premium equivalent (in € millions)	260	172	315	384	328
Operating cost/premium ratio REAAL	15.2%	14.2%	11.9%	11.2%	12.2%
Operating cost/premium ratio Zwitserleven	15.1%	14.9%	14.5%	14.9%	15.4%
Regulatory solvency REAAL NV	136%	172%	176%	203%	195%
Regulatory solvency SRLEV NV	141%	187%	211%	234%	205%
Regulatory solvency REAAL Schadeverzekeringen NV (Non-life)	191%	235%	490%	464%	398%

¹ As part of the restructuring of SNS REAAL Group, VIVAT Group acquired all shares in ACTIAM NV from SNS REAAL NV on 1 July 2014. This acquisition was a result of the disentanglement of the insurance business given that ACTIAM NV primarily manages investments for the insurance business. ACTIAM NV is regarded as a separate segment.

1 VIVAT Group at a glance

1.1 General

1.1.1 New name, new start

New name

VIVAT Verzekeringen is a combination of the insurance business of SNS REAAL NV which is separated from SNS REAAL NV in order to comply with a decision of the European Commission following the nationalisation of SNS REAAL NV. VIVAT Verzekeringen has been the trade name of REAAL NV, the parent insurance company, since 1 July 2014.

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

The new name VIVAT Verzekeringen helps the insurer as a whole to distinguish itself from the five insurance brands which mainly focus on consumers, and the asset management services which VIVAT Group actively markets. No services or products will be developed under the VIVAT Verzekeringen trade name. The name change is primarily intended to avoid any confusion with the Reaal brand and to show that we have more brands than Reaal alone.

New start

The transfer of the insurance holding company REAAL NV to the new shareholder, Anbang Group Holdings Co., Ltd., a wholly owned subsidiary of Anbang Insurance Group Co. Ltd. ("Anbang"), a leading Chinese insurance group, is being prepared under the new trade name. On 16 February 2015, SNS REAAL NV announced the signing of a contract with Anbang for the sale of REAAL NV.

Based on the agreement, Anbang will acquire 100 percent of the shares in REAAL NV for the sum of € 150 million. This amount may vary as a result of adjustments in IFRS-based equity of REAAL NV between 31 December 2014 and 30 June 2015, the expected effective date. As part of the agreement, REAAL NV and SRLEV NV will repay to SNS REAAL € 302 million in subordinated intra-group loans after the completion of

the sale, subject to a reduction if REAAL NV's IFRS-based equity shows a downward trend. In addition, REAAL NV will fully repay the intra-group loan from SNS Bank NV in the sum of € 250 million. Anbang will make a capital contribution to restore REAAL NV's solvency position to an adequate level. The parties have agreed that REAAL NV's solvency ratio will be shored up to a level of between 140 percent and 150 percent under the Solvency II regime, which will come into effect on 1 January 2016.

The completion of the sale of REAAL NV to Anbang is subject to approval by the Dutch and Chinese regulators. Another condition is that REAAL NV's IFRS-based equity does not drop below defined limits.

1.1.2 Legal structure and governance structure

The shares in the insurance holding company REAAL NV are held by SNS REAAL NV. In the current situation, Stichting Administratiekantoor Beheer Financiële Instellingen (NLF1) is the owner of SNS REAAL NV since the Dutch state transferred the shares to NLF1 in late 2013.



Figure 1: Legal structure of VIVAT Verzekeringen and key entities at 31 December 2014. These entities are wholly owned.

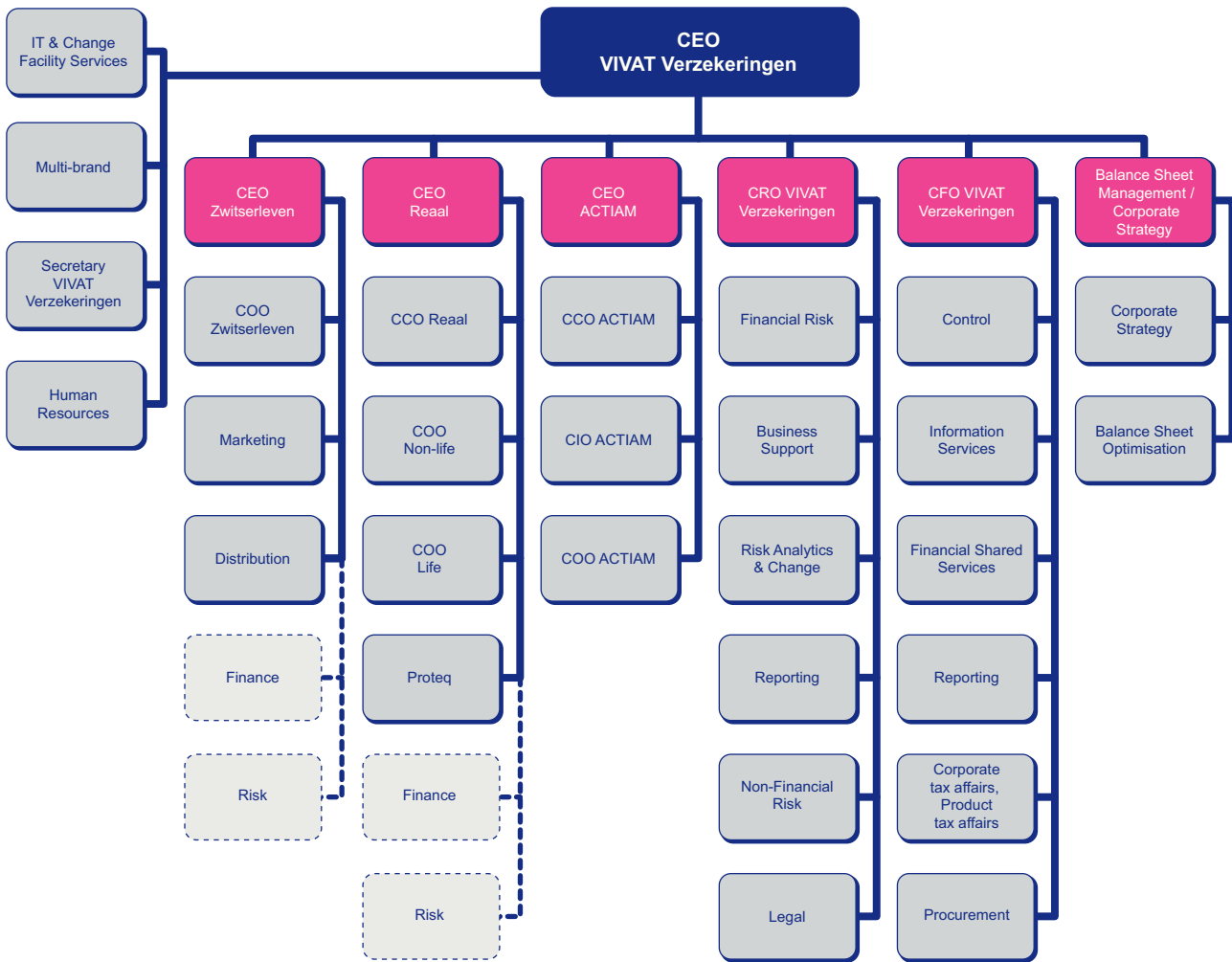


Figure 2: VIVAT Group governance structure at 31 December 2014 (combination of departments and key positions). The Finance and Risk departments (indicated with dotted lines) work for the Zwitserleven and Reaal business units, but are under the management of the CFO and CRO of VIVAT Verzekeringen respectively.

1.2 Internal developments

1.2.1 Nationalisation and disentanglement of SNS REAAL NV

Nationalisation of SNS REAAL NV

In 2013, the Dutch state gave a commitment to the EC to divest all insurance and asset management activities of SNS REAAL NV by selling VIVAT Verzekeringen. Partly by way of preparation for this divestment, SNS REAAL NV undertook not only to transfer the administrative structure implemented by SNS REAAL NV to the banking business and the insurance business, but also

to gradually separate all the financial links between the bank and the insurance business. The overall restructuring plan runs until the end of 2017, by which time the disentanglement and the sale must have been finalised.

In its decision of 19 December 2013, the EC imposed a number of conditions and restrictions on SNS REAAL NV which, unless determined otherwise, remain in place until the end of the restructuring period. The key conditions, apart from the aforementioned carve-out, include:

- An acquisition ban is in place for a period of three years from the date of the EC's decision;

- SNS REAAL NV will refrain from making payments on hybrid debt instruments outstanding at the time of the EC's decision, unless those payments stem from a legal obligation ('hybrid coupon ban');
- Remuneration restrictions are in place for employees and senior management at SNS REAAL NV until the end of the restructuring period or until SNS REAAL NV has paid back the state aid.

These conditions and restrictions continued to apply throughout 2014. With the signing of the agreement with Anbang, the conditions and restrictions that applied to the insurance business came to an end, with the exception of the acquisition ban, which continues to apply to VIVAT Group until 19 December 2016.

The agreement also brought an end to the coupon ban which the EC had imposed on outstanding subordinated bonds issued by SRLEV NV subscribed by third parties. However, until the sale transaction is finalised, SRLEV NV will avail of its optional right to defer interest payments on the subordinated bonds and on the subordinated intra-group loan of SNS REAAL NV.

Disentanglement of SNS REAAL NV

The disentanglement of the banking and insurance businesses of SNS REAAL NV took shape in 2014. Thanks to the expertise in complex organisational and IT projects gained by VIVAT Group in recent years, we are on track with the implementation of the complex disentanglement process.

SNS REAAL NV is no longer governed as an integrated banc assurance business, but has been transformed into a financial holding company. VIVAT Verzekeringen is an independent entity, on an equal footing with SNS Bank NV. The two entities came under new management on 1 July 2014. The corporate staff at holding company level of SNS REAAL NV were to a large extent allocated to the bank and the insurer in 2014. Because of the complexity of the IT operations, the separation of IT & Change will be carried out in H1 2015. The Audit department will also be separated in this period.

As a result of the disentanglement, there will no longer be any operational links between the insurance company and the bank. The bank and the insurer intend to continue their cooperation in commercial activities, which will be laid down in a long-term distribution agreement. On the one hand, SNS Bank NV will provide the 'engine'

under a savings proposition offered to its individual customers under the Zwitterleven brand. On the other hand, the Non-life business of VIVAT Verzekeringen will continue to be the 'engine' for the insurance products offered by SNS Bank under its own brand through a mandate arrangement.

The separation of the IT systems of the banking business and the insurance business is a huge operation that will be concluded in H1 2015. The bank and the insurer share the use of around 90 ICT systems. On top of this, five hundred applications used by the insurer have been transitioned to VIVAT Group's new infrastructure. The separation of the IT environment is progressing with minimum disruption to our primary business processes. It is not causing any disruption to our customers.

The disentanglement has been extremely demanding on our employees and asked a lot of them in terms of their flexibility, adaptability and endurance. The sale process, which is expected to be finalised in Q3 2015, is a cause of concern for employees. Employees are kept informed about the disentanglement and the sale process through their line managers and various communication resources. Furthermore, meetings have been organised by the new management team of VIVAT Verzekeringen. At 1 January 2015, nearly all employees transferred employer for legal purposes from SNS REAAL to REAAL NV. This transfer did not affect their pay-and-benefits package. The scope of the collective labour agreement, the staff guide, the pension plan and the social plan now also applies to REAAL NV. The pension entitlements of most of the employees of REAAL NV, including the accrual of all new pension entitlements of active employees, were transferred to the defined contribution plan administrated by Stichting Pensioenfondsen SNS REAAL, an independent pension fund.

A 'monitoring committee' of the employee representation body is monitoring the disentanglement process. The monitoring check-list prepared by the employee representation body and the directors enables them to monitor how each group staff department is making progress on the disentanglement of their own organisational unit. The check-list includes agreements on issues such as workload and supervision of this major change.

1.2.2 Financial position

The insurance market is facing difficult circumstances: we are seeing not just an increase in life expectancy, but interest rates are low – and have recently fallen further still – meaning that investment yields are structurally reduced. The markets for individual Life insurance, Non-life and pension insurance products are contracting. This puts pressure on prices, and VIVAT Group is feeling the effects. Furthermore, solvency requirements have become stricter, most notably with the transition to Solvency II. VIVAT Group regards the stricter solvency requirements as a positive development that will help insurance businesses in adequately meeting their obligations in the years ahead. This is crucial given that the business of insurance is inextricably linked to the concept of trust. The disentanglement of SNS REAAL NV and the restructuring will result in one-off and ongoing costs for VIVAT Group.

The Life and Non-life insurance businesses lost market share in 2014. At 17 percent, the share of the regular individual Life premiums market fell to a limited extent; the market share of regular group Life premiums saw a drop to 7 percent. The share of the Non-life market stood at 5 percent.

The results of VIVAT Group came under pressure in 2014. The net loss was fully caused by negative one-off items totalling € 690 million, which mainly concerned a € 648 million expense in connection with the IFRS LAT shortfall. As a result our net loss amounted to € 612 million. Excluding the one-off items, VIVAT Groups net result was € 78 million.

Underlying earnings were positive for REAAL Life (profit of € 65 million), Zwitterleven (profit of € 3 million) and ACTIAM (profit of € 10 million in the second half of the year), but earnings were negative for REAAL Non-life (loss of € 63 million).

VIVAT Group's regulatory solvency ratio dropped from 172 percent to 136 percent in 2014, which was largely attributable to the fall in interest rates and adjustments to models and cost assumptions. Owing to the low solvency, we have reduced the risk profile of the investment portfolio; this puts pressure on the return on investment.

1.2.3 Other developments

The brands of VIVAT Group served their customers well in 2014, with the top priority being 'honesty in business'. As in 2013, Zwitterleven and Reaal scored first and second place in VBDO's ranking of most sustainable insurers. The Dutch Association of Insurers asked Zelf to give a lecture on the transparency of its complaints management process, in which it takes a vulnerable stance and even displays poor customer reviews on its website. Reaal in particular managed to maintain its market share in the term Life and occupational disability insurance business. Zwitterleven saw its market share in pensions fall in 2014, as the brand suffered from the alarm resulting from the sale of VIVAT Group and low level of capitalisation.

Developments on the financial markets have ensured that the brands of VIVAT Group have thoroughly reviewed their actively marketed product range. The range is limited and in line with contemporary demands. For instance, Reaal intends to stop offering banking and mortgage products.

Shrinking markets demand changes to how the business is organised and to its scale. In this light, all parts of VIVAT Group have undergone a reorganisation in 2014. Again in 2015, VIVAT Group will change its internal organisation in line with market demands.

The poor claims performance in Non-life triggered a review of the premium levels of our products. This means that we unfortunately have had to confront a number of our customers with higher premiums. This development is necessary - together with ongoing cost reductions - in the years ahead in order to move towards a sustainable and profitable Non-life business.

1.2.4 Outlook

Although our individual brands are commercially doing reasonably to quite well, in part thanks to our loyal customers, VIVAT Group faces continued challenging circumstances in 2015 as well, amongst others because of the low interest rate and a shrinking market for Life insurance, Non-life insurance and for pensions alike.

Therefore, it is important in the process of the sale to seek a party that can support VIVAT Group, both financially and otherwise. Major progress was made in this process, when a Sale and Purchase Agreement was

signed with Anbang in February 2015. The transaction is expected to be completed in the third quarter of 2015. At the time of adoption of the financial statements for 2014, there was no reason to assume that the conditions for completion of the sale will not be met. However, there is no absolute certainty in this regard at the time of adoption. The going concern assumption in Section 5.9.4 provides further details about the conditions for completion of the sale.

1.3 Our brands

Zwitserleven

Zwitserleven is the leading pension insurer in the Netherlands, managing the pension capital of around 786,000 people. Zwitserleven offers group and individual pension products.

	Numbers
No. of directors/major shareholders	21,000
No. of self-employed	49,000
No. of group participants	716,000
Total no. of pensions administrated	786,000
No. of employers	36,000

Zelf

Zelf is an online insurer targeting independent-minded people who like to decide for themselves how they live. The motto is: 'You live. Zelf insures.'

	Numbers
No. of customers Non-life	229,000
No. of customers Life	867,000
Total number of customers	1,096,000

Route Mobiel

Route Mobiel offers mobility-related insurance: roadside assistance, travel, motor. It is the second roadside assistance organisation in the Netherlands.

Zwitserleven



actiam

Numbers

Number of customers	108,000
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Reaal

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

Numbers

Number of customers Life	1,357,000
Number of customers Non-life	337,000
Total number of customers	1,694,000

Proteq Dier & Zorg

Proteq Dier & Zorg exclusively offers healthcare insurance for pet dogs and cats, and the brand is the market leader in the Netherlands.

Numbers

Number of customers	75,000
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ACTIAM

ACTIAM is the leading sensible investor for institutional clients. With sustainable performance, service and advice, our asset management business helps clients to achieve their investment objectives.

In € millions	2014	2013
Managed assets for VIVAT Group	42,856	36,531
Managed assets for SNS Bank NV	4,456	4,049
Managed assets for external parties	4,044	3,630
Total managed assets	51,356	44,210

2 Foreword

Message by the CEO of VIVAT Verzekeringen

VIVAT Group has had a turbulent year. It was a year in which we became more independent, then preparing ourselves for the sale of our business; two intensive changes that demand a lot from our organisation and our employees.

Last year was one marked by transition. In July, we renamed the holding company of the individual brands to VIVAT Verzekeringen. VIVAT is a conjugation of the Latin verb *vivere* - to live. VIVAT stands for the core of our work: the lives of our customers. In recent months, we have transformed ourselves to an insurance company with five trusted insurance brands and an asset management business that tries as hard as it can to get the most out of the current market dynamics. Given the market for financial services has been turbulent for a number of years now, this is a major challenge. Interest rates are falling, with a further cut in 2014 and low returns on investments. Solvency requirements are becoming stricter, consumer behaviour is changing and the Witteveen pension legislation, which came into effect on 1 January 2015 is shrinking the pension market.

Besides these trends in the financial market, a number of our business units face low levels of capitalisation, which means there is limited capacity to absorb disappointing performance and/or make necessary investments. Because of dissynergies occurring once the disentanglement of the businesses is complete, we will also face higher costs, which has a knock-on effect on solvency. We are clearly operating in difficult circumstances.

Despite the challenges we face, our employees are highly committed to the organisation and they take a great deal of initiative in tackling issues. Especially in these difficult times, our employees are an important force. I see many colleagues making impassioned contributions because they want to, not because they have to. The past year has shown that we can do so much more for our customers and brands with our employees' loyalty and commitment.

The new Statutory Board was appointed in July. I am pleased that the entire management and the senior managers are all employees who have previously been employed at SNS REAAL NV. Within VIVAT Group, we

have introduced a division within the Finance and Risk department, and a new Finance and Risk organisation was smoothly established. This resulted in the new posts of CRO and CFO taking their place on the Statutory Board. At the end of 2014, Marcel van der Meulen decided to step down as CEO of Reaal and as statutory director. I would like to thank Marcel for the contribution he made to REAAL.

The Dutch Minister for Finance stated in June that he wanted to embark on the sale of VIVAT Group based on recommendations by Stichting administratiekantoor beheer financiële instellingen (NLFi), which holds the shares in SNS REAAL NV. In July, SNS REAAL NV started the preparations for a sale. A dedicated team within VIVAT Verzekeringen as well as the works councils were intensively involved in this process. Collaboration has been pleasant and constructive. It is understandable that customers, shareholders, partners and employees may have many questions about the sale process, such as what is going to happen now? Wherever we could we handled such questions as adequately as possible.

On 16 February 2015, SNS REAAL NV announced the agreement with Anbang Insurance Group. This is good news, and important for the position of all stakeholders; for our customers as well as our employees. Anbang has included several terms and conditions in the agreement, such as the stability of the capital position. At present, we are working hard on this issue. The completion of the sale will be subject to regulatory approval and the formal advice of the works council. If all systems are go, the sale will probably be finalised in the summer.

Even though we are steadily working on the sale process, other matters also require attention. The interim figures were presented in late August, followed by a trading update on Q3 in early November. This revealed that the capital position had further deteriorated and that results were under pressure. Standard & Poor's Rating Services adjusted their rating in response to the interim figures, and following the trading update in November, Moody's Investor Service followed suit and adjusted its rating in December.

Even the non-accruing policies require our continued attention. On 9 March 2015, the Netherlands Authority for the Financial Markets (AFM) published a report on the activation of customers with a unit-linked policy.

There was specific attention for customers with a non-accumulating policy. It showed that as of 31 December 2014, VIVAT Group had an activation rate of 61 percent for these customers. On 1 March 2015, our score was 67 percent. Activation means that the customer is making a conscious choice on his non-accruing policy. Despite our unconditional effort to have our customers make that conscious choice, we failed to meet our target rate of 80 percent by the end of 2014. We will continue our efforts unabated in 2015, together with our intermediaries, to approach our customers so that they can make a conscious choice.

Despite the current disentanglement of SNS REAAL NV and the recent sale, business is as usual. We have reached some important milestones. Many processes had to be re-established for VIVAT Group as a result of the disentanglement. Group activities of SNS REAAL NV were separated, meaning that in May and July, VIVAT Group welcomed various employees from the corporate staff of SNS REAAL NV.

Almost all corporate staff functions were separated in the past year. Despite the uncertainties that go hand in hand with a sale process, many employees decided to stay at VIVAT Group, or decided to take up the challenge and transfer to VIVAT Group. This I take as a great compliment.

We took the final step in January 2015, and started the technical separation of the IT systems of SNS REAAL. We will proceed step by step so that customers suffer no disruption. Almost all of the bank's and the insurer's systems are now no longer linked to each other. This has been an intensive process which has involved a lot of hard work over the past year.

There have been many changes made in the past year, and this has stretched our employees. The milestones we have reached bear testimony to their enormous efforts and loyalty. In addition, we are thankful to business partners who have shown great patience and partnership in the past year. We would also like to thank our customers who remained loyal to us. Thankfully, this applied to many customers. Thank you for choosing us! In the period ahead, we will continue our efforts to serve our customers in the best possible way.

The year 2015 will also demand our unconditional efforts. The challenges we face in this line of business

are still great. Our key priority is to ensure that our brands enter a new haven from where we can work for our customers and brands.

This haven would seem to be in sight, now that there is an agreement with Anbang. I therefore look towards the future with confidence. It goes without saying that we need to get to know each other and understand each other better, but Anbang's vision appealed to us from our first meeting: 'Help customers to achieve dreams'. This is what we stand for too. The best for our customers, and hence also for the perspective of our business. Our relationship with the customer is the only constant factor and is the foundation of our existence. And it has been for more than a hundred years.

Utrecht, the Netherlands, 15 April 2015

On behalf of the Board of VIVAT Verzekeringen,
Wim Henk Steenpoorte, CEO

3 Corporate governance

This Section covers the corporate governance of VIVAT Verzekeringen. We will first look at the Statutory Board of VIVAT Verzekeringen, before moving on to the Supervisory Board. The governance principles of the Dutch Association of Insurers (Insurers' Code) and compliance by VIVAT Verzekeringen and its subsidiaries with an insurance authorisation are annotated in Section 3.4. We then turn to the various announcements made by management.

3.1 The Statutory Board of VIVAT Verzekeringen

3.1.1 Composition and functioning

As of the publication date of this annual report, the Statutory Board of VIVAT Verzekeringen is composed of:

- Wim Henk Steenpoorte, CEO
- Seada van den Herik, Managing Director of Zwitserleven
- Willem Horstmann, Chief Risk Officer
- Arjen Schouten, Chief Financial Officer
- Jacob de Wit, Managing Director of ACTIAM NV

Apart from the directors appointed to the Statutory Board Boaz Magid, Director of Balance Sheet Management & Corporate Strategy, is also a member of the management team of VIVAT Verzekeringen. He is not a statutory director. For more information about the managing directors, see Additional Information 4 (Responsibilities, curricula vitae of and other positions held).

The new Statutory Board of VIVAT Verzekeringen was appointed on 1 July 2014. Almost all vacancies were filled internally. The Statutory Board is the day-to-day governing body of VIVAT Verzekeringen and its business operations, and is responsible for achieving the commercial, operational and financial objectives of VIVAT Verzekeringen in the short and long term. In performing its role, it carefully weighs the interests of all its stakeholders and acts within established risk frameworks. More specifically, the Statutory Board is responsible for supporting the Executive Board of SNS REAAL NV with the disentanglement of the businesses and the sale of VIVAT Verzekeringen. In terms of organisation, the disentanglement means that

support of business units from the group will be scaled back and support from VIVAT Group will increase.

Membership of the management of VIVAT Verzekeringen overlaps with that of the Statutory Boards of Reaal Schadeverzekeringen NV and SRLEV NV.

The formal rules for the functioning of the Statutory Board are set out in the articles of association of VIVAT Verzekeringen (REAAL NV) and in the regulations for the Statutory Board. These rules have been ratified by the Supervisory Board and by the Executive Board of SNS REAAL NV. Under the articles of association and the rules, certain decisions of the management require the approval of the Supervisory Board and/or the Executive Board of SNS REAAL NV (in its capacity as sole shareholder of VIVAT Verzekeringen). These are, for instance, decisions relating to far-reaching expansion or changes to the business activities, proposals to amend the articles of association and entering into or ending long-term cooperation of material significance for the business. The rules also include provisions about continuing education.

The subjects of the continuing education sessions as set out in principle 3.1.3 of the Insurers' Code are taken into consideration in the choices made by the management. The subjects chosen are based on topical matters such as new legislation. Various continuing education sessions were arranged for managing directors in 2014 in order to keep their expertise up to date and, where necessary, to build on it. In the past year, the sessions were still organised from SNS REAAL NV. The subject matters therefore covered both the banking and the insurance business. The following subjects were covered in the past year:

- ECB supervision: Legal Affairs presented explanations of the developments within European supervision and the impact it has on SNS REAAL NV, including VIVAT Verzekeringen. Also covered was the Dutch Financial Institutions Remuneration Act and the Dutch Work and Security Act.
- Culture and Conduct: during this session, explanations were presented on how the Dutch Central Bank (DNB) views the supervision of conduct and culture, with a specific focus on conduct in the boardrooms of financial institutions.
- AIFMD: the structure and operation of the AIFMD was explained by a guest speaker from the De Brauw, Blackstone & Westbroek law firm. The

session then specifically zoomed in on the operation of AIFMD within SNS REAAL NV from the perspective of ACTIAM and ASN Bank.

- Information security: IT & Change and Compliance (Security Affairs) gave a presentation on resilience against cyber attacks. An outline was provided of developments relating to cybercrime attacks and how SNS REAAL establishes its resilience.
- Big Data: an overview was presented from multiple perspectives (Gartner, Architecture and Business) of what Big Data is and what it can be used for. An example was also given of how SNS Bank deals with Big Data.

These topics are in line with the topics set out in principle 3.1.3 of the Insurers' Code. The sessions were given by a combination of internal and external speakers. The managing directors are obliged to attend at least three of the five sessions. All fulfilled this requirement in 2014. Aside from the management, other managers in our insurance business are also invited to attend the continuing education sessions on a voluntary basis. The directors appointed to the Statutory Board also followed the Oxford Self Managing Leadership programme, which is facilitated by Nyenrode Business University. The programme lays a profound link between the individual, the team, the organisation and the environment.

3.2 Composition of the Supervisory Board

Composition, appointment and functioning

As of the publication date of this annual report, the Supervisory Board of REAAL NV is composed of:

- Jan Nooitgedagt (Chair)
- Charlotte Insinger
- Monika Milz
- Jos Nijhuis
- Jan Nijssen
- Jan van Rutte
- Ludo Wijngaarden

Monika Milz is a German national, while all other members of the Supervisory Board are Dutch nationals.

For more information about the supervisory directors, refer to Additional Information 5 (Curricula vitae, appointment terms and other positions of).

Supervisory Directors are appointed for a term of four years. Reappointment for a further four-year period may only take place twice, and only after careful consideration. Reappointments must take account of the profile outline of the Supervisory Board, the functioning of the director in question, the term of the appointment and other as yet unspecified criteria.

The Supervisory Board meets at least six times per year in accordance with an annual schedule. Decisions of the Supervisory Board are taken by a majority of votes. The Supervisory Board has drawn up regulations that elaborate on and expand on a number of provisions from the articles of association. These regulations set out additional powers. All members of the Supervisory Board have declared their acceptance of the substance of these regulations and have undertaken to abide by the rules contained therein.

The Supervisory Board has appointed three committees from among its members; as of 31 December 2014, they were composed as follows:

- the Audit Committee, comprising Jos Nijhuis (Chair), Jan Nooitgedagt, Ludo Wijngaarden and Jan van Rutte.
- the Remuneration and Nomination Committee, consisting of Ludo Wijngaarden (Chair), Jan Nooitgedagt, Charlotte Insinger and Monika Milz.
- the Risk Committee, consisting of Jan Nijssen (Chair), Jan Nooitgedagt, Charlotte Insinger and Jan van Rutte.

The Nomination Committee and the Remuneration Committee were merged to become a single committee (the Remuneration and Nomination Committee) as of 11 November 2013.

The Supervisory Boards of SNS Bank NV, REAAL NV and SRLEV NV and, as of November 2014, of Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV, are comprised of the same individuals as the Supervisory Board of SNS REAAL and therefore membership overlaps.

3.3 Report of the Supervisory Board

General

The members of the Supervisory Board of REAAL NV, SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV are also members of the Supervisory Board of SNS REAAL NV. The Supervisory Boards of SNS REAAL NV and REAAL NV, SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV therefore form a personal union. The Supervisory Boards of Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV were created on 6 November 2014. This helps to safeguard uniform policy within the company. Attention is being paid to the balance of interests of the various entities.

In H1 2014, SNS REAAL NV (of which REAAL NV and SRLEV NV form a part) made strident efforts in separating the company's banking and insurance businesses. This resulted in significant changes in the governance and organisational structure of SNS REAAL NV, REAAL NV and SRLEV NV. In this context, the meetings of the Supervisory Boards of SNS REAAL NV, REAAL NV and SRLEV NV were no longer held in a combined format. The meetings of the Supervisory Boards of REAAL NV, SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV have taken place in a combined format since 6 November 2014.

For SNS REAAL NV, 2014 was a year marked by the implementation of the restructuring plan submitted to the European Commission in August 2013, which was approved in December 2013. Part of the restructuring plan is the disentanglement of the bank and the insurer. This led to significant changes in the governance and organisational structure of VIVAT Group. The composition and the allocation of responsibilities of the Statutory Board of VIVAT Verzekeringen (REAAL NV) and SRLEV NV were changed. At VIVAT Group level, a number of corporate support positions have also been created that were previously at the group level. A large number of employees in staff positions within the corporate staff who had previously worked at group level for both SNS Bank NV and VIVAT Group transferred to SNS Bank NV or VIVAT Group in mid-2014.

Throughout 2014, SNS Bank NV and VIVAT Group increasingly began to operate as separate businesses. As a result, SNS REAAL NV made a transition in 2014 from being an operating company to a financial holding company. The financial holding company's role is to provide adequate management of SNS REAAL Group and to render financial account for the group as a whole. The financial holding company also bears primary responsibility for the group vis-à-vis the supervisory authority. The financial holding company also bears ultimate responsibility for the implantation of the restructuring plan. The holding company supervises the disentanglement and sets the frameworks for an appropriate strategy for SNS Bank NV and VIVAT Group, in consultation with their boards.

Themes

Important topics and discussions of the Supervisory Board

The sale of the insurance business of SNS REAAL is an important measure in the restructuring plan. Key steps were taken in H1 2014 to prepare for the sale of the insurance business. The actual sale process began in earnest in H2 2014. For more information on the sale process, please refer to Section 1.

The year 2014 was also dominated by VIVAT Group's vulnerable financial position. The Executive Board and the management sought the engagement of the Supervisory Board and periodically updated them about the solvency situation of VIVAT Group. The Supervisory Board of course emphasised how important it is to investigate opportunities to further improve solvency, the capital position and the business model. Apart from its supervision of the Executive Board and the management, the Supervisory Board has had an important role in advising these bodies. Extensive attention was devoted to measures to limit risk in order to protect the balance sheet (statement of financial position) and improve operational efficiency. The profitability of the insurance business was also extensively discussed. Another subject of discussion was the modifications to the actuarial models and cost parameters, including the higher costs resulting from the dissynergetic effects of the disentanglement. The Supervisory Board had periodic contact about these subjects with other stakeholders of SNS REAAL NV, including the Dutch Central Bank (DNB), NLF1 and the Dutch Ministry of Finance.

The Supervisory Board of course also discussed the important matters of the disentanglement of SNS REAAL NV and the related changes in the governance structure as well as the customer focus during this process.

Other key topics included the financial statements for the 2013 financial year, the remuneration policy, the capital position of SNS REAAL NV, the EC commitments, risk management and risk appetite, 'Treating Customers Fairly' (TCF), the blueprint for the Integrated Control Framework and the large number of strategic projects within SNS REAAL NV. Later on in this Section, a more detailed description is given of the subjects discussed during the meetings of the Supervisory Board throughout 2014.

Composition and functioning of the Supervisory Board

Composition

There have been no changes in the composition of the Supervisory Board since 1 November 2013. As at 1 November 2013, the Supervisory Board comprised of seven members: Jan Nooitgedagt (Chairman), Charlotte Insinger, Monika Milz, Jos Nijhuis, Jan Nijssen, Jan van Rutte and Ludo Wijngaarden. Supervisory Boards were installed for Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV on 6 November 2014. The persons stated above also constitute the Supervisory Boards of Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV. Before 6 November 2014, these entities were not required to have a Supervisory Board under an exemption authorised by the Dutch Central Bank (DNB). Following consultations with DNB, this exemption was withdrawn and the two Supervisory Boards were constituted accordingly.

As in the period prior to 1 July 2014, the meetings of the committees of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV, SRLEV NV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV were held in a combined format. Where applicable, the topics addressed in the committee meetings are differentiated according to topics relating to the bank, the insurer or the financial holding company. This is indicated in the agenda of the relevant committee meeting.

Functioning

The Supervisory Board performs a self-evaluation on an annual basis. This year's self-evaluation was performed

in conjunction with an external evaluator. The evaluation focuses on the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors, the relationship with the management and the effectiveness of continuing education. The evaluation took the form of individual interviews by the external evaluator covering the subjects set out above. Apart from responses to the specific questions, the interviews also offered a lot of scope for free-form feedback on the functioning of the Supervisory Board, the committees and the individual supervisory directors. The evaluator subsequently prepared a report of the outcomes of the interviews. The report was discussed by the Supervisory Board in January 2015. The evaluation revealed that the Supervisory Board is functioning well. In terms of substance and relationships, the Supervisory Board is up to its task. It is clear that the role of supervisory director is a demanding one in terms of complexity and is time-consuming; the members of the Supervisory Board are highly committed. The Supervisory Board makes a sufficiently thorough and balanced evaluation of the interests of all stakeholders. The composition of the Supervisory Board is appropriate and includes the necessary expertise. Good dialogue takes place between the Supervisory Board, the Executive Board and the management. However, there is scope for improvement in meeting discipline (time management) and making more pointed conclusions. A lot of the debate is dedicated to downward risks and perhaps too little to upward potential.

Cooperation

Cooperation with committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Cooperation between the Supervisory Board and the committees in 2014 was positive. The meetings of the committees drill down into the subjects so that the decisions of the Supervisory Board can be carefully prepared. The substance of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure the supervisory directors are kept fully informed and are well positioned to take prudent decisions.

The so-called Technical Meeting (Dutch: 'Technisch Overleg') was established in Q4 2014, and is composed of four supervisory directors nominated by the Supervisory Board. The Technical Group was

established to ensure the close involvement of the Supervisory Board in the sale of VIVAT Verzekeringen. In this way, the Supervisory Board is kept frequently and intensively informed by the Executive Board, allowing the Supervisory Board to properly fulfil its role and to render advice to the Executive Board, and to maintain oversight of the process. The Technical Meeting has no autonomous decision-making powers of its own, but rather has a preparatory role in the decision-making process of the full Supervisory Board. The minutes kept by the Technical Meeting are shared with all members of the Supervisory Board. The Technical Meeting met on three occasions in 2014.

Cooperation with management

The Supervisory Board maintains oversight and advises the management by taking a critical stance where needed, rendering advice when needed and by giving support where it can. The Supervisory Board ascertains whether the decisions taken or yet to be taken by the management are well-founded and have been arrived at prudently. It can be concluded from the evaluation of the Supervisory Board that it strengthens and/or improves the management. The Supervisory Board takes responsibility where needed and desirable. Although the new governance structure only came into effect on 1 July 2014, it can be said that cooperation between the Supervisory Board and the management has been good throughout 2014. An evaluation of the consequences of the new governance structure and the cooperation will be explicitly addressed in the course of 2015.

Cooperation with external experts

Advice is sought from external experts where necessary for the proper execution of the Supervisory Board's supervision role. Regular contact between the Audit Committee and Risk Committee with the independent auditor and actuary is a corollary of this. The Supervisory Board also has its own legal and financial adviser with whom certain matters - where necessary - can be checked and finalised. The Supervisory Board hired a financial adviser and a legal adviser specifically for the sale of VIVAT Verzekeringen.

The external auditor of VIVAT Group is KPMG Accountants NV. In consultation with Anbang as the new shareholder, VIVAT Group will determine the consequences for the audit of VIVAT Group from 2016 onwards, also taking account of the Dutch Accountancy

Profession Act. Any tender process will be performed separately from SNS REAAL NV and SNS Bank NV.

Human resources

The Supervisory Board and the Remuneration and Nomination Committee have frequently discussed the human resources policy of SNS REAAL NV as well as the appraisals of the employees of SNS REAAL NV. The consequences of the disentanglement of SNS REAAL NV were also a key subject for the Supervisory Board and the Remuneration and Nomination Committee.

There is periodic contact between the Supervisory Board and the Central Works Council (CWC). Monika Milz (who was made a supervisory director in accordance with the enhanced right of recommendation of SNS REAAL's CWC) and Jan Nijssen periodically meet with the executive committee of the CWC. The same goes for the Chairman of the Supervisory Board. They met on eight occasions in 2014, one of which was their attendance at a meeting of the CWC. During periodic meetings constructive talks took place on subjects such as the legal change in the employer. It is in part thanks to these meetings that the change was effectuated successfully.

As a result of the disentanglement of activities, 2014 saw many changes that had an impact on employees. The employee survey of 2014 showed that employee satisfaction had remained at the same level as the previous year despite the insecurities and that the enthusiasm and commitment increased again (see Section 4.4).

The preparatory work on the sale of VIVAT Verzekeringen often comes on top of the day-to-day work of our employees. SNS REAAL is proud that it was possible to maintain the result-driven, open and direct culture, and the Supervisory Board greatly appreciates the efforts of all employees of SNS REAAL. Despite the far-reaching changes that SNS REAAL and its employees are still facing, there is faith in the management. The Supervisory Board trusts that employees will continue to work hard throughout 2015, also after the change in their employer from 1 January 2015.

Meetings of the Supervisory Board

General

The formal meetings of the Supervisory Board are held eight times a year, as per the annual schedule. As in

2013, meetings (by telephone and in person) were held more frequently in 2014. This was due to the closing process for 2013, the vulnerable financial position of VIVAT Group and the sale process of VIVAT Verzekeringen.

Including teleconferences, the frequency of the meetings of the Supervisory Board in 2014 was as follows:

January	Once (informal meeting)	Meeting in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
February	Three times	Meetings in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
March	Twice	Meetings in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
April	Once	Meeting in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
May	Twice	Meeting of the Supervisory Board of REAAL NV and SRLEV NV, and a telephone meeting in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
June	Twice	Meetings in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
July	Twice	Meetings in combined format of the Supervisory Boards of SNS REAAL NV, SNS Bank NV, REAAL NV and SRLEV NV
August	Twice	Meeting of the Supervisory Board of REAAL NV and SRLEV NV, and a telephone meeting in combined format of the Supervisory Boards of SNS REAAL NV, REAAL NV and SRLEV NV
November	Once	Meeting of the Supervisory Boards of REAAL NV and SRLEV NV
December	Once	Meeting of the Supervisory Boards of REAAL NV, SRLEV NV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV
TOTAAL	17	

Attendance

Despite all the additional meetings planned at short notice, the Supervisory Board was generally complete. On occasions where a supervisory director was absent, they had generally already provided their input on the subject matter to be discussed, either to the Chair of the Supervisory Board or to all other members of the Board. Based on a normal frequency of eight meetings per year, it is fair to say that the attendance rate was high, demonstrating the strength of the Supervisory Board's commitment.

Business discussed at the meetings

Until 1 July 2014, each regular meeting of the Supervisory Board heard updates on the business units of SNS REAAL NV. After 1 July 2014, these updates were given in the meetings of the Supervisory Boards of REAAL NV, SRLEV NV and, as at 6 November 2014, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV.

The discussion of the business updates also devoted attention to the theme of Treating Customers Fairly (TCF), and the Supervisory Board was informed of the continuity of the customer service. This theme was the

subject of extra focus in a continuing education session in May. Following this session, the Supervisory Board asked to be provided with customer experiences. In September 2014, this led to the production of a "menu" of customer experiences from which the members of the Supervisory Board could choose. These customer experiences were offered group-wide and therefore covered all business units within SNS Bank NV and VIVAT Group. Examples included (i) listening in on the SNS Customer Service or REAAL Customer Service, (ii) a visit to a RegioBank branch or (iii) taking part in a Zwitterleven customer panel session. Most members of the Supervisory Board took part in a customer experience in 2014. Based on evaluations of these customer experiences, feedback will be given during one of the meetings of the Supervisory Board, and the opportunity will also be taken to further develop the menu. These evaluations will take place in 2015.

Throughout the year, the Supervisory Board has discussed the management of various risks that exist in VIVAT Group. Internal control has come under pressure, in part because of (i) a sharp increase in workload as a result of new laws and regulations and, ensuing from this, a sharp increase in regulatory demands and

requirements, the disentanglement of the banking and insurance businesses, and the sale of VIVAT Verzekeringen, (ii) changes in the IT infrastructure (user, data and application migration), and (iii) organisational changes. The Supervisory Board maintained oversight of the individual components used to control the risk and of their effectiveness. The management has started work on designing an integrated control framework within the new governance structure.

Partly in view of the disentanglement of the banking and insurance businesses, the Supervisory Board devoted attention to the financing structure of the holding company, the operating companies and, in particular, to the intra-group balances. In late 2014, the meeting of the Supervisory Board devoted a lot of time and attention to the solvency of VIVAT Group.

Matters discussed by the Supervisory Board in 2014 included the following:

- the 2013 annual results, the 2013 Annual Report and financial statements of SNS REAAL NV (*February and March*)
- various aspects relating to the disentanglement of SNS Bank NV and VIVAT Group, including aspects affecting employees, IT aspects, risks (*throughout the year*)
- changes to the management of SNS Bank NV and VIVAT Group (*February*)
- the governance structure of the Supervisory Board (*March and April*)
- amendments to the regulations of the Executive Board, the management and the Supervisory Board and its committees (*May and September*) and the amendments to the articles of association of REAAL NV, SRLEV NV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV (*May*)
- the process of the sale of VIVAT Verzekeringen (*throughout the second half of the year*)
- communication with various stakeholders
- evaluating the integrated control framework (ICF) while at the preparatory stage (*November*)
- monitoring the actions arising from the EC's restructuring plan (*throughout the entire year*)
- establishing Supervisory Boards for Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV (*October*)
- the non-accruing policies (*December*)

- the Operational Plan for 2015 – 2017 (*August and December*)

Feedback on the meetings of the committees is also provided during the meetings of the Supervisory Board.

Continuing education (CE)

The Supervisory Board followed three CE sessions in 2014 (together with the Executive Board), covering the subjects of (i) cybercrime, (ii) Treating Customers Fairly (TCF) and (iii) retail bank of the future. In 2014, the subjects had a broad financial focus. The choice for subjects was based, for instance, on requirements by virtue of new and current laws and regulations.

Attendance by the management

The opening of the meetings (first half hour) takes place without the attendance of the managing directors. Following the opening, the Supervisory Board meets with the managing directors of VIVAT Verzekeringen and the Executive Board members of SNS REAAL NV in attendance. At the start of 2015, a meeting of the Supervisory Board was held without any managing directors being present. During that meeting, the external evaluation was one of the items discussed (see the Section 'Composition and functioning of the Supervisory Board').

Attendance by the external auditor

The external auditor attends all meetings of the Audit Committee and, at least once a year, attends a meeting of the Risk Committee. The external auditor did not attend any meetings of the Risk Committee in 2014. A meeting of the Risk Committee was held at the start of 2015 and this was attended by the external auditor. If required, the external auditor can also attend the meetings of the Supervisory Board. In February 2014, the external auditor was present for part of the meeting of the Supervisory Board.

Committee meetings

As of 11 November 2013, the Supervisory Board has the following three committees:

- Audit Committee
- Risk Committee
- Remuneration and Nomination Committee

A description of the work of the various committees is provided below. Further details of the composition of the

committees and the rules under which each committee operates can be found on www.snsreaal.nl.

Each committee prepares reports on the matters delegated to it in order to facilitate decision-making by the Supervisory Board.

Audit Committee (AC)

As of 31 December 2013, the composition of the AC is as follows: Jos Nijhuis (Chairman), Jan Nooitgedagt, Ludo Wijngaarden and Jan van Rutte. Apart from the AC members, the meetings of the AC were also attended by the CEO, the CFRO, the Secretary, the Group Audit Director, the Group Finance Director and the external auditor. As a result of changes in the governance structure, from 1 July 2014 the CFO of SNS Bank NV attends the part of the meeting of the AC relating to SNS Bank NV, and the CFO of VIVAT Verzekeringen attends the part of the meeting relating to VIVAT Verzekeringen. The AC is of course at liberty to invite other guests to attend the meeting. The external actuary attended a meeting in February 2014. The AC met on nine occasions in 2014.

A key subject of discussion and evaluation within the AC in 2014 was the organisation and the operation of the financial reporting process at SNS REAAL and the subsequent auditing process. This focused in particular on new IFRS rules (including IFRS 10), compliance with commitments made to the EC, the solvency of VIVAT Group, the financial reports, the audit reports, tax matters, internal reporting by Group Audit and management. Subjects discussed were for instance data quality, model validation, application of the Banking Code and the Insurers' Code, the integrated control framework, results compared with the Operational Plan, and the preparatory work for the appointment of a new audit firm from 2016. Also extensively discussed were the work and the reports of the external auditor and the external actuary, including the annual plan, the mandate of the external auditor and Group Audit, and the management letter. The external auditor was present at all AC meetings, enabling a good dialogue between the members of the AC and the auditor. The Chair of the AC also maintained periodic contact with the external auditor and a representative of Group Audit.

Risk Committee (RC)

As of 31 December 2013, the composition of the RC is as follows: Jan Nijssen (Chair), Jan Nooitgedagt,

Charlotte Insinger and Jan van Rutte. Apart from the RC members, the meetings of the RC were also attended by the CEO, the CFRO, the Secretary, the Group Audit Director, the Group Risk Management Director and the Manager of the staff department Compliance. As a result of changes in the governance structure, from 1 July 2014 the CRO of SNS Bank NV attends the part of the meeting of the AC relating to SNS Bank NV, and the CRO of VIVAT Verzekeringen attends the part of the meeting relating to VIVAT Verzekeringen. The RC is of course at liberty to invite other guests to attend the meeting. The committee met on five occasions in 2014.

The RC works primarily on preparing and evaluating the financial and non-financial risk policy and the operation of risk management. Throughout 2014, the RC focused on risk appetite, risk reporting, litigation risk, compliance with the relevant codes and the risk aspects of remuneration policy. Attention was in particular paid to the solvency position of VIVAT Group and the consequences of the disentanglement of SNS Bank NV and VIVAT Group in the field of IT. The Bank and VIVAT Group started on the establishment of an integrated control framework, which will provide the RC with greater insight into risk aspects.

Remuneration and Nomination Committee (ReNomCo)

The Remuneration and Nomination Committee is composed of: Ludo Wijngaarden (Chair), Jan Nooitgedagt, Charlotte Insinger and Monika Milz. The meetings of the committee are also attended by the CEO, the CFRO, the HR Director and the Secretary. The committee met on nine occasions in 2014.

The ReNomCo was established to select and propose nominations of members of the Executive Board, the managing directors of the business units and the Supervisory Board. The ReNomCo also prepares the decision-making on remuneration policy applicable to members of the Executive Board and senior management as well as remuneration policy for other employees of SNS REAAL NV, where it is competent in these matters under the Restrained Remuneration Policy Regulation in accordance with the Dutch Financial Supervision Act 2011 (or a rule that may supersede these). Further details of the main thrust of the remuneration policy, including a substantiated account thereof, can be found in the remuneration report. The subjects focused on by the ReNomCo in 2014 include:

the Key Performance Indicators (KPIs) for the Executive Board and senior management (including an ex ante risk analysis), the change in the senior structure of SNS REAAL NV, including the composition of the management of the banking business and the insurance business, and the overall variable remuneration envelope and the distribution of the variable emoluments for senior management. The proposed legislation on remuneration policies within financial institutions, introducing a bonus ceiling of 20 percent, which is expected to come into law in 2015, was taken into account. In addition, the following subjects were covered: the ex post risk analysis of the remuneration policy of SNS REAAL NV and its implementation, the evaluation of the Supervisory Board and the Executive Board (and the corresponding profiles), monitoring and assuring management continuity, reporting on the 2013 annual evaluation of remuneration policy, and the Restrained Remuneration Policy Regulation in accordance with the Dutch Financial Supervision Act 2011.

Financial statements

VIVAT Group published its financial statements 2014 on 2 April 2015. Prior to their publication, both the 2014 financial results and the financial statements 2014 were discussed at various meetings of the AC and the Supervisory Board. The financial statements were audited by KPMG, who issued an unqualified auditor's report on them. The financial statements will be submitted to the General Meeting of Shareholders.

Remuneration report

The remuneration report of the Supervisory Board will be included in the annual report of SNS REAAL NV.

Closing words

The Supervisory Board would like to offer a word of thanks and appreciation to all employees of VIVAT Group, particularly for their dedication and hard work. Great demands have been made of them in the past period, from within the organisation, but also from outside. The management of VIVAT Group was also challenged in the year under review to make an exceptional effort. In spite of the challenges, cooperation with the Supervisory Board was good, and for this the Supervisory Board offers its thanks.

Utrecht, the Netherlands, 15 April 2015
On behalf of the Supervisory Board,

Jan Nooitgedagt, Chairman

3.4 Governance Principles of the Dutch Association of Insurers

The governance principles of the Dutch Association of Insurers (Insurers' Code) and compliance by VIVAT Verzekeringen and its subsidiaries holding an insurance authorisation are annotated in the Additional Information 1 Insurers' Code.

3.5 Management statements

3.5.1 In-control statement

The management of VIVAT Verzekeringen continued to devote its attention to the further improvement of the design and operation of its internal risk management and control systems within the business. The management hereby declares that it has ascertained, with a reasonable degree of assurance, that the material risks VIVAT Group is facing have been described and that the appropriate measures have been taken to mitigate these risks. This assurance is based on the risk management organisation described in Section 5.

The effectiveness of essential control measures is reviewed at regular intervals. VIVAT Group has established a structured process of internal in-control statements with corresponding evaluation by the management.

The following material risks and mitigating measures have been identified for VIVAT Verzekeringen:

- The currently low level of capitalisation of VIVAT Group makes the organisation extra vulnerable to possible losses. For this reason, it is important that VIVAT Group restores capitalisation to an appropriate level.
- The operations of the insurance divisions require timely adjustments due to changing market conditions to ensure a future-proof business model.
- Reliability of Solvency II reports and control information aimed at balance sheet management and pricing of the business units.
- Because of continuing discussions in politics and society at large as well as legal rulings on existing portfolios of unit-linked insurance policies, VIVAT Group - together with other insurers in the

Netherlands - continues to retain a claims and reputation risk.

- The disentanglement of SNS REAAL NV into a separate banking and insurance businesses, each with their own governance regime, the sale of the insurance business, cost reductions and the impact of new laws and regulations have led to a clog of change programmes and an increase in the workload for employees.

From 1 July 2014, VIVAT Group operates within SNS REAAL NV within an independent governance structure. As a consequence of this, a new and transparent risk organisation was introduced on 1 July 2014, and a Chief Risk Officer was appointed to the Statutory Board. The CFO and CRO duties were assigned to separate functions. This change means that the financial and non-financial risks now come under the same command, as does the responsibility for compliance and legal affairs.

VIVAT Group strives to ensure its business operations are controlled and responsible. This ambition was established throughout 2014, and the principles ensuing from this have been transposed into the integrated control framework (ICF). Improvements need to be implemented in various units of the organisation. These improvements relate primarily to strengthening risk governance, managing data quality, the actuarial data models, and accountability for the internal control of processes.

A promising start was also made with the implementation of these principles in the business operations. In 2015, the various initiatives, improvement measures and change programmes will lay a firm foundation for a more mature control policy.

The management of VIVAT Group is responsible for the design and the existence of an integrated risk control system and its operation. This system is focused on managing risks so that they do not hold VIVAT Group back from achieving its objectives. However, the system cannot offer absolute certainty that material misstatements, fraud or breaches of rules or regulations can be avoided.

3.5.2 Internal management of financial reporting

We believe that the internal risk management and control systems of VIVAT Group offer a reasonable degree of assurance that the financial reporting will not contain any material inaccuracies, and that the risk management and control systems in the year under review have been effective.

VIVAT Group is responsible for the totality of internal risk management and control systems, for performing the management activities and for recording and reporting on this in an accurate and fair way. The internal risk management and control systems relating to the financial reporting form an integral part of the risk management and control systems of VIVAT Group.

The most important components for managing financial reporting risks are:

- A system of financial key controls within the accounting and reporting departments monitor the consistent operation of the management and control systems for financial reporting.
- The evaluation of the financial accounts, in part based on the outcomes of the key controls, is performed by the various financial and risk committees within VIVAT Group. The subsequent approval comes from the Statutory Board, and the findings on the reporting process are discussed in the Audit Committee and the Supervisory Board together with the financial accounts themselves.

4 Strategy and developments

4.1 External developments

The activities of VIVAT Group are affected by a wide range of external developments and trends, which in turn have an impact on our financial results and our strategic choices.

4.1.1 Economic and social trends in the Netherlands

The Dutch economy is recovering cautiously, following years of recession. During the past few years, the European Central Bank has pursued a loose monetary policy in order to fend off the economic crisis in Europe. The decline in the 20-year government bond rate, which fell from 5 percent to 3 percent between 2008 and the end of 2013, picked up pace in 2014, falling from 3 percent to 1 percent in just one year. From a historical perspective, interest rate levels in Europe are exceptionally low. As a consequence, the return on fixed-income securities that insurers can achieve going forward is currently less than the interest guarantees we have provided to our customers.

The poor economic situation in the Netherlands led to a change in the way policyholders handle their finances. They are now opting for cheaper solutions to cover simple risks, and this has consequences for the premium income of insurers. Many consumers also have less money to spend, and they are therefore making more claims on their Non-life insurance policies, including more claims for smaller amounts. This in turn has an impact on the claims paid out by insurers.

The ban on commissions has resulted in people being less likely to obtain advice in relation to products related to building up pensions, accumulating capital and even mortgages. Whereas it used to be possible to borrow additional finance to cover at least some of the costs of advice when taking out a mortgage, this has never been the case when it comes to capital accumulation products. As a consequence, sales of products of this type have fallen visibly. Owing to the stricter standards for mortgage loans, it is increasingly impossible for customers to obtain additional finance to cover the fee for mortgage advice.

As a result of the above, consumers are viewing the amounts paid for advice in a more critical light, which is not in itself a bad thing. That said, this development may also lead to people asking less advice than actually needed. In the long term, this can have detrimental consequences for the financial situation of the consumer, because the full impact of a decision cannot be discussed in sufficient depth during a meeting with an adviser, or because the consumer did not request any advice at all.

The long-term trend towards individualisation undermined the principle of solidarity, which forms the foundation of insurance. Today, however, there appears once again to be a greater willingness to help each other and to share burdens collectively, but in a different way and on a more human scale. With people helping, and being helped, by others who share the same values and ideas or by people within their family circle. Examples include internet forums where people provide each other with advice, and websites where people can let their own homes or lend and borrow items.

Insurance can, and must, be taken back to basics: a social safety net, organised jointly with the aim of collectively absorbing the blows for the individual. It is in this area where opportunities are to be found for our sector in general, and VIVAT Group in particular.

4.1.2 Developments in the area of laws and regulations

Capital requirements under Solvency II

The regulator, the Dutch Central Bank (DNB), imposes requirements in respect of the solvency of insurers, based on the current solvency requirements (Solvency I). According to these requirements, which were formulated decades ago, the solvency ratio, i.e. the ratio of available capital to the technical provision, is expressed using a simple formula. Under the new Solvency II capital framework, which will fully enter into force on 1 January 2016, a risk-weighted method is used to calculate the required capital. 2015 is a transitional year for Solvency II, with insurers having to report in accordance with both Solvency I and Solvency II. The more risk-oriented Solvency II supervisory regime is leading insurers to make different management decisions. In 2014, the management of VIVAT Group decided to reduce the market risk in the balance sheet (statement of financial position). This led to a fall in the

Solvency II capital requirement, but also had consequences for the investment returns of insurance companies. The current situation regarding Solvency II in relation to VIVAT Group is discussed in Section 5.

Pension system

During 2014, the state secretary for Social Affairs and Employment initiated a broad public debate on the pension system. Owing to the increase in life expectancy, the extremely low interest rates and rapidly changing social circumstances, the question regarding the tenability of the current pension system has become more and more pressing. Following the increase in the state retirement age, a retirement age of 67 has now become the rule in the second pillar too. The public debate will be followed up in 2015.

The Witteveen framework came into effect on 1 January 2015. The pension build-up rate is being reduced from 2.15 percent per year of service to 1.875 percent in the case of a career average pension plan. In addition, the pension build-up is restricted for tax purposes to a gross annual income of € 100,000. As a result of these measures, less pension can be built up under the tax frameworks. In other words, there are fewer contributions available to invest. These tax constraints will lead to a further decline in the pensions market in terms of the volume of contributions. On the other hand, there are also opportunities emerging in this area. As the amount of pension to be received will fall, there will be new demand for additional insurance policies and savings products (which may or may not comply with the new 'pension savings' tax regime).

Alongside a number of other initiatives, the Dutch Social and Economic Council (SER) were asked to come up with alternatives for a future pensions model. An initial draft version of the SER report was published on 23 January 2015. One of the recommendations contained in the report is to carry out a more detailed study of a pension system that is based on defined contributions for building up a pension through a personal pension savings account. This is very similar to the insights gained by Zwitterleven, which is anticipating this trend with its pension proposition. This development offers good opportunities for both the insurer and the Defined Contribution Plan Institution (DCPI) or General Pension Fund (GPF) to reinforce and expand their position in the pensions market.

4.1.3 Market developments affecting financial services providers

The market for financial products has changed a great deal in the recent years. For insurance products, the trend has been mostly one of declining premium volumes and pressure on margins in a saturated market. Since 2000, the market has been characterised by a number of developments that reinforce each other.

Distribution

Digital channels, such as comparison websites, webcam advisers and advisory modules, are being used increasingly for the distribution of insurance products for consumers and, to a lesser extent, businesses. This shift away from traditional face-to-face distribution through intermediaries towards direct distribution or distribution through online intermediaries, is continuing unabated, in part because it is possible to provide advice on and sell increasingly complex products online.

Insurance processes will become more efficient, which will improve the cost-benefit ratio for consumers and insurers alike. Digitisation also means it is easy for customers to compare and take out Non-life insurance cover online.

We can see a transformation taking place, from a world in which the intermediary was at the centre of the distribution of insurance policies, to an environment in which consumers are purchasing more frequently complex products online. Moreover, comparison websites have taken over part of the role played by intermediaries.

By contrast, demand for advice is rising for a number of more complex products and commercial insurance, such as pensions. We can see that the role of 'the intermediary' is increasingly becoming one of an adviser who is paid by the customer. In this market, the adviser still occupies a central position.

Life market

The ending of tax benefits for capital accumulation for funding home purchases and providing an income in old age has had an impact on demand for mortgages and related insurance as well as demand for pension-related Life insurance. Moreover, insurers are having to contend with competition from alternatives, such as bank savings products.

Pensions market

In the group pensions market we have seen a decline in the volume of contributions due to tax measures. In addition, demand for traditional (i.e. defined benefits) pension insurance has been falling. Competition from IORPs plays a major role when it comes to defined contribution schemes.

The Witteveen framework will probably reduce the volume of contributions, but it also offers opportunities, particularly for target groups that have to take additional measures in order to maintain their pension income at an acceptable level. Using net income for voluntary additional pension savings is allowed by law. The amount saved in this way is exempt from wealth tax insurers are permitted to offer this kind of top-up pension savings scheme.

Non-life market

With regard to Non-life insurance, customers are expected to insure fewer risks. They are looking more critically at the products that they purchase. In the case of residential developments, for example, we have seen that the use of more durable materials results in fewer claims related to residential property. Another reason is that the car industry is changing profoundly. In the case of self-driving cars, the risk will shift to from the driver to the car manufacturer. Furthermore, the trend of no longer owning one or more cars towards sharing vehicles is continuing.

Moreover, Non-life products in particular have become more or less comparable, partly as a result of websites where consumers can compare premiums. This has made it difficult for providers to make a difference. Insurance brands can only stand out if the insurance brands succeed in offering the right service, quality, price and experience to attract and keep customers.

Conclusion

Insurers will have to recalibrate their business models and focus on efficiency and simplicity in order to remain relevant and viable in the future. The VIVAT Group brands also need to revise their activities and, by extension, adapt their organisation. The transformation that the VIVAT Group brands are going through will create a more relevant offering that is more in line with customer requirements. One example of the progress we are making in this area is our omni-channel distribution model, which allows customers to select the

channel they wish to use to arrange their insurance matters.

4.1.4 SWOT analysis

The insurance market is tough right now. Developments that have a negative impact on premium volume and returns are currently taking place in all submarkets. On the other hand, there will always be a fundamental need for insurance and for spreading risks, and the number of people who wish to arrange matters themselves will only increase.

Strengths and opportunities

Multi-brand strategy

Under our multi-brand strategy, brands are close to specific customer groups with shared values. Our brands are well positioned, and each brand has its own specialism and appeals to its own specific target groups.

Zwitserleven, with its famous 'Zwitserleven Feeling' slogan, is one of the few brands in the financial services sector that has succeeded in linking an abstract subject such as pensions to a strong, positive emotion. Given the shift towards a pension system in which consumers have to arrange even more themselves and the government's role is reduced further, this brand is well-positioned to support customers by providing sound pension products and services. Moreover, the *Zwitserleven* brand offers opportunities for expansion into other financial submarkets.

Zelf is taking the lead in developments, and seeks to provide excellent online services to independently minded, empowered customers. At the moment the main focus is on simple risk products, but more complex products can also be explained properly using increasingly sophisticated digital technology. Consumers who are prepared to study such products in depth can take out cover themselves.

Reaal's omni-channel distribution strategy enables people to arrange insurance matters for themselves and obtain access to assistance and advice whenever this is necessary. This customer approach, in combination with *Reaal's* broad range of products, offers strong prospects for growth. *Reaal* has a profitable portfolio in the area of occupational disability insurance, and it has traditionally held a strong position in the term Life insurance market,

which also offers opportunities in the area of online services.

ACTIAM is one of the Netherlands' leading players in the area of sustainable investing, and it is the reason why Zwitserleven and Reaal came first and second in the rankings compiled by the Dutch Association of Investors for Sustainable Development (VBDO). It provides a core of sustainable investing for the set of insurance brands operated by VIVAT Group.

Consolidation

It is very likely that there will be a further wave of consolidation in the insurance market. The new combination formed by VIVAT Group and its new owner, Anbang, will be keen to have a part in this. The brands of VIVAT Group have already been through many integration processes. That is why our IT divisions are ready to successfully implement future combinations, too.

Weaknesses and threats

In these difficult times, VIVAT Group has to do everything in its power to exploit these opportunities. It is essential that costs are brought more into line with the structurally lower yields. The solvency level has to be maintained in order for our customers to trust that the risks they have insured with us are properly covered. At an operational level, a number of old, expensive, inflexible administration systems still need to be replaced with efficient, flexible systems so that VIVAT Group can respond to the changing needs of customers and make

the most of new technological possibilities. The replacement of old systems has already got off to a good start, with the introduction of the Quinity system at the Non-life business and of the Lifetime system at the Pensions business.

The current low level of capitalisation and the specific sensitivity of the Life and pension portfolio to low interest rates mean that solvency is a priority. Moreover, due to the adjustments to models made by virtue of Solvency II, the resulting reports and the related management information were sometimes not in line with new perspectives during the year. In that case adjustments had to be made to them.

Changing market conditions are forcing us to review our earnings model and make it more future-proof. The fragmented Non-life portfolio is another factor, and it needs to be rationalised and consolidated.

Risk management

VIVAT Group is aware of the risks that have been described, but these risks are under control. The basis for controlling risks is the risk management organisation as described in Section 5. See also the in-control statement by the management of VIVAT Verzekeringen contained in Section 3.5.1.

SWOT analysis of VIVAT Group

A summary of VIVAT Group's strengths, weaknesses, opportunities and threats, as described in Section 3.5.1 and Section 4, are shown in the following matrix.

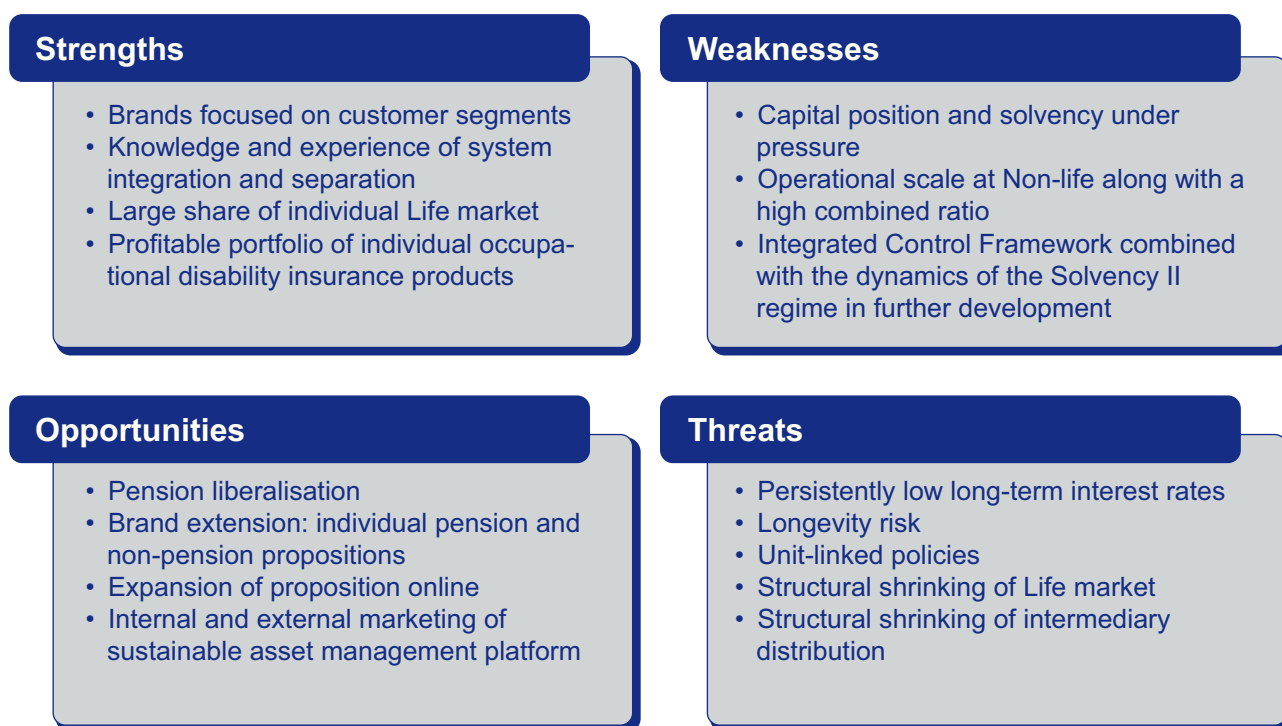


Figure 3: SWOT analysis of VIVAT Group

4.2 Strategic themes

Although the reorganisation and sale of our organisation required a great deal of attention, the brands of VIVAT Group continued to work hard on improving services to customers and implementing our multi-brand strategy.

4.2.1 Mission, vision and core values

Mission

Our mission is to empower people so they can manage their financial matters for themselves. We work on a basis of simplicity and sustainability: the customer, the individual, comes first. We are passionate and skilled in our approach. We provide our customers with the best possible support to help them take responsible decisions in the area of insurance. In this way we aim to add value to their lives and their financial security.

Vision

There is no such thing as a standard customer. Society is becoming more diverse in many ways, and the wishes and expectations of our customers are becoming more diverse too. We are giving financial matters a 'human

scale' again, as people require services that target their specific needs and offer value for money. At the same time, we want to win back the trust of customers, something that has become vital in our sector since the financial crisis. We want to be close to the customer, be sincere and flexible, and offer customised products, both online and offline. We need to be efficient and effective. Achieving this aim on an ongoing basis means that in addition to diversifying we need to offer continuity. Consolidation, soundness and expansion of scale are vital. It is in the light of these considerations that we are preparing for the takeover by Anbang.

Core value

Our core value is 'CARE!'. This is more than just a slogan; it sums up our thinking and our actions. It is the guiding principle for how we should behave. This behaviour forms the basis of the actions of all employees. It determines to a great extent the level of trust that stakeholders have in us, and the restoration of that trust. Our core value is, first and foremost, a call to all employees to connect in a very conscious way with our customers, with each other, with our results and with the society we form part of. We treat customers as we wish to be treated ourselves, we act honestly and with

integrity, and we honour our agreements. We work with our colleagues on a basis of trust and respect, we listen to each other and we learn from each other. We are aware of the role of our company in society, and behave accordingly.

4.2.2 Strategy

Multi-brand strategy

VIVAT Group aims to create value for customers and our new shareholder by pursuing a multi-brand strategy. This is a conscious decision. Our world view is that everyone is different. Individuals have different situations in life, or their requirements may change as they enter a different phase in their life. We are close to our customers and we seek to meet their needs by offering a variety of brand propositions.

VIVAT Group's range of products and services are divided among five consumer brands. Each brand has a specific proposition and focuses on the financial and insurance needs of its own target group. The brands operate on the basis of an identity that is recognisable to customers, with specific brand themes. The basic principles of simplicity, sustainability and empowerment, however, remain the same. By talking to people on their level and focussing on what they believe is important, we endeavour to build a relationship of trust.

We want to be close to our customers and enter into a dialogue with them. Only then will we be able to understand each other, win back trust and build long-lasting customer relations. This is also important for our new owner: the brands of VIVAT Group have a customer base that will continue to have a substantial value in the future. Our brands demonstrate that this is a successful strategy, in part because it enhances customer satisfaction, despite internal uncertainties and the ongoing disentanglement and reorganisations.

Our ambition is for customers to consider us to be a customer-friendly service provider. We aim to treat customers fairly, and to be the best at this in our sector. This means that our brands will need to have a distinctive position in their chosen customer segments, with recognisable themes, appropriate forms of distribution, service concepts and an appealing offering. Any partnerships that are entered into must also be in line with this mind-set.

Financially sound

It is important for our services that VIVAT Group focuses on maintaining a sound level of solvency.

We want to continue to offer competitively priced products by utilising the economies of scale in our organisation. One of the ways in which we do this is by allowing brands to use a central back office.

Corporate Responsibility

Our core activity of insurance implicitly requires us to take our role in society seriously. Corporate Responsibility (CR) proceeds from our mission and vision, and it forms an integral part of our strategy and business operations. In 2014, we established CR policy framework at VIVAT Group in order to streamline our activities in this area. The reasoning behind the introduction of the CR policy framework is the value that we are able to create with our brands for our customers and, ultimately, for society. Our core mind-set, 'CARE!', drives how we behave within VIVAT Group and how we interact with the outside world. The customers who purchase products and services from us, the employees who are committed to us, the resources we have at our disposal and the social policy we have implemented are all crucial for the future survival of our business. Our brands operate in a marketplace and within wider society. This is an interactive process in which society, the market and brands all have an influence on each other. This process is shown in the following diagram.

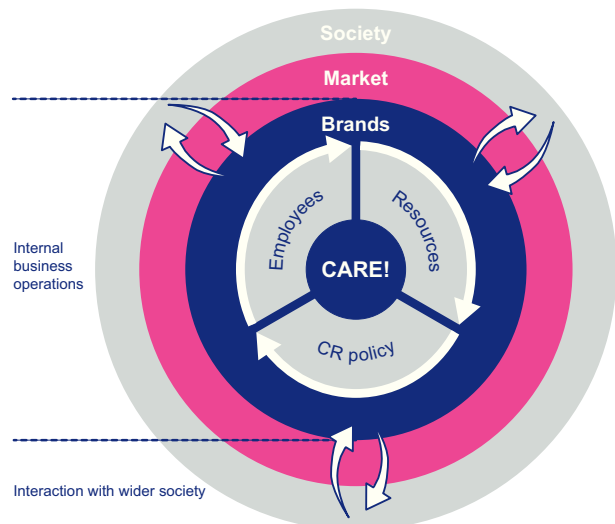


Figure 4: Conceptual framework for Corporate Responsibility

To ensure responsible practices in our internal operations and in our interactions with the outside world, these choices have been formalised in a CR policy

framework with the aim of putting into practice our mission, vision, multi-brand strategy and core value.

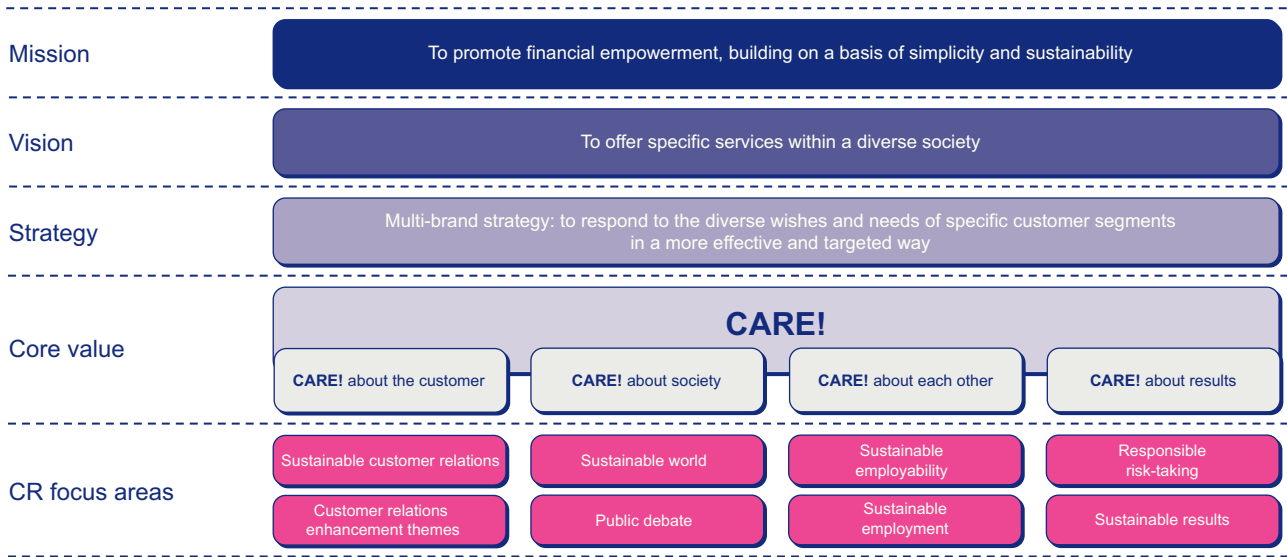


Figure 5: Corporate Responsibility policy framework

In order to ensure our policy is in line with our core value, we have broken down our core value into four strategic pillars: CARE! about the customer, CARE! about society, CARE! about each other, and CARE! about results.

CARE! about the customer

Treating Customers Fairly (TCF) is at the core of our mission and vision, and this is expressed in activities focused on sustainable customer relations. We concentrate on themes that are of relevance for customers, such as understandable products, the availability and accessibility of our call centres, and fair pricing. Customer relations enhancement themes have been defined for each brand. These range from promoting financial resilience to investing our assets responsibly.

CARE! about society

VIVAT Group operates at the heart of society and is close to its customers. Acting on behalf of our customers, our brands have entered into public debates on topics such as the changes to pension legislation, the promotion of sustainable transport or responsible investing. We are working towards a sustainable world and the protection of the environment. We are working to

reduce carbon emissions, make more efficient use of paper and reduce waste.

CARE! about each other

Our employees are the people who put our mission and vision into practice. We are a business that serves the financial interests of others, but we can only do this if we employ people who are completely committed to this. 'CARE! about each other' reflects what we understand being a responsible employer to mean: we promote sustainable employability (e.g. vitality, personal development) and sustainable employment relations (flexibility, diversity).

CARE! about results

The more financially focused activities that could have an impact on our customers, our shareholders and our business are developed within this pillar. Responsible risk-taking and sustainable results are in line with the philosophy of VIVAT Group.

The following table indicates the Sections in which the focus areas are discussed.

Discussion of CR focus areas

Focus area	Section
Sustainable customer relations	4.2.3
Customer relations enhancement themes	4.3
Sustainable world	4.5
Public debate	4.3
Sustainable employability	4.4
Sustainable employment relations	4.4
Responsible risk-taking	4.1.4 & 5
Sustainable results	4.1 & 4.3

4.2.3 Restoration of trust

Sustainable customer relations are essential for all VIVAT Group brands to win back the trust of our customers. We forge sustainable customer relations by being fair and transparent in the way we do business. This approach is embedded in our business.

In doing so, we apply the criteria of cost efficiency, usefulness, reliability and understandability prescribed by the Netherlands Authority for the Financial Markets (AFM). This is reflected in our above-average TCF scores.

We also apply a number of additional criteria, based on our own Corporate Responsibility policy framework. These are simplicity, improved accessibility and clear, fair pricing.

Treating Customers Fairly (TCF)

The AFM tests whether we are succeeding in treating customers fairly. In connection with this, the regulator publishes TCF scores on a regular basis. VIVAT Group believes that the opinions of customers should also be obtained in order to form a full picture. The Dutch Association of Insurers, acting on behalf of VIVAT Group and other insurers, already performs customer satisfaction surveys for this purpose. We believe that the combination of this survey and the AFM's TCF monitor surveys can be used to provide consumers with guidance on making qualitative comparisons.

Net Promoter Score and customer satisfaction score

	Zwitserleven		Zelf		Route Mobiel		Reaal		Proteq Dier & Zorg	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net Promoter Score	-43.0%	-43.0%	11.7%	11.2%	37.5%	36.8%	-48.0%	-47.0%	12.9%	9.6%
Customer satisfaction score	6.9	6.9	7.9	7.8	8.2	8.2	6.8	6.8	7.2	7.6

TCF scores of VIVAT Group

In anticipation of the introduction of a new, comprehensive monitor, the VIVAT Group brands have decided to publish their TCF scores. On a scale of 1 (low) to 5 (high), our brands have a joint overall score of 3.7, compared to a market average of 3.5. This score reflects our efforts to treat customers fairly.

TCF scores obtained in subcategories

Category	VIVAT Group score	Market score
Insuring	3.6	3.3
Transparency	4.2	3.4
Complaints management	4.0	4.2
Pensions	2.9	2.5

Score on scale of 1 (low) to 5 (high)

Besides the scores awarded by the AFM, we also use a number of internal KPIs to help us monitor the extent to which we treat customers fairly. In this context, Zwitserleven and Reaal measure the Net Promoter Score (NPS) every six months Route Mobiel does so on a monthly basis.

We gauge the opinion of customers on statements including the following:

- The brand puts my personal interests above the brand's interests.
- The brand gives me the feeling that I am important.
- The brand fulfils its commitments.

Our customer satisfaction scores and NPS scores remained stable in 2014. For the financial sector as a whole, the trend is one of low customer satisfaction scores and NPS scores. Obviously we are dissatisfied with our negative NPS score and we want to improve our score substantially. Our programmes related to Treating Customers Fairly (TCF) should help us achieve this.

Besides the NPS and customer satisfaction scores, we also keep records of the number of complaints for Reaal and Zwitserleven. We have noted that the number of complaints at Reaal has risen, while the figure for Zwitserleven has fallen slightly. Our aim is to achieve a significant reduction in these figures, not least because this would also lead to improvements in our NPS and customer satisfaction scores.

Complaints received

	Zwitserleven		Reaal	
	2014	2013	2014	2013
Number of complaints received	1,563	1,722	9,227	8,424

Quality of our business partners

With regard to the Reaal and Zwitserleven brands, VIVAT Group works with a great many business partners that provide advice to our customers and sell products on behalf of the brands. It is vital that they work in a way that is consistent with our ideas on integrity, quality and continuity. We have prepared a framework to help us assess whether partners work in accordance with these principles. The variables that are measured in this framework are quality, integrity and continuity. A dashboard of indicators shows whether the business partners appear to meet the relevant quality standard. We enter into a dialogue with partners that do not appear to meet the standard, with the aim of improving services to customers.

Finally, it goes without saying that it is vital that our people are customer-oriented and open. They receive training in the TCF principles and the principles of cost-efficiency, usefulness, reliability and understandability, and are aware of applicable legislation (e.g. the Dutch Financial Supervision Act). We also apply the two-man rule.

Simplicity

We believe it is our duty to help customers become financially empowered. We therefore offer good quality, fair, transparent products. Simplicity is crucial.

Simplicity in finance is an important principle for the VIVAT Group brands. It means that we stand for products that can be understood by all, that are open, accessible and free from hidden terms, and are supported by a friendly service provision that seeks to create lasting relationships.

We try to keep our terms and conditions as transparent as possible, make products understandable and communicate this clearly in product conditions, in letters and on the websites of our brands.

We measure the extent to which our customers think our communication is transparent and clear. Zwitserleven appears to be succeeding in this area, 94 percent gives a score of 7 or higher. The same is true of Reaal according to most of our customers, although there are still a significant number who require clearer, more transparent communications.

Transparent and clear communication

	Zwitserleven		Reaal	
	2014	2013	2014	2013
Percentage of customers who think communication is transparent and clear	94%	82%	69%	n.b.

Customer contact

As we seek to treat customers fairly, it is essential that we challenge ourselves to make further improvements in the area of customer contact. This means ensuring that brands are easy to contact and that customers are provided with good support. We measure this constantly and make efforts to improve our performance in this area.

Reaal actively focuses on first contact resolution, which refers to the ability to understand the customer and address his or her concerns and/or problem the first time they contact us. Zelf follows up every customer who contacts us and asks if they are satisfied, whether they feel it is easy enough to contact us, and in particular whether the expectations they have, and had, have been met. Zelf uses tests, such as the test of knowledge and experience related to occupational disability insurance, to test whether the customer understands what he/she is buying. Zwitserleven investigates whether the customers have properly understood the complex matter of pensions; we measure whether communication was transparent and clear.

Pricing

We seek to provide transparent information on how the prices we ask for our products are structured. Our aim is to offer customers a fair price. At the same time, we need to ensure we are profitable so that we can fulfil our obligations today and in the future. It therefore makes

sense to test our prices against market conditions on a constant basis.

We believe it is important to offer the same prices to both new and existing customers. In order to achieve a good balance, we have produced Decent Pricing Rules. We use this normative framework to test the prices we ask for various products. The main starting point is that we have to be willing and able to explain the pricing policy to customers, including in situations where differences in prices arise. It is important to be transparent about this, as the precise prices of products depend on many factors, such as risk, the term of the product and its complexity

Unit-linked policies

VIVAT Group, and also Reaal, are having to contend with obligations that are the result of the unit-linked products.

Compensation for excessive fees charged for unit-linked policies

VIVAT Group has reduced the percentage fees charged for unit-linked policies to a level that is acceptable to all parties. Agreements were reached on this in 2009 and 2010 with consumer organisations including the Dutch Homeowners' Association and the Dutch Investors' Association. VIVAT Group has finished dealing with the resulting compensation scheme, and has paid € 360 million in compensation to customers.

In addition, complementary measures for all unit-linked policies have been agreed in consultation with the Dutch Minister of Finance. This will make it possible for all customers with a unit-linked policy to make changes or switch to another provider.¹

Encouraging customers to act

VIVAT Group set itself the goal of encouraging customers who have a non-accruing policy to make a conscious decision regarding their insurance policy. Non-accruing policies² are a group of unit-linked policies

¹ The AFM appreciates the efforts made in relation to after-sales services for unit-linked policies: Reaal scored 3.2 in the AFM's dashboard module on after-sales services for unit-linked policies (average of 3.1 for big six insurers 3.1 and 2.6 for market).

² Non-accruing policy: A category of 'non-accruing policies' has been identified in the context of unit-linked policies. The AFM defines non-accruing policies as unit-linked policies which are not expected to result in to capital accumulation based on the future premiums to be paid. In an effort to further improve the situation of these customers (and in addition to the compensation scheme they are also covered

that are covered by the compensation scheme. We want to talk to customers about their policies, through their intermediaries, and offer them an alternative if they so wish. VIVAT Group has sent out many hundreds of thousands of letters and e-mails since the start of 2013, and made phone calls to customers. In total, these add up to nearly two million attempts to reach customers with unit-linked policies (including non-accruing policies), either by telephone or by letters (by registered mail). To this end, we appointed a full-time call team of 80 people trained in contacting customers by telephone. They make between five and ten attempts to reach the customer.

We have also joined forces with advisers to set up the 'Resolving it together' programme. The online insurance check tool, Verzekeringscheck, is located on Reaal's website and is used frequently: by the end of 2014 it had been logged on to over 700,000 times by over 120,000 customers. This is all aimed at encouraging customers to talk to their advisers so that they can make a conscious decision.

In the course of 2014 we again stepped up our efforts to activate customers. At the end of 2014, again 42,000 letters were sent by registered post to customers who had not yet made a conscious decision, in which we specifically asked them to contact Reaal. Moreover, 4,000 additional meetings with advisers were purchased from financial advisers to ensure that customers can visit them to have a policy check performed.

VIVAT Group did its utmost to reach the activation target percentage as defined by us. Although VIVAT Group managed to activate the highest number of customers in absolute terms compared with all other insurers, to our disappointment we did not reach the 80 percent target. On 1 March 2015, VIVAT Group posted an activation rate of 67 percent. VIVAT Group did its utmost and favoured accuracy rather than speed.

Our choice to approach each individual customer to make a conscious well-considered choice is taking more time than expected. For advice on unit-linked policies, VIVAT Group seeks collaboration with the intermediary. Adequate advice is desirable to come to a conscious choice. We underestimated the extra time needed for

by), we have reached agreements with the AFM on encouraging customers to take action. VIVAT Group is making additional efforts to encourage customers to make a conscious decision regarding their insurance.

this. In addition, more customers than initially expected do not respond to our letters and telephone calls.

Our target is and remains to have our customers with non-accruing policies make a conscious choice. We will again step up our efforts; in 2015 VIVAT Group keeps reaching out to the customers, in a joint effort with independent advisers.

4.3 Business developments

4.3.1 Financial results of VIVAT Group

VIVAT Group saw its gross premium income fall by 3 percent in 2014. At 16.8 percent, the share of the regular individual Life premiums market was slightly lower than in 2013 (19.3 percent); the market share of regular group Life premiums fell to 7.4 percent, down from 14.6 percent in 2013. The share of the new Non-life market stood at 4.7 percent, another decline compared with 2013 (5.8 percent).

VIVAT Group reported a profit for 2014 (adjusted for incidental items) of € 78 million, compared with € 122 million for 2013. Adjusted for the effects of realised gains and losses on the investment portfolio and derivatives, underlying earnings plummeted to nil, down from € 71 million in 2013. The positive underlying earnings from the Life business were largely cancelled out by an underlying loss suffered by the Non-life business. The weak results were largely attributable to a drop in underwriting results and lower margins. What is more, the derisking of the investment portfolio over the past periods, in combination with falling interest rates, has led to a structural reduction in investment income.

VIVAT Group incurred a loss for 2014 of € 612 million (2013: loss of € 625 million). The loss for the year was entirely due to negative incidental items in the sum of € 690 million. These were primarily made up of an expense item of € 648 million that was recognised for the IFRS LAT shortfall.

In 2014, the solvency ratio of VIVAT Group fell increasingly short of our internal minimum target of 175 percent. Regulatory solvency declined to 136 percent at year-end 2014 from 172 percent at the end of 2013. The decline was mainly due to the result of changes in models and cost parameters, partly due to envisaged

cost dis-synergies, valuation adjustments of mortgages and other valuation changes. Furthermore, unfavorable movements in the yield curve and increased interest volatility, especially in the fourth quarter of 2014, contributed to the decrease in solvency.

As part of the sales process, VIVAT Group has focused on balance sheet protection by further de-risking the investment portfolio. The main objective was to reduce sensitivity of solvency to changes in interest rates, equity markets and credit spreads under the Solvency II regime and only to a lesser extent under the current Solvency I regime. As a consequence, the development of the Solvency I ratio in 2014 does not fully reflect the additional derisking measures.

The underlying net result of REAAL Life remained positive but showed a sharp decrease by € 50 million, from € 115 to € 65 million, driven by lower direct investment income and lower cost margins. The underlying net result of REAAL Non-life fell by € 19 million to € 63 million negative driven by lower direct investment income and higher claims, mostly at fire and motor. Zwitserleven posted a lower underlying net profit of € 3 million compared to € 17 million for 2013. The absence of a provision charge for the compensation of unit-linked pension contracts was more than offset by lower technical and cost results and lower investment income. The underlying profit of ACTIAM was in line with 2013. Assets under management increased significantly due to the lower yields on bonds. However the growth in income was offset by higher operational costs, mainly driven by regulatory requirements for AIFMD services and growth of the customer base.

VIVAT Group segments its financial results by product group. A product group may encompass one or more of our brands (see the table below).

Business unit (BU) and brand/product group combination

	Non-life	Life	Pensions	Asset Management
BU Zwitserleven			√	
Zwitserleven			√	
BU Reaal	√	√		
Reaal	√	√		
Zelf	√			
Proteq Dier & Zorg	√			
Route Mobiel	√			
ACTIAM				√
ACTIAM				√

4.3.2 Zwitserleven

Simplicity for Later

Zwitserleven, our pension brand which manages the combined pension capital of 785,000 people, feels a responsibility for the financial futures of consumers. Zwitserleven believes that the entire country of the Netherlands should be able to enjoy the 'Zwitserleven Feeling' and that everyone should be given the chance to shape their own financial future.

It is proud to rank most sustainable insurance company for three years in a row. Zwitserleven invests sustainably, acts with respect for human life and the environment, with a continual focus on dialogue. The brand does what it's good at: transforming expertise and experience into products that anyone can understand.

Connecting, helping people: Zwitserleven does not regard this as just a moral or ethical issue, it is also a way of doing things. To continue to be able to live up to this, Zwitserleven aims to be a financially healthy business with realistic objectives. Within this objective, it is important to consider the interests of our customers, employees and other stakeholders.

Customers of Zwitserleven include directors/major shareholders, SMEs, large businesses, their employees and other individuals. For each of these customer groups, Zwitserleven has a pension product to match.

Zwitserleven is focusing on 'Simplicity for Later' – herein lies the raison d'être of this brand. Pensions in the Netherlands have become too complicated. Consumers have a lack of understanding about their pension situation and they do not know what solution they should

choose or whether they need to take action at all. A survey has shown that more than 90 percent of the Dutch population do not know what changed on 1 January 2015 in relation to pensions (the Witteveen framework).

Zwitserleven refuses to settle for a situation in which customers lack information about their pensions: they pay their insurance company good money towards their pensions in good faith for a period of 40 years so that they can enjoy the Zwitserleven Feeling in later life.

What were Zwitserleven's objectives in 2014?

Zwitserleven believes it has a duty to help people understand their pensions and the consequences of changing laws and regulations. One of the objectives for 2014 was to create a targeted information campaign to help achieve this.

Another objective was to streamline the product offering and - where appropriate - to reduce it. This will allow Zwitserleven to offer a closer match to the needs of customers with simple and comprehensible products. Products would also be better protected against market developments, such as the continuing low interest rates and the longevity risk.

Pension products are distributed via a network of advisers, consultants, accountants, our own Zwitserleven Pension Service (ZPS) as well as directly through online service offering. A good partnership with external advisers is and will always be essential if we are to achieve our ambitions in the years ahead. Zwitserleven planned to carry out targeted campaigns to restore its favour with external advisers.

Zwitserleven planned to simplify its internal organisation in order to reduce costs.

What has Zwitserleven achieved?

Information on new legislation

In late 2014, Zwitserleven embarked on an information campaign through the media of television, radio, websites and social media. In our new e-magazine 'Straks', we write articles and publish videos to explain the new pension system. In November, Zwitserleven introduced a new online tool ('Pensioeninzicht') which gives not just our customers, but every resident of the Netherlands a complete picture of their pension situation. Employers have also been

informed through pension events and seminars for people in HR roles, but also through information sessions for employees themselves. Zwitserleven has also developed dedicated online portals which HR departments can use to manage the pension plans. It will soon also be possible to link this to payroll systems.

Changes in the product offering

Because of the changing circumstances, Zwitserleven has made a start on changing its product offering. From 2018, Zwitserleven will no longer offer products that include some form of guarantee. Our principle of 'Simplicity for Later' should create a business model fed by an influx of profitable new policies. The strong awareness of the Zwitserleven brand and its healthy image will help with achieving this. We have also introduced savings products, where the average amount on deposit held per contract is high.

Zwitserleven has developed a new product for those wishing to save above the threshold of € 100,000, the Net Pay Pension product, which fills a gap created by new pension legislation introduced on 1 January 2015. The exact options available under the new law are still being investigated.

In 2014, Zwitserleven launched its own Occupational Retirement Provision (IORP) in response to increasing individualisation in the pensions market. Two products have been introduced: Zwitserleven Pension Now and Zwitserleven Pension Account Now. Pension Now is intended for employers seeking to retrench and standardise: a standard pension plan with a benefit for survivors and orphans. Pension Account Now is an individual plan that pays benefits following death before retirement.

Improve cooperation with advisers

In 2014, we worked hard to restore the relationship and communication channels with advisers. This included opening proposal portals exclusively for advisers. Furthermore, clear arrangements were agreed on how Zwitserleven shares communications about its products and the role of advisers. An advisory board was also established to represent the views of advisers.

Simpler and more effective

The motto 'Simplicity for Later' which Zwitserleven uses in its customer-facing communications also applies to the internal organisation of Zwitserleven itself. Here too

there is scope for a simpler and more effective approach with fewer systems and processes. A shared back office, in which all processes from making the proposal to signing off the policy are performed electronically, is essential if we want to achieve structural cost-savings. Zwitserleven expects costs per (new) customer to be lower than competitors' costs in due course. In 2014, the new accounting system ('Lifetime') for unit-linked pension plans was rolled out. More than 1,450 contracts have now been entered into the Lifetime system, with 24,000 pension plan members.

Zwitserleven is proud that it was once again selected by the Dutch Association of Investors for Sustainable Development (VBDO) as the most sustainable pension insurer. Zwitserleven's image value has fallen slightly, but we are making efforts to turn this around and improve in the year ahead.

VBDO score and image value

	2014	2013
Most sustainable pension insurer according to VBDO	1st place	1st place
Image value for 'socially engaged'	12%	13%

Furthermore, Zwitserleven checked the knowledge of its customer base on the changes to the pension system. The conclusion was that many customers were not yet aware of them. Zwitserleven believes it has an important role to play in this context.

For customers who have recently taken out a product, Zwitserleven measures the level of their pension awareness. Compared to last year, the figure has fallen to 18 percent. Zwitserleven aims to bring about an increase in this number.

Education & insight

	2014	2013
Figures on awareness, changes from 01/01/2015	9%	-
Figures on pension awareness and after-sales survey	18%	26%

Plans for the years ahead

In 2018, Zwitserleven aims to reduce the number of group pension products from five to three. The number of products that include some form of guarantee is also set to reduce (from eleven to two). At the same

time, Zwitserleven intends to increase the number of individual products from three to seven.

Zwitserleven is investigating opportunities to further expand the brand into the consumer market, for instance, by introducing new products and propositions for pension-related products, but also for other insurance products in line with the Zwitserleven brand and image. A start was made by introducing the Zwitserleven Savings Account in cooperation with SN Bank NV.

4.3.3 Zelf

You live. Zelf insures

Zelf ('Self') is VIVAT Group's online brand that aims to help customers who want to take financial matters into their own hands. With its motto "You live. Zelf insures", Zelf positions itself as a brand for independent consumers who like to decide for themselves how they organise their affairs, their life. Customers are therefore given the opportunity to choose online from a clear and easy to understand offering of insurance products.

Service improves and it becomes clear where transparency of the terms and conditions of insurance can improve thanks to an ongoing dialogue with customers. They can make their own views known via the website or can contact a member of staff.

What were Zelf's objectives in 2014?

Improving customer satisfaction is always a key driver for Zelf.

Based on what we know of our customers and risk modelling, Zelf wanted to introduce further premium differentiation and launch new products. By using online marketing and a quantitative approach to product development, Zelf aimed to achieve profitable growth.

What has Zelf achieved?

Zelf periodically measures customer satisfaction as well as whether they would recommend the brand to other people (Net Promoter Score). Zelf has a positive Net Promoter Score and high scores for customer satisfaction. It wants to maintain these scores and where possible improve them.

Net Promoter Score and Customer satisfaction score

	2014	2013
Net Promoter Score	11.7%	11.2%
Customer satisfaction score	7.9	7.8

Zelf has a number of new products. For instance, the single-trip travel and cancellation insurance was successfully introduced.

Furthermore, Zelf has also adjusted its premiums and conditions. The premium increase for the liability insurance for private individuals came into effect on 1 May 2014. Zelf has succeeded in retaining customers, helping to generate additional turnover. The policy excess for the travel insurance was increased with effect from 1 June 2014, leading to a slight increase in the number of cancellations. In 2014, all existing motor insurance products were converted to a single sales proposition, enhancing the transparency of the offering.

Plans for the years ahead

Zelf is aiming to further digitise processes and offer customers their own personal portal. Customers will be able to visit the portal to manage many things themselves (such as making claims, changing their personal details, making changes to their policies, etc.).

So far, Zelf has only used the internet as an advertising medium. Zelf will also start advertising offline in order to further raise the brand's profile.

4.3.4 Route Mobiel

From B2C tot B2B

Since early 2004, Route Mobiel has grown to become the second Dutch roadside assistance provider, with a network of more than 180 bases across the Netherlands.

In 2013, Route Mobiel changed course from the consumer market (B2C) to the business market (B2B) to offer roadside assistance through partners.

What were Route Mobiel's objectives in 2014?

Route Mobiel wanted to embark on an active relationship marketing campaign to convince the B2B market to cooperate in jointly selling roadside assistance services. The plan was also to select businesses that offer a good match for Route Mobiel and offer potential for the sale of roadside assistance cover.

Furthermore, Route Mobiel aimed to be distinctive in its customer service as was to be reflected in a continually high Net Promoter Score.

What has Route Mobiel achieved?

In 2014, Route Mobiel further strengthened its partnership with Vakgarage: since the 2014 autumn campaign, the number of customers buying Route Mobiel roadside assistance via Vakgarage has more than doubled compared to 2013.

Route Mobiel periodically measures customer satisfaction and the extent to which customers would recommend Route Mobiel. The stable scores are very good compared with competitors, but there is still scope for improvement.

Net Promoter Score and Customer satisfaction score

	2014	2013
Net Promoter Score	37.5%	36.8%
Customer satisfaction score	8.2	8.2

Plans for the years ahead

Route Mobiel is investigating whether further cooperation with assistance provider SOS International is possible. This should lead to an expansion of the brand, improved access to the business-to-business market, an international dimension for the brand, and access to 'non-insured roadside assistance' (including vehicle fleets).

4.3.5 Reaal

Financial resilience

The Reaal brand offers individual Life insurance, Non-life insurance and occupational disability insurance. Up to the end of May 2014, Reaal also offered banking products. Reaal wants to improve the financial resilience of customers by helping them make conscious choices about their financial situation. Reaal has chosen a positive approach, as set out in the brand manifest 'Financial Resilience'. The brand emphasises not the possible fear of suffering a loss, but rather the peace of mind and freedom that insurance products offer.

The role that insurers play has changed. In a time in which the government is doing less and people are increasingly responsible for how they manage their own financial futures, customers need a clear-cut approach

and assistance. Reaal aims to meet this need. The focus is on individual consumers in the Netherlands as well as small and medium-sized businesses, which Reaal serves via its network of advisers.

Reaal is working towards building a strong position in the insurance market. With the future-proof theme of 'Live your Life', the brand aims to set itself apart from its competitors.

Thanks to omni-channel products, customers can take control of their own affairs via the website or via the Reaal contact centre, by calling in an adviser or a combination of these. The wishes of the customer are the key focus.

What were Reaal's objectives in 2014?

Reaal wanted to make the transition from being a traditional, integration and product-focused insurance intermediary to a modern customer-focused financial services provider. The customer's needs are the key focus here. The omni-channel model must be realised in 2014, supported by a new logo and a contemporary visual identity.

To improve the quality of its service, Reaal intends to concentrate on close cooperation with a smaller group of distribution partners that can offer high quality.

Reaal believed it is necessary to reduce costs in order to maintain its competitive position. The market for Life insurance in particular consists, in terms of new policies sold, of term Life insurance and immediate annuities. Owing to overcapacity in the Non-life market Reaal faces stiff competition.

Another important objective was to continue work on laying the matter of mis-sold unit-linked policies to rest in order to have our customers make a well-considered choice.

What has Reaal achieved?

Focus on customers' needs

Reaal is aiming for a high level of customer satisfaction and operational excellence for new and existing customers. Work on shaping the ambition to focus on customers' needs continued in 2014, and customers can now choose how they search for or buy an insurance product, whether through an adviser, online, via the contact centre or a combination of these. An important

element in this omni-channel approach is the new website, which was launched in July. Reaal.nl offers customers the opportunity to take out a policy online, with a focus on making a well-considered choice. Customers can contact a 'help line' whenever they need to, such as the contact centre, and they can even switch to an advice session with a selected adviser. In the advertising campaign which started in September, Reaal is emphasising the fact that the customer is in the driving seat.

Below are the figures on the number of products that Reaal offers via the omni-channel approach. Furthermore, Reaal has for the first time ever measured how many customers actually made a well-considered choice. There are gains to be made here. Reaal wants to investigate how information for customers can be further improved.

Omni-channel and well-considered choice

	2014	2013
Number of omni-channel products	6	0
Percentage of customers that say they have made a well-considered choice	61%	-

If Reaal is to put TCF first, it is essential that it challenges itself to improve contact with customers. Firstly, this means that Reaal must be easy to contact and, secondly, that we need to serve customers well. A key parameter in this is the concept of first contact resolution, which provides a way to measure the ability to understand a customer's need and/or resolve their problem on first contact. Reaal is making active efforts in its drive on customer contact. Although our score is improving, we need to ensure this continues. Reaal has set itself a goal of achieving 95 percent for keeping its promises following customer contact (e.g. calling back, looking something up).

First contact resolution rate

	2014	2013
First Contact Resolution-rate	73%	62%

In a broader context, Reaal is also profiling itself as an organisation that wants to help people be more financially self-reliant and independent. Reaal is involved with Stichting Geldinzicht (a non-profit organisation established by SNS REAAL NV) and with Stichting Weet Wat Je Besteedt, ('Know What You're Spending') and participates in Money Week ('Week van het Geld') with

Fix Your Risk ('Fix je Risk'). The target group of these non-profit organisations is wide-ranging. Through these non-profit organisations, Reaal aims to help people manage their spending more wisely.

Repositioning the Reaal brand

The Reaal brand was given a new lease of life with a new logo and the 'Live your Life' campaign. The idea was to portray an image of contemporary optimism, not emphasising everything that can go wrong in life, but instead showing that, with the right insurance arrangements in place, customers can make life more care-free. The brand campaign ties in seamlessly with the new market approach. Reaal started direct sales of its products to customers via the new website and the contact centre.

Improving the combined ratio

To improve the combined ratio, Reaal was forced in 2014 to increase the price of its Non-life insurance products. As a result, a number of customers left; the largest cancellation numbers being from Motor Insurance, followed by Household Contents and Building Insurance.

Reaal Banking Services transferred to SNS Bank

Because VIVAT Group will be left without a banking authorisation after the disentanglement, it was found that it would be impossible to operate the business model for the remaining banking activities of Reaal Banking Services and still make a profit. It was therefore decided to transfer Reaal Banking Services to SNS Bank NV, which will continue to operate the activities and the service to customers under its BLG Wonen brand. The transfer took effect on 1 January 2015.

Unit-linked policies

In Section 4.2.3, we will take a closer look at the activities that Reaal worked on in 2014 on bringing the matter of unit-linked policies to a conclusion.

Plans for the years ahead

In 2014, a start was made on direct distribution, and further steps will be made on this in the years ahead. Reaal also intends to further improve its cooperation with its distribution partners. These partners will be selected on the basis of the quality they can offer. In this context, the continued cooperation with SNS Bank as a major distribution partner is important.

Reaal is looking at the option to concentrate Life policies which no longer generate any income into a separate Service Book Organisation. This organisation would then work efficiently, focusing on the legacy policies, so that the rest of the Reaal organisation could better organise itself to focus on the wishes and needs of existing customers and new business.

4.3.6 Proteq Dier & Zorg

Taking care of things together

Proteq Dier & Zorg is dedicated to insuring the health care costs of pet dogs and cats, and is the market leader in the sector.

What were Dier & Zorg's objectives in 2014?

Proteq Dier & Zorg sees opportunities to use risk-based pricing for its insurance products in order to better manage the costs of claims. The risk analysis will take account of risk factors of the pet and the pet owner.

What has Proteq Dier & Zorg achieved?

In May, Proteq Dier & Zorg introduced a new insurance product for price-conscious customers: the 'Bewust' ('conscious') insurance. This policy is intended for customers who are looking for security at a time when their pet needs an expensive procedure.

Proteq Dier & Zorg embarked on a new approach to customer contact under the motto 'Taking care of things together'. Proteq Dier & Zorg gave a boost to knowledge sharing via various internet forums. The brand also supports a number of local initiatives of customers relating to animal nutrition, animal care and recreation.

Plans for the years ahead

Proteq Dier & Zorg wants its product to perfectly meet the desires of the target group, and it therefore closely follows developments in the segment. Another key driver is to promote knowledge on animal health to help reduce claims.

4.3.7 ACTIAM

From Good to Gold

ACTIAM is the sustainable investment manager of VIVAT Group, with € 51.4 billion in assets under management.

ACTIAM NV came into being on 1 July 2014 thanks to the merger of SNS Beleggingsfondsen Beheer BV (SBB)

and SNS Asset Management NV (SNS AM). Under its new name, ACTIAM now operates as an investment institution. SBB's authorisation transferred to ACTIAM by operation of law on the merger. Asset management and the fund administrator remain unchanged. SBB had already outsourced both functions to SNS AM.

The merger was conceived against the background of more stringent requirements for fund management following the introduction of new laws and regulations, including European regulations for investment institutions, notably the Alternative Investment Fund Managers Directive (AIFMD). The merger also meant that fund management expertise was combined. ACTIAM has been the AIF manager of ASN's Investment Funds since 22 July 2014, meaning a growth in the assets under management of € 900 million.

ACTIAM manages the assets of:

- Reaal and Zwitserleven;
- ASN Bank;
- ASN Investment Funds;
- SNS Investment Funds;
- RZL Investment Funds;
- SNS Responsible Index Funds Equity (from 1 January 2015: ACTIAM Responsible Index Funds Equity);
- ACTIAM Impact Investing Micro and SME Financing Funds;
- Zwitserleven Investment Funds;
- a select group of external clients.

ACTIAM's mission is to realise the investment objectives of its clients, achieving a sustainable investment result, service and advice. ACTIAM intends to continue to be a source of surprise and inspiration for its clients. From 'Good to Gold!' is the leading theme both internally and externally.

Responsible investment

ACTIAM manages the assets entrusted to it in a responsible way. This means that all assets under management (equities, fixed-income securities, manager selection and alternative investments) are invested in accordance with our Fundamental Investment Principles. Investments must not be in contravention of international standards and conventions. Furthermore, the manager aims to act as an active and engaged shareholder in order to elicit a far-reaching change of conduct in businesses and in the regulatory frameworks. This form

of active shareholding concentrates on natural resources (oil, gas, mining and food),

ACTIAM's Fundamental Investment Principles are derived from international treaties, conventions and best practices, such as the UN Global Compact, and relate to a variety of important social themes: human rights, fundamental employment rights, corruption, the environment, weapons, and customer and product integrity. ACTIAM ensures that investments meet the internal standards and conventions of VIVAT Group.

Based on these investment principles and additional sector-specific criteria, a dedicated ESG team (Environmental, Social, Governance) studies whether a business meets those criteria or not. If a business does not meet them, ACTIAM starts a dialogue about the (potentially) controversial topics or it removes the business as an investment target. The ACTIAM Selection Committee decides whether a business is removed or not, and the ESG team makes its recommendations to the committee.

What were ACTIAM's objectives in 2014?

As every year, investment performance was a top priority in 2014. ACTIAM also made efforts to achieve good ratings for its investment funds from independent analysts, such as Morningstar.

ACTIAM wanted to operate more efficiently by introducing the LEAN method to reduce costs or to neutralise the effects of any cost increases. Further simplification of its partnerships, while at the same achieving an improvement in customer satisfaction was also an important objective.

ACTIAM aims to have Zwitterleven and Reaal rated as the most responsible insurance businesses in the Netherlands. It measures its performance based on a positive assessment by the Fair Finance Guide ('Eerlijke Bankwijzer') and Fair Insurance Guide ('Eerlijke Verzekeringswijzer'), the reports of the Dutch Association of Investors for Sustainable Development (VBDO) as well as on a high score in the Principles for Responsible Investment (PRI) Report on Progress.

What has ACTIAM achieved?

Investment performance

ACTIAM has managed to achieve a positive investment performance for almost all of its funds. Notably, positive performance in bonds and European equities has made a significant contribution. Assets under management in 2014 grew from € 44.2 billion to € 51.4 billion, in part attributable to the sharp fall in interest rates and the influx of € 0.9 billion from ASN Investment Funds. Furthermore, ACTIAM launched the Institutional Microfinance Fund III in December 2014.

Morningstar Ratings of SNS Investment Funds

The Morningstar Rating is an external, independent benchmark that compares the risk-adjusted performance of a fund with other funds in the same Morningstar category. The rating is calculated (where possible) over a period of three, five and ten years. The best 10 percent of the funds in a given category are given a five-star rating, the next 22.5 percent are given four stars, the middle 35 percent get three stars, the next 22.5 percent two stars and the worst performing 10 percent get just one star. The Morningstar Rating Overall is an average of the individual ratings.

Five of the 15 SNS Investment Funds were awarded five stars, and a further five funds were given a four-star rating. As per the end of December 2014, the average number of stars stood at exactly four.

In 2013, the SNS Euro Mix Fund and the SNS Euro Bond Fund were given a Bronze Analyst Rating for the first time by Morningstar. They managed to keep the title in 2014.

In 2014, the SNS Optimal Funds were appraised for the first time by Morningstar and were given a Neutral rating.

Responsible investment

Based on its fundamental investment principles and additional segment-specific criteria, ACTIAM studies whether a business meets the stated criteria or not. If it does meet the criteria, it will be added to the investment universe. If it does not, two options are available. ACTIAM enters into a dialogue with the business on (potentially) controversial issues, or it excludes the business. By 31 December 2014, ACTIAM was involved in dialogue with 29 businesses and it had excluded 47 from the investment universe.

We measure how successful we are in investing responsibly based on the number of times that we have moved a business in the right direction after we have engaged in a dialogue with them. We call this 'engagement'. We have once again managed to convince a number of the business which we invest in to improve things or to embark on new programmes, although the number was slightly lower than in 2013

Apart from achieving progress through engagement, it is also our ambition to take part in the voting at as many shareholders' meetings (AGMs) as possible. We managed to take part in the voting at almost all AGMs.

Focus on natural resources

	2014	2013
Change in engagement milestones/ progress	6	15
Percentage of AGMs/EGMs	> 99.5%	> 99.5%

Sustainable investments

We are proud that Zwitserleven and Reaal have been recognised for the second year running as the most sustainable insurer by the Dutch Association of Investors for Sustainable Development (VBDO). We also obtained a good score for asset management in the Fair Insurance Guide.

Sustainable investments

	2014	2013
Most sustainable pension insurer according to VBDO	Zwitserleven 1st, Reaal 2nd	Zwitserleven 1st, Reaal 2nd
Score asset management from Fair Insurance Guide	9 out of 10	7 out of 10
Share transactions in excluded companies	0%	-

Plans for the years ahead

In line with its strategy, ACTIAM will continue to strengthen its partnerships and boost customer satisfaction. Furthermore, ACTIAM intends to further expand its sustainable proposition in micro financing and sustainable tracker funds externally.

4.4 Our people

VIVAT Group is made by and for people. Our brands can only forge sustainable relations with our customers that we are in daily contact with thanks to the untiring efforts of our employees.

At 31 December 2014, VIVAT Group employed 3,134 FTEs: 1,715 of these at BU Reaal (which includes the brands Zelf, Route Mobiel, Reaal and Proteq Dier & Zorg), 576 at Zwitserleven and 139 at ACTIAM. VIVAT Group's corporate staff, which include Finance and Risk, had a total of 691 FTEs, while management itself stood at 13 FTEs.

On 31 December 2014, these 3,134 FTEs were in the employ of SNS REAAL NV, under direct management of VIVAT Group. Early in 2015, a further 777 FTEs were added from IT & Change and Audit among others. In connection with the disentanglement of SNS REAAL NV the management of these FTEs transfers from SNS REAAL NV to VIVAT Group.

Key figures HR

	2014
Number of employees	3,300
Number of FTEs	3,134
Ratio male-female	58% / 42%
Female managers	24%
Female members of senior management	26%
Average length of service	12 years
Average age	43 years
Full-time/part-time ratio	74% / 26%
Ratio permanent/temporary contract	93% / 7%
Training costs	€ 3.96 million
Sickness absence	4.4%
Response staff survey	85%

Owing to the disentanglement of SNS REAAL NV we are unable to provide comparative historical figures for VIVAT Group.

4.4.1 Treating Customers Fairly remains the cornerstone

'Treating Customers Fairly' (TCF) will succeed or fail with the conduct of our employees. To encourage the right conduct, the principles of TCF have been included in employees' job descriptions, vacancy announcements and in recruitment texts. Furthermore, at least one target will be set for every employee relating to specific ways that TCF principles are being observed. This includes targets that are set by departments involved in product development and promotion, the sales and advice process, customer service and after-sales service.

Employee satisfaction

We are happy with the outcome of the annual staff survey, which was taken by 85.4 percent of all

employees in 2014. Overall satisfaction resulted in a score of 7.1. This year, we measured employee satisfaction differently than we have done in previous years by asking multiple questions rather than just one. If we had used the same method as in 2013, we would have scored 7.3. Employees appeared to need reassurances more than anything about the future.

Many employees were satisfied with their colleagues, managers, the atmosphere in the workplace, the benefits of new ways of working, such as flexibility, working from home and finding a work-life balance. However, there is sizeable number of employees who said that the pressure of work was too high and that they had no influence on it. Another problem area is pride and faith in the management of the organisation, which would seem to be explained by the uncertain situation which the organisation found itself in at the time the satisfaction surveys were being completed in September 2014.

4.4.2 Sustainable employability

Much attention has been devoted specifically to the human aspects of corporate responsibility (CR) in the policy framework for Corporate Responsibility. Within the core value of 'CARE! about each other', we are focusing on sustainable employability and sustainable labour relations. The concept of sustainable employability at VIVAT Group is focused on encouraging vitality and personal development, but also on supporting work mobility.

Vitality

VIVAT Group greatly values the good health of its employees, and makes efforts to keep absences due to sickness to a minimum. We work in close consultation with the company doctors and company counsellors of the occupational health and safety service Beter. From the perspective of prevention, we invite employees to take a free health check-up every three years. If necessary, follow-up sessions can be arranged with a lifestyle coach. Work-related stress is a specific point of focus in our health policy. This is a subject that employees feel strongly about and this is reflected in the staff survey, but also in the absenteeism alerts from the health and safety service Beter. For this reason, we offer an appropriate package of interventions including, for instance, a checklist, workshops and training, expert coaching and communication.

Personal development

To achieve excellent customer service, we need motivated employees who have been trained to help customers correctly and professionally. Employees are encouraged to develop and grow. The performance and competency appraisal cycle was organised in 2014 in such a way that employees prepare themselves for each interview using an e-tool. Managers and employees agree long-term (longer than three years) performance targets for personal development and career progression. Employees are supported with a range of training courses in a learning portal, a network of coaches and development tools, including 360 degree feedback.

A profile has been created for managers based on the 'Management is a profession' programme; this profile includes a set of competencies, such as staff development, personal leadership, focus on results and focus on customers. A manager must always include one competency from the leadership profile in one of the agreed competency targets.

Training & Education

There was a strong focus in 2014 on staff development. Sustainable employability is a key driver within VIVAT Group. For this reason, the planning interview with every employee addressed the need for self-development, and further arrangements were then agreed. Specific development programmes, such as Management Development, Specialist Development and Talent Development, were reintroduced and they continue to score high appreciation ratings.

Despite the uncertain situation facing the organisation, we decided to recruit new trainees, and eight new trainees embarked on their programmes on 1 September 2014. In 2014, we also managed to maintain the level of focus in meeting the requirements of the Dutch Financial Supervision Act (WFT). The HR information system informs managers of the status of their staff who require certain diplomas or qualifications. The minimum percentage for up-to-date ongoing training of employees was met.

Digital modules which every employee must follow were offered via our learning portal. Topics in 2014:

- 'Common Sense, Common Knowledge' about the internal rules of conduct;

- Training on in-house emergency response: what designated first responders should do in an emergency;
- Training for new employees (an understanding of the business and its rules of conduct);
- What to do if a notebook computer is lost and rules of conduct for working from home outside regular office hours (for employees who sometimes work from home).

Employment mobility

Given the phase that the business is currently in, it is very important that our employees are flexible and can fulfil a variety of roles. To support employees with this, we have created a Career Plaza, where VIVAT Group employees can find support for their development plans. The Career Plaza holds drop-in sessions and offers a number of instruments that can help employees with their career development plans.

4.4.3 Sustainable employment relationships

Durable terms and conditions of employment

VIVAT Group aims to provide durable and sustainable terms and conditions of employment. We wish to be an appealing and distinctive employer.

Variable pay based on corporate profits is awarded to only a limited extent. The aim of this policy is to avoid perverse incentives. Its basic premise is to ensure that customers are treated fairly in relation to employee remuneration.

The pensions of VIVAT Group's employees have been placed with the SNS REAAL Pension Fund Foundation. This foundation reports independently and publishes its own annual report. Various aspects of the pension plan were changed on 1 January 2014. The main change is that the retirement age has been raised from 62 to 67 years. Further changes to the pension plan were made on 1 January 2015. As a result of adjustments to the Witteveen framework, the accrual rate for retirement pension has been reduced from 2.15 percent to 1.875 percent from that date.

Flexibility

To further underline the attractiveness of VIVAT Group as an employer, we provide a flexible benefits package.

Using what is known as a 'benefits budget', employees can choose whatever benefits they consider important.

Diversity and inclusivity

To ensure that our customers are treated fairly, we aim for a composition of our workforce reflecting that of our target groups. We also aim to strike a good balance between male and female competencies. We have diversity guidelines for the recruitment and career planning of our employees. Our policies are also governed by the Work-incapacitated Persons Participation legislation and the workforce diversity monitor.

In March 2014 we joined the Women in Financial Services (WIFS) network consisting of women in key positions in the financial services sector who are working to achieve a sustainable financial sector. The purpose of joining is to strengthen the position of these women. This is necessary because although we have many talented women working for us, the percentage of women in management positions is still too low. The Executive Board of VIVAT Verzekeringen consisted of one woman and four men on 31 December 2014. At business unit level, the Zwitterleven management team consists of two women and two men and the Reaal management team of three women and four men. The senior management of VIVAT Verzekeringen included ten women (26.3 percent) in 2014. The Dutch Management and Supervision (Public and Private Companies) Act provides that at least 30 percent of the seats on the Executive Board and Supervisory Board must be held by women and at least 30 percent by men. Two of the seven members of the Supervisory Board are women.

Employee representation

The disentanglement of SNS REAAL NV in order to create a bank and an insurer was the main item on the employee representation agenda in 2014. The changes made in 2014 to the senior management structure and control of the organisation also impacted the organisation of employee representation. In 2014 the Central Works Council (CWC) remained responsible at group level for handling requests for formal opinion concerning all employees. Owing to the disentanglement, for VIVAT Verzekeringen a separate Group Works Council (GWC) was established in mid-2014. This consists of the various works councils of the business units (Zwitterleven Works Council, Reaal Works Council and Staff Departments Works Council).

This also affects how employee representation works. Requests for formal opinion are increasingly being dealt with by the VIVAT Verzekeringen GWC and the SNS Bank NV Works Council rather than by the CWC.

In June 2014 the Dutch Minister of Finance decided to sell VIVAT Verzekeringen. The CWC has established a committee to closely monitor the process of the sale of the company. The aim of this committee is to achieve a sound future for VIVAT Group and its employees. Thanks to numerous talks it has held, for example with the Executive Board, the Supervisory Board and the shareholder, the committee has managed to ensure that the employees can exert real influence over the course of the process of the sale. The key points for the committee and the works councils as a whole are reliability, continuity and transparency.

4.4.4 Integrity

The pressure on the organisation and the employees remains as high as ever. This is due to the transitional phase, the complex challenges facing our company and all the different social developments relating to pensions and the matter of unit-linked insurance policies. In these circumstances, the focus on creating a culture of integrity is of great importance. To ensure that such a culture is reflected as closely as possible in how we operate, a large proportion of the employees took the e-learning course 'Common Sense, Clear Conscience' in 2014. Those taking the course had the opportunity to provide feedback and made good use of it. Agreements are also made during employee appraisals about the desired behaviour within VIVAT Group, how employees can hold each other accountable and how the management can be notified, where necessary.

In 2015 part of this feedback will be reflected in a workshop on the oath/affirmation for the financial sector. In this way we are involving our employees in fostering the desired conduct and culture within our business. Moreover, a large proportion of our managers have attended the 'Train the Trainer' sessions, so that they themselves are able to give workshops on integrity awareness to their teams.

Periodically we measure the integrity of our employees. This measurement is being conducted as part of the employee survey for the first time this year. Our aim is to ascertain whether the desired behaviour is being

encouraged and whether the risk of undesirable behaviour is being prevented or discovered as far as possible and adequately tackled.

VIVAT Group scores almost the same as SNS Bank NV and SNS REAAL NV on the integrity questions. However, the conclusion of the survey is that we must focus more on ensuring that the management teams and others in positions of authority set the right example. The findings also reveal major differences between departments as regards setting an example and openness to discussion. These topics are discussed in the various boards and management teams. Feedback will be provided to the Insurers' Risk Committee in early 2015. Further information about integrity and measures to ensure compliance can be found in Section 5.

4.5 Our world

Through its brands and investment policy VIVAT Group works to achieve a sustainable world. We also do this in our own business operations. Our efforts range from energy conservation measures to sustainable purchasing of products and services.

4.5.1 CO₂-reduction

One of the key elements of the 'Sustainable World' programme in our Corporate Responsibility framework is the reduction of our CO₂ emissions. Although as a financial services provider our emissions are fairly limited compared with those of other sectors, we feel a need to set ambitious targets. The targets we have set for ourselves are:

- an annual reduction in energy consumption of at least 3 percent;
- from 2015 onwards, the owner, occupant and suppliers will choose only sustainable and energy-efficient materials for building management purposes;
- by 2016 our buildings, operations and management will be fully 'climate neutral', with CO₂ emissions being cut annually by at least 8 percent in relation to VIVAT Group's total emissions in 2012;
- 100 percent of energy will be generated from renewables in 2015.

By consuming less energy we will also cut CO₂ emissions and save raw materials. In terms of the

agreements made under the MJA3 energy covenant, VIVAT Group is more energy efficient per FTE than all other financial services providers. We are committing to our energy efficiency targets, which are monitored by the authorities.

Besides purchasing green energy, we will offset our remaining CO₂ emissions from our internal business operations and travel and mobility by purchasing Gold Standard credits. The funds used to purchase these credits are being invested in efficient cookstoves in Ghana, thereby reducing CO₂ emissions there. The project meets the highest quality mark for CO₂ credits, namely the Gold Standard. Nonetheless, carbon offsetting does not absolve us of the need to cut our own CO₂ emissions, particularly those caused by the travel mobility of our own employees.

In addition, VIVAT Group has once again obtained ISO 14001 certification for its own internal operations. This means that the management system we have established to mitigate environmental risks and continuously improve our environmental performance has been externally verified.

To provide a further guarantee of the sustainability of our buildings, we have decided to have them BREEAM-certified. BREEAM is an environmental assessment method used to determine the sustainability performance of buildings. Our premises in Alkmaar (Wognumsebuurt) and Amstelveen have been certified as 'good' by BREEAM. The target for 2015 is to raise this to 'very good'.

Energy consumption of offices

in gigajoules	2014
Green gas	8,068
Generators	108
Green electricity	21,885
Total energy consumption	30,061
Energy consumption per FTE	10.6
Energy consumption per m ²	0.65

Owing to the disentanglement of SNS REAAL NV we are unable to provide comparative historical figures for VIVAT Group.

Share of green energy offices

% of total	2014
% Green electricity	100%
% Green gas	100%

Owing to the disentanglement of SNS REAAL NV we are unable to provide comparative historical figures for VIVAT Group.

We report our CO₂ emissions in accordance with the principles of the Greenhouse Gas Protocol (www.ghgprotocol.org). This means that we report per scope:

- Scope 1: report on CO₂ emissions as a consequence of our direct energy consumption (e.g. gas);
- Scope 2: report on CO₂ emissions as a consequence of our direct energy consumption (e.g. electricity);
- Scope 3: report on our indirect CO₂ emissions (e.g. as a consequence of commuter traffic, air travel, leased cars, etc.)

It is apparent from our CO₂ footprint that our scope 3 emissions in particular still account for a substantial share. Commuting by car is still the main cause of CO₂ emissions for our business. In 2014 we took a number of measures to promote sustainable mobility. For example, we tightened up our parking policy and encouraged the use of public transport by providing our employees with NS Business Cards (for travel by train).

In addition, the CO₂ standard for leased cars has been reduced to 135 grams per kilometre. Finally, we have participated in a project of Rijkswaterstaat (the Directorate-General for Public Works and Water Management) to promote the use of e-bikes.

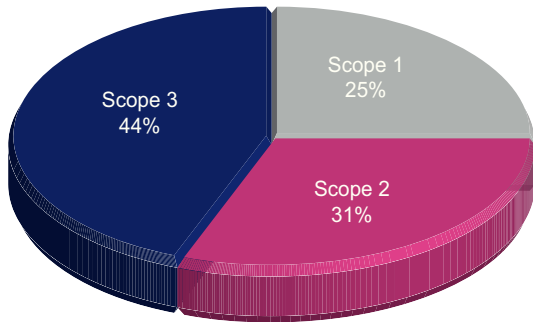


Figure 6: CO₂ emissions (gross emissions as percentage of total)

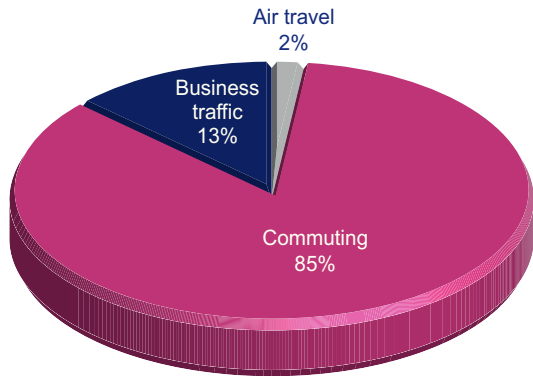


Figure 7: Scope 3 emissions (as a percentage of total scope 3 emissions)

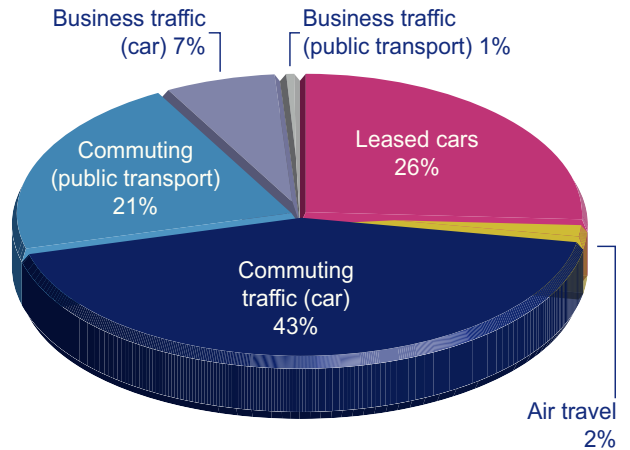


Figure 8: Mode of transport

4.5.2 Paper

VIVAT Group is a large consumer of paper. We use a lot of paper for external marketing purposes, correspondence and supplying insurance policies. On average we use 149 kilos of paper per FTE. Our aim is to reduce paper consumption significantly by digitising our processes. At the same time we are trying to put our paper consumption on a more sustainable footing, not just by using FSC-certified paper. We have the following objectives:

- to reduce the 2013 physical output to customers by 15 percent in 2015;
- to fully digitise the customer application process in 2015;
- to use in 2015 sustainable forms of paper which require at least 20 percent less water in the production process than standard FSC-certified paper.

Paper consumption

	2014
Paper consumption in tonnes	421
Paper consumption in kg/FTE	149

Owing to the disentanglement of SNS REAAL NV we are unable to provide comparative historical figures for VIVAT Group.

4.5.3 Waste

As a large organisation we generate a substantial volume of waste. To take responsibility for this aspect of our operations as well, we aim to reduce the volume of waste, sort waste into different types for separate collection and arrange for sustainable waste processing. We have adopted the following targets for waste:

- We want suppliers to use at least 30 percent less packaging material and to take 100 percent of this material away with them;
- We aim to reduce the total quantity of waste per FTE by 5 percent;
- Residual waste may not exceed 20 percent per building.

Unfortunately, a large proportion of our waste is still residual waste. This is waste that is not sorted by us for separate collection. To reduce this proportion, we will have to arrange for more of our waste to be recycled.

Waste

in tonnes	2014
Residual waste	133
Organic waste	47
Small items of chemical waste	0
Industrial waste	7
Paper and cardboard waste	157
Plastics	21
Total	366
Share of residual waste	36%
Waste in kg/FTE	129

Owing to the disentanglement of SNS REAAL NV we are unable to provide comparative historical figures for VIVAT Group.

4.5.4 Sustainable purchasing

Many of the improvements we can make in the context of Corporate Responsibility (CR) can be achieved through close cooperation with our suppliers. This means that we must challenge them to make responsible choices in their own business operations and at the same time help us to achieve our CR objectives. To guarantee this we have drawn up a sustainability declaration to be signed by suppliers. This contains provisions about respecting the principles of the International Labour Organisation (ILO), having or implementing an environmental management system and operating a social sponsoring policy. By signing the sustainability declaration, the supplier confirms that these provisions also apply to its own suppliers (and any subcontractors). Our aim is to conduct audits of our suppliers. The purpose of these audits will be to check whether the agreements are actually being performed.

We have set the following objectives for sustainable purchasing:

- All suppliers which provide VIVAT Group with goods or services worth € 500,000 or more and did not do

business with us before 1 January 2014 should sign our sustainability declaration or submit their own sustainability declaration which has been seen and accepted by us;

- The suppliers should make an active contribution to achieving the annual CO₂ reduction of at least 3 percent;
- The general purchasing conditions should have been modified so that suppliers can impose the provisions of the sustainability declaration on their own suppliers.

We check whether our main suppliers have signed a sustainability declaration. Just as in 2013 all major suppliers have done this.

5 Risk and capital management

5.1 Introduction

This chapter contains information on risk management at VIVAT Group. It starts with a discussion of the risk framework of VIVAT Group and the main developments in the area of risk management. It then goes on to describe the different risk categories: underwriting risk, market risk, counterparty risk, liquidity risk and non-financial risks. For each risk category, we explain what the risk consists of and how it is managed.

The chapter concludes with a description of the way in which VIVAT Group has organised its capital management.

5.2 Risk management framework

5.2.1 General

Assuming risks is an integral part of doing business and demands a consistent and transparent assessment of opportunities and risks, aimed at growth and continuity of the company. The management of VIVAT Verzekeringen has established frameworks in the areas of strategy, culture and risk governance in order to enable this assessment to be performed properly and efficiently. These frameworks apply to the entire organisation. VIVAT Group seeks to have an open culture in which risks can be discussed, employees feel a responsibility to share information on risks and active (or even proactive) risk management is appreciated.

Our system of risk management contributes to the controlled, effective achievement of the strategic objectives. It relates the risks to our strategic, financial and operational objectives as well as to our objectives in the areas of sustainability and our reputation. The system of risk governance consists of a number of organisational components, such as culture and controls. The management of VIVAT Verzekeringen recognises that transparency in the area of risk is a vital ingredient in effective risk management. The management of VIVAT Verzekeringen and the Insurer's Risk Committee (IRC), which is responsible for setting the framework, ensure that the desired culture and level of risk awareness are translated into identifiable aspects, such

as desirable behaviour, the details of the risk appetite or the assessment criteria.

The Integrated Control Framework sets out how responsibility is designated within VIVAT Group and how this must be accounted for. This framework forms the basis for controlling the business processes. The management of the business units is responsible for day-to-day operations within these frameworks and prepares operational plans on a yearly basis. These plans are subject to the approval of the management of VIVAT Verzekeringen.

VIVAT Group has set up a procedure to assess, on a semi-annual basis how and to which extent, the management of each business unit and the corporate staff control essential risks. This relates in particular to the discussions between the levels of management on the risks in the business operations and the measures taken to address such risks. The periodic in-control statements of each business unit form key input for this procedure. The outcome of this procedure contributes to the management statements that are included in the VIVAT Group Annual Report (see Section 3.5 Management Statements).

Zwitserleven and ACTIAM comply with the external ISAE3402 standard which provides guarantees in respect of the system of internal control in relation to their role as service organisations.

5.2.2 Integrated Control Framework (ICF)

5.2.2.1 Introduction

VIVAT Group is working on further strengthening its Integrated Control Framework ('ICF'). The ICF contains the core components that together form the basis for controlled and ethical business operations and hence for visibly being in control of VIVAT Group and its individual business units (lines of business and corporate staff).

In the course of 2014, VIVAT Group's ambition with respect to controlled and responsible business operations was defined. In addition, the basic assumptions of the Integrated Control Framework (which proceed from this ambition) were established. Improvements need to be made in relation to

various parts of the organisation. These improvements mainly relate to strengthening risk governance, managing data quality, the actuarial models, and reporting on the internal control of processes. For each business unit, an improvement plan is prepared which includes activities focusing on the themes of risk awareness, policies, control, process management, risk monitoring, and project and change management. A number of business units have already achieved the ambitions defined in the ICF project for 2015.

The implementation of these starting points in business operations has got off to a flying start. In 2015, the various initiatives, improvement measures and change programmes will create a solid foundation for an increased maturity level of control.

Management uses the ICF to direct the control and integrity of its business processes, within the frameworks of strategic objectives and risk attitude, based on an understanding and overview of the system of risk management. The risk management functions, working together, make improvements, report on, and, in conjunction with the lines of business and corporate staff, provide advice on the quality of the risk management system, help guide the organisation's course and facilitate the work of management. Management aims at the ICF helping to promote risk awareness among all employees, in part by encouraging interaction between value chains.

5.2.2.2 The framework

The ICF is used for the improved management of all identified risk categories within VIVAT Group. As part of this, VIVAT Group has specifically opted for an integrated risk approach based on classified risks. The ICF applies at all levels within the organisation. In this context, VIVAT Group uses a system of clear roles and responsibilities. The ICF encompasses frameworks, management processes and infrastructure.

VIVAT Group does not consider the ICF to be a static entity, but rather to be a dynamic, living, growing structure which constantly adapts and grows in line with the business of VIVAT Group. The continued development of the ICF is one of VIVAT Group's strategic objectives in the upcoming years, and is aimed at expanding and strengthening the profile of VIVAT Group.

The ICF is a dynamic method which we use to assess the controls and if necessary make further improvements to these controls. During 2014, VIVAT Group carried out a broad assessment of how it visibly and structurally manages key risks, in terms of policy, processes and the implementation of risk mitigating measures. In 2015, the effectiveness of controls will further be structured by following up the action items resulting from the assessment and by continuing the integration of the reporting structure. In this way, the ICF plays a key role in the ongoing professionalisation of demonstrable, effective risk management throughout the organisation.

Management is not using the ICF to create a 'new world'. Rather, the ICF draws to a significant extent on the existing governance and committee structure, formulated policies, organisational structure, processes and structured process controls.

The ICF does not provide an absolute guarantee that surprises will be avoided. It does not guarantee, for instance, that human errors will not occur, that conspiring employees and third parties will not deliberately circumvent control procedures, or that control mechanisms will not be evaded. However, the ICF does provide a framework that incorporates preventive and repressive safeguards in such a way that it is possible to state, in an efficient and effective way and with a reasonable level of assurance, that the internal control system is operating effectively.

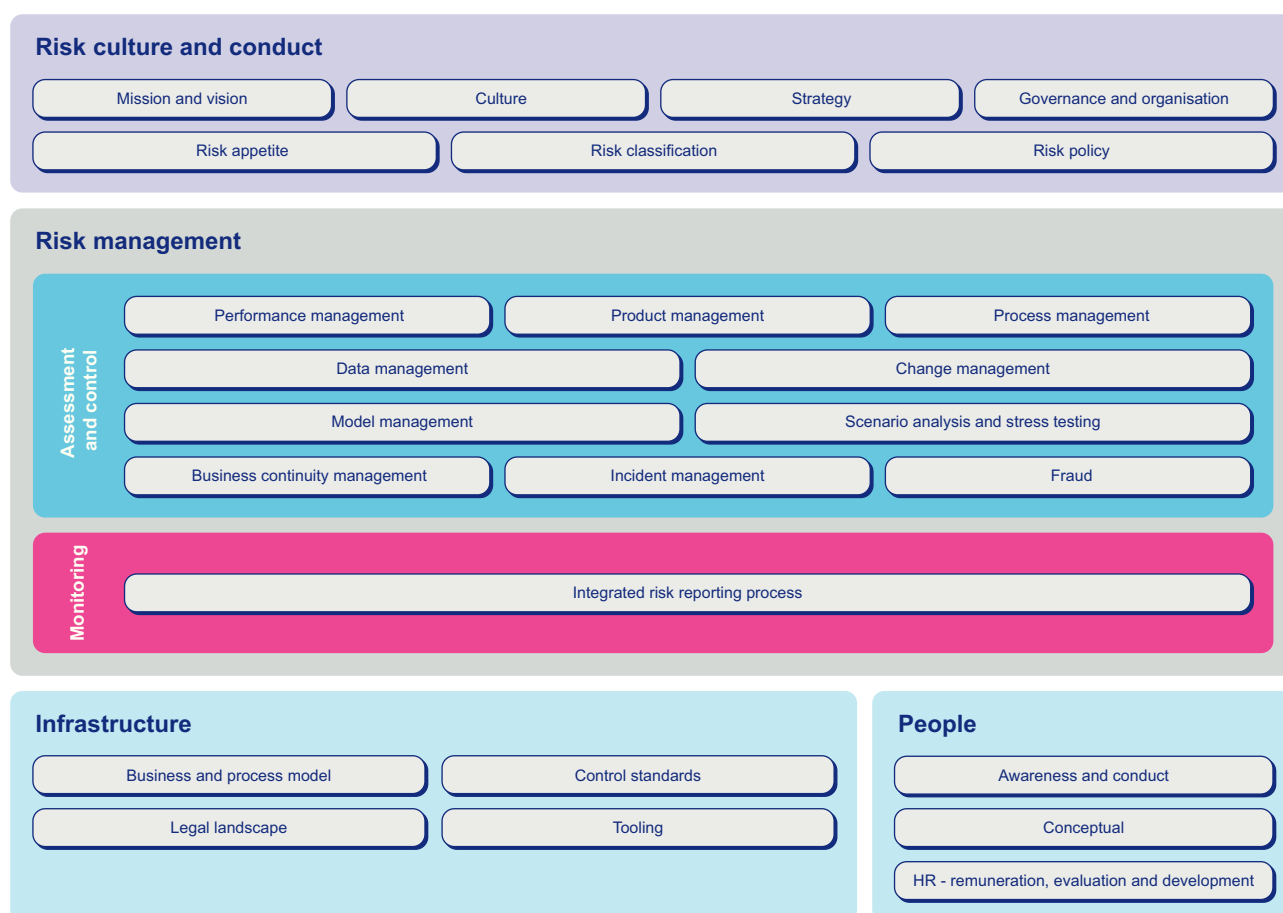


Figure 9: Integrated Control Framework VIVAT Groep

5.3 Risk governance

5.3.1 Mission statement, culture and strategy

Culture and conduct form an integral part of the mission statement and strategy of VIVAT Group. At a more detailed level of the ICF, culture and conduct are separated. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. We have awareness programmes in place within VIVAT Group that focus on desirable conduct, i.e. how employees hold each other accountable for their conduct and how they can escalate matters if necessary.

The strategic objectives of VIVAT Group include ensuring a robust, strong capital position that helps to

build trust that customers should be able to have in our company and that helps to ensure access to the money and capital markets. This risk management strategy is expressed in our risk appetite, i.e. the extent to which we are prepared to accept risks in pursuit of our objectives.

VIVAT Group's business strategy always entails a certain degree of risk, owing to the influence of internal and external factors. The extent to which we are able to absorb losses resulting from the classified financial and non-financial risks by using our financial buffers determines the parameters of our risk appetite. Therefore, our business strategy and business operations should always be aligned with the assessed risks in conjunction with our capacity to bear those risks. The interplay between strategy, risk, risk capacity and risk appetite is expressed and further detailed in the risk appetite framework.

5.3.2 Risk appetite

We determine our risk appetite, as an integrated part of our overall business operations, at least once a year. Our risk appetite is limited by our risk capacity, which indicates the maximum amount of risk we can accept at

consolidated level, in view of our capital and liquidity position and any restrictions due to funding agreements or requirements imposed by regulators. The risk appetite is subsequently translated into practical risk objectives.

Risk appetite framework

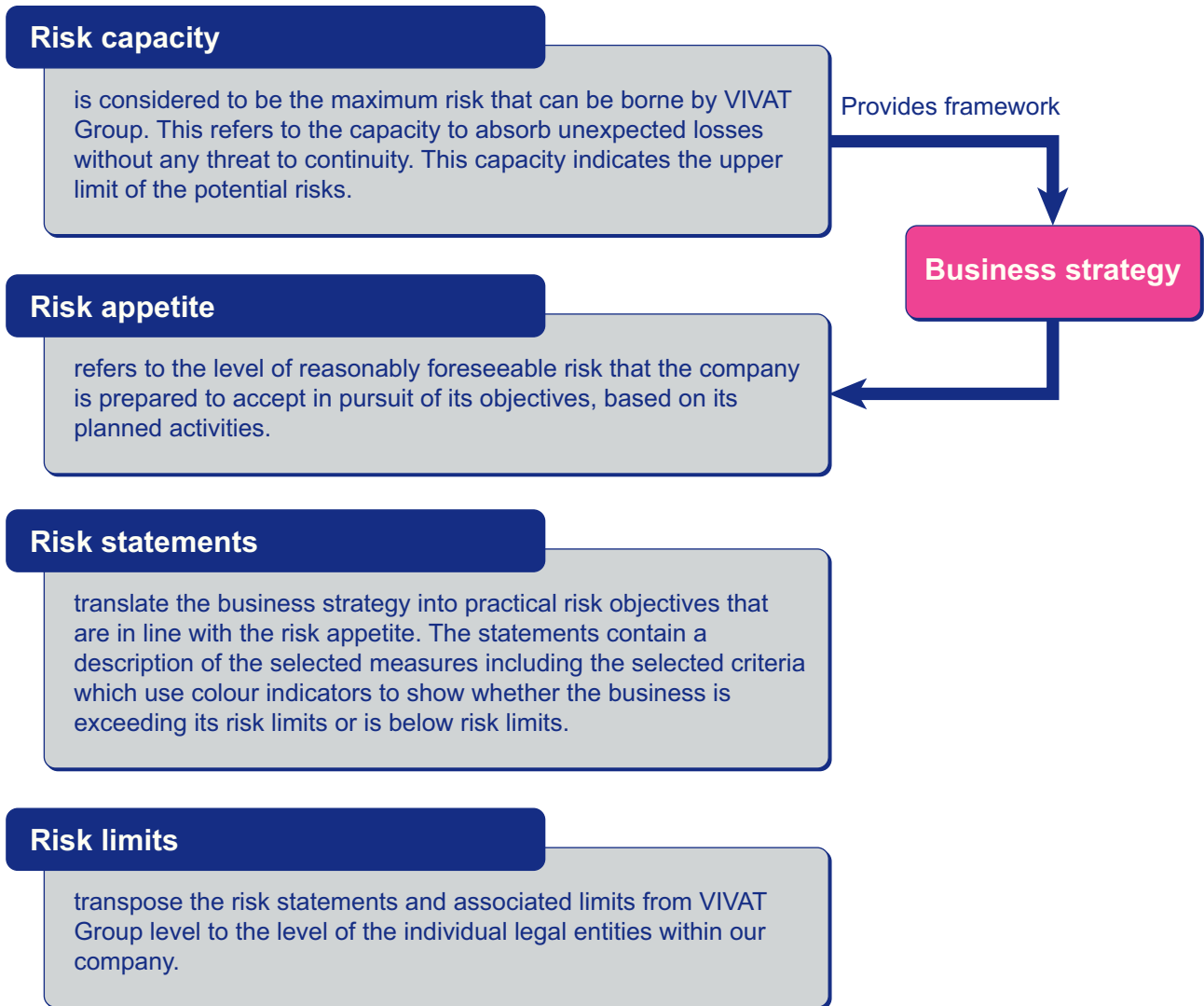


Figure 10: Risk appetite framework

Risk appetite is defined at VIVAT Group level. Subsequently it is developed in more detail at the individual legal entity level or specific business units in the form of individual risk limits for each business unit or legal entity. When implementing the strategy, the business units or legal entities are able to select the best

possible products and services, although their selection must be in line with the strategy of VIVAT Group.

The Insurer's Risk Committee (IRC, see Section 5.3.3.2) assesses the risk appetite at least once a year for VIVAT Group and its underlying entities. An interim assessment

is carried out if relevant developments give grounds for reassessing the risk appetite. The IRC determines whether the risk appetite structure and related limits that are used are adequate or whether the risk appetite has to be reassessed on the basis of a greater understanding of the risks. Subsequently, the management of VIVAT Verzekeringen submits the newly adopted risk appetite to the Supervisory Board. The latter approves the risk appetite at least once a year, after it has been discussed by its Risk Committee. The risk appetite control procedure, which is carried out at least once a year, consists of a number of steps, including risk identification, the determination of risk capacity, the selection of measures, risk mitigation, risk criteria, reporting and monitoring. In 2014, VIVAT Group's risk appetite was adjusted downwards due to the reduced level of capitalisation (see Section 5.9.4). This resulted in the derisking of the investment portfolio, as shown in Section 5.6.3.

5.3.3 Governance and organisation

5.3.3.1 Three lines of defence governance model

VIVAT Group uses a governance model based on the 'three lines of defence' (3LoD) principle. The 'three lines of defence' model is an organisational structure that contributes to the reinforcement of the risk culture, the assumption of responsibility for managing risks and internal control, and, ultimately, the ongoing optimisation and integrated cooperation of the risk functions.

First line = risk owner

The first line has an operational role, focusing on the primary and operational process of the business activities. Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk owner to achieve optimum risk/return ratios. Business plans are prepared in the first line.

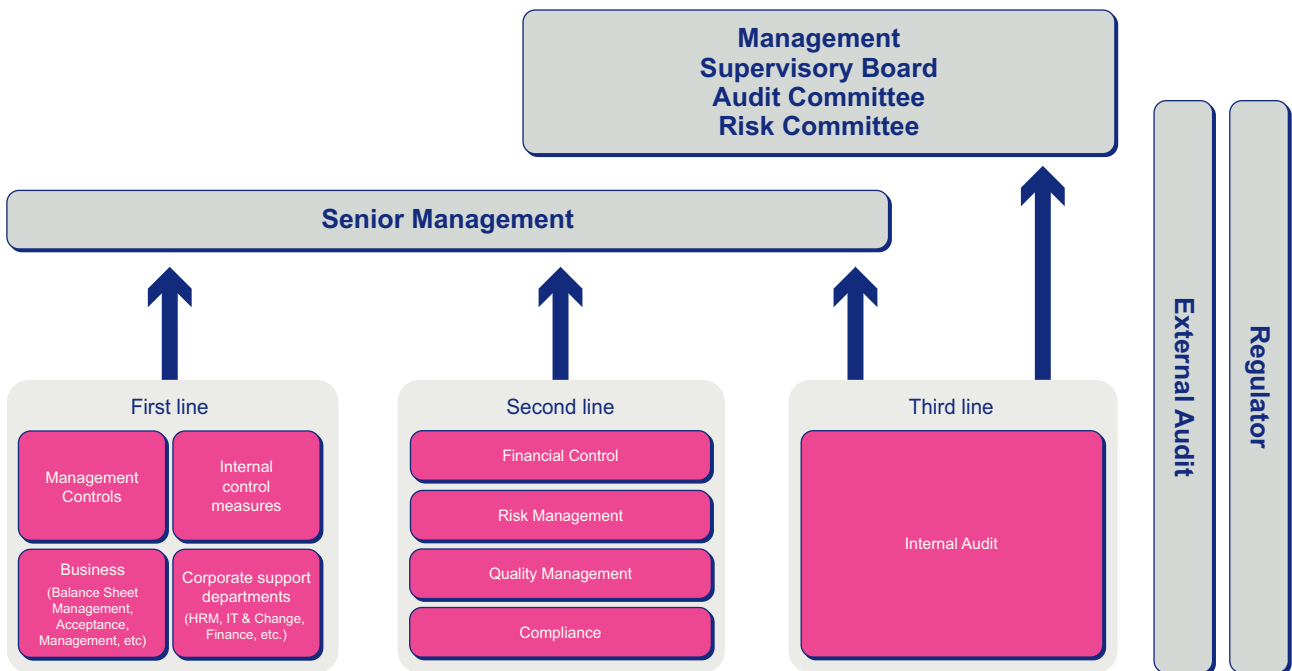


Figure 11: Three lines of defence

Second line = risk management

The second line has a managing and accepting role in respect of the transactions proposed by the first line. The second line assesses the actions and transactions in the first line as well as the effectiveness of procedures by means of testing key controls, and is responsible for the

risk profile to be in line with the risk appetite. Risk management processes carried out in correlation with business units are coordinated via the second line.

The second line is also responsible for formulating the framework and has an oversight role, and thus shapes

policy. It sets out the policy framework, but leaves the execution of policy to the first line. The second line assesses policy compliance on a regular basis, using risk reports and its own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and supports central decision-making bodies. The used data, including models, assumptions and techniques, are validated periodically. Model validation part of the second line.

Third line = audit

Group Audit (GA) is responsible for the independently operating audit function with respect to the risk management process. GA does not play any role in determining, implementing or steering the risk policy. GA reports to the chairman of the Executive Board of SNS REAAL and also has a reporting line to the Audit Committee of the Supervisory Board of SNS REAAL and VIVAT Group.

GA follows a systematic audit approach to evaluate and increase the effectiveness of activities in the area of risk management, internal control and governance.

GA provides assurance and proposes improvements (including recommendations) to the Executive Board, Audit Committee and Supervisory Board of SNS REAAL and the management of VIVAT Verzekeringen with regard to the following:

- the governance of the insurer;
- the adequacy and efficiency of the control of the business processes that are designed to support the achievement of the objectives;
- the reliability and adequacy of management information, which is used as the basis for assessing whether the objectives and components have been achieved;
- the reliability of the provision of financial and other information;
- compliance with relevant legislation and regulations;
- the facts and circumstances in the event of suspicions of fraud;
- the protection of assets;
- in the quarterly report, GA monitors how matters for improvement are followed up. If the follow-up is inadequate, the matter is escalated to the management of VIVAT, the Executive Board and the Audit Committee/Supervisory Board.

5.3.3.2 Organisational structure

The risk management organisation at VIVAT Group comes within the domain of the Chief Risk Officer (CRO). For reasons of efficiency, the CRO's domain includes a number of first-line departments as well as the second-line risk management function. The managers of the respective departments are hierarchically on the same level, so that the individual first-line and second-line responsibilities are clearly assigned. In addition, VIVAT Group has the following risk committees.

Group level

- *Insurer's Risk Committee (IRC)*
The IRC is the most senior committee reporting to the management of VIVAT Verzekeringen for risk management purposes. The IRC establishes frameworks for the underlying committees. These frameworks cover the scope of the risk policy, limits applying to the desired risk profile, limits applying to the risk appetite, and a framework for control. The IRC monitors financial and non-financial risks in an integrated way. Its scope encompasses VIVAT Group and all legal entities in which VIVAT has a majority interest.
- *Model Governance Committee (MGC)*
The MGC decides on the appropriateness of the use of new and amended models to manage the relevant risks. The Asset & Liability Committee (ALCO) coordinates implementation. The MGC comes directly under the IRC in the risk committee structure. The assessment of the quality of models must be performed in the most independent manner possible, and the opinion must not be affected by the operational impact of the models. In addition, the MGC focuses primarily on setting frameworks (within the frameworks set by the IRC) and not so much on optimising returns or the financial impact of decisions. This justifies its high rank in the risk committee structure.
- *Financial Committee (FinCo)*
The FinCo is responsible for the management of the financial and actuarial accounting systems, consolidation, processes and infrastructure, the ensuing management information, internal/external financial reporting, results and returns, treasury and tax matters. The Financial Committee has a direct escalation line to the Executive Board in respect of

matters that are within the Financial Committee's mandate but not within the IRC's mandate.

- *Asset & Liability Committee (ALCO)*
The ALCO is responsible for the management of all financial risks. It takes decisions on operations and where necessary sets frameworks, within the parameters of the frameworks established by the IRC. Its primary focus is on optimising risk and returns. In the context of its framework-setting role, the ALCO ensures compliance with the frameworks set by the IRC and to the extent necessary it expands on the frameworks. With regard to power and decision-making, the committee has a clear reporting and escalation line to the more senior risk committee.
- *Investment Committee (IC)*
The IC decides on matters related to the policy on investments for own account of VIVAT Group and all legal entities in which VIVAT Group has a majority interest, in accordance with the relevant frameworks and limits set by the IRC and ALCO.
- *Actuarial Risk Committee (ARC)*
The ARC is responsible for providing advice on the impact of parameters as it relates to for instance rates, models, hedging advice and underwriting risk. The ARC is an advisory body and does not have any decision-making powers. As an advisory body, it has to be consulted on matters that could be affected by underwriting parameters.
- *Solvency Reporting Chain Management (SRCM)*
Solvency Reporting Chain Management advises the FinCo on matters related to the procedure followed for, and optimisation of, the internal and external solvency reports of the insurer and all the supervised entities (including licensed insurers).
- *Information Board (IB)*
The Information Board advises the Financial Committee on matters related to data management.

Business unit level

The business units have their own risk committees. Within their mandates, these risk committees make and implement decisions. They do this in accordance with the frameworks set by the risk committee above them, and ultimately by the IRC. The risk committees at business unit level (BU level) are as follows:

- *Product Market Pricing Committee (PMPC)*
The PMPCs are responsible for the formal approval of products. The PMPCs have a direct escalation line to the IRC and its position is directly under the

responsibility of the IRC. Three PMPCs are active in the formal approval of products: each business unit has its own PMPC (Reaal, Zwitterleven and Actiam). The PMPCs are composed of the members of the management of the relevant business unit and risk experts. The Corporate staff needs to be consulted in the preparation of the product approval process.

- *Operational Risk & Compliance Committee (ORCC)*
The ORCCs of the business units (Reaal, Zwitterleven, ACTIAM), IT and Finance & Risk (combined) are responsible for managing operational and compliance risks by monitoring the implementation of measures that were introduced for this purpose. The Risk Management Committee (RMC) of ACTIAM performs the role of the Operational Risk & Compliance Committee of ACTIAM (ORCC AM) with regard to many items on its agenda.

5.3.4 Risk policy

The policy based on the risk framework is structured in separate policy documents. This policy is divided into top-down layers with increased levels of detail. The entire policy structure is accessible to employees through an internal website.

VIVAT Group has formulated policy in all risk areas. The department responsible for each risk maintains the related policy documents. Document owners evaluate each document at least once a year.

5.3.5 Risk management process

At our company, risk management is a constant process of identifying and assessing risks and establishing controls. All departments within the risk domain have been assigned a responsibility in this process. Risk management is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing.

Risk identification

Risk identification is the process of identifying the risks that could affect a process or a product. Risks are considered from two perspectives:

- internal risks: risks arising within the organization;
- external risks: risks arising outside the business impacting a process or product.

Risk measurement

Risk measurement involves the assessment of the identified risks. This assessment is based on a shared evaluation of the likelihood that an event will take place and the possible impact of that event. The consequences are assessed in both qualitative and quantitative terms.

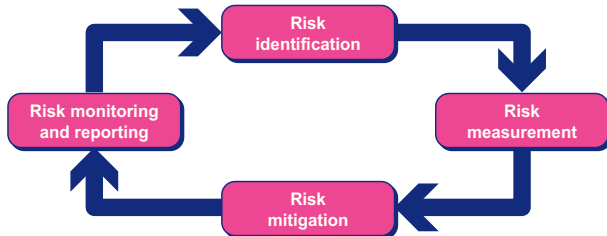


Figure 12: Risk mitigation

When mitigating risks, the risk responses are weighed up on the basis of a cost-benefit analysis. All identified risks are assessed, and appropriate techniques for mitigating or reducing risks are assigned in one or more of the following categories:

- avoid (eliminate, pull out or do not become involved);
- reduce (optimise, lessen);
- share (transfer, outsource or insure);
- retain (accept and budget).

Risk monitoring and reporting

In order to be able to control and manage material risks it is essential to have a good understanding of those risks (including trends in risks). Risk reports are compiled for this purpose. These reports are based on internal data and systems. Some of this information is produced using models that were developed internally. The risk owners provide management with complete, relevant and timely information, enabling them to monitor

and adjust the objectives, strategy and policy. The risk owners notify management of all important changes or exceptions that alter the operation of the control mechanisms.

Our risk reports contain a full comparison of actual performance and related risks with intended performance and risk (at both organisation level and process level) and indicate the need for any adjustments/action. In addition, compliance with established processes and the need for any adjustments are monitored on a structural basis. The most important reports in this context are the Non-Financial Risk report and the Report on Financial Risks.

5.3.6 Risk classification

It is essential for VIVAT Group to provide information on risks for the business itself and for its stakeholders, and to manage these risks within the indicated tolerance levels. Clarity is of vital importance when it comes to ensuring adequate risk management. This is why VIVAT Group has defined and structured different risk types, partly on the basis of current legislation and regulations.

The risk classification structure distinguishes between financial and non-financial risks. Within these categories, the risk types are structured on two different levels:

- Level 1 Main level: classification of the primary sources of risk and the risk categories to be reported internally and externally;
- Level 2 Sub-level: classification of sources of risks and sub-risks, related to level 1, that the organisation wishes to manage using tools in the areas of policy, structure, implementation (including models, risk assessments and controls) and monitoring. This is the level at which actual control takes place.

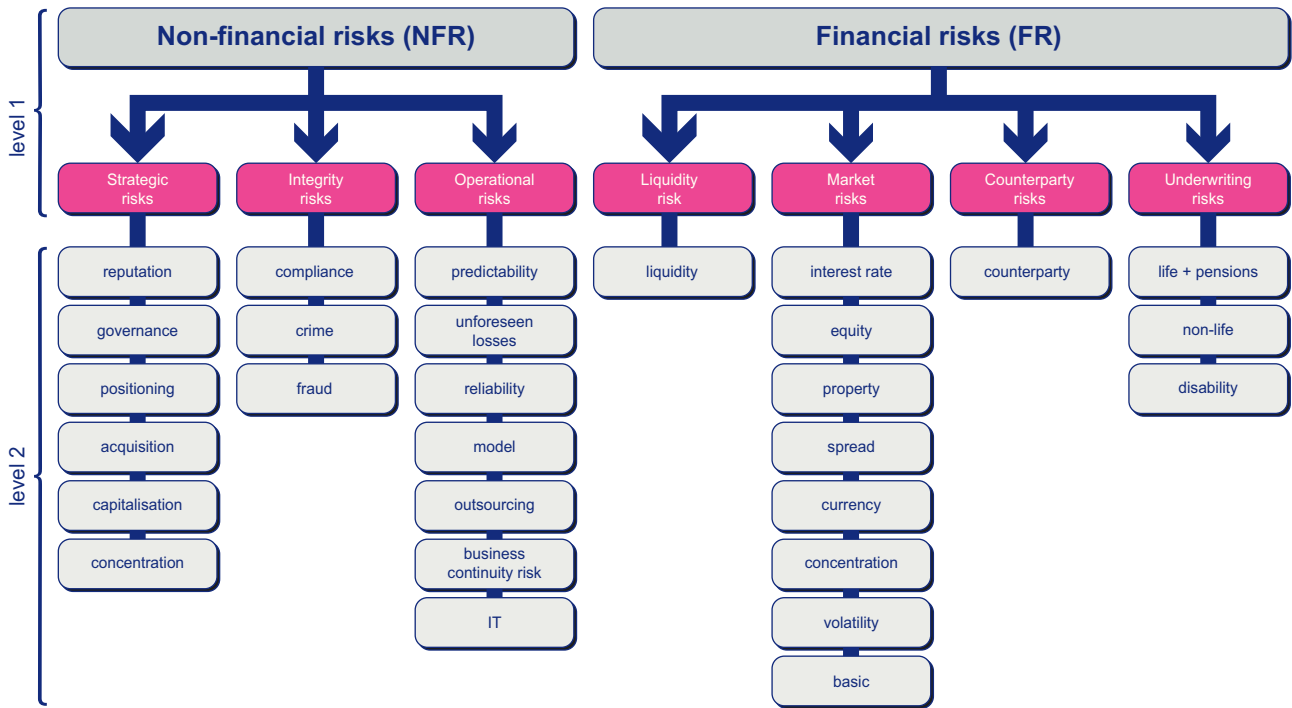


Figure 13: Risk classification

The way in which the classified risks are managed is discussed below.

5.4 Underwriting risk

5.4.1 Risks

The underwriting risk is the risk that our own funds, earnings or continuity will be threatened as a result of the inability to finance payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, disability, claims, customer behaviour, catastrophes) and fundamentals (such as interest and costs) used in the development of the product and the fixing of its premium. A distinction is made between Life (including Pensions), Non-life and Occupational disability. The interest rate risk attached to insurance products forms part of the market risk.

5.4.2 Risk management process

VIVAT Group identifies new underwriting risks on a constant basis and manages existing underwriting risks, for both new business and for the existing portfolio. To

this end, we follow the processes of the risk management cycle for each phase of a defined insurance cycle.

Capital requirement

The Operational Plan (OP) describes the planned development of the portfolio for the next three years, together with the related capital requirement, based on the strategy of the management of VIVAT Verzekeringen. The OP sets out in broad terms whether we want to enter new markets, which forms of distribution we intend to use, whether we want to develop new forms of products, and which products we want to change or phase out. It also lays down possible measures relating to acceptance and the reduction of the burden of claims.

Product development, pricing and acceptance

New or modified products go through the Product Approval and Review Process and have to meet criteria related to the customer's interests, profitability and risk control measures (acceptance criteria, clauses, and any reinsurance). The PMPCs are responsible for deciding on product approval.

Claims handling and reserve

When a claim is submitted, the product conditions form the starting point for determining the payment. In the case of Non-life insurance policies, the submission of a claim leads to the creation of a claims reserve, which we are able to determine automatically for smaller claims. At the Occupational Disability Insurance business, the customer follows a reintegration process. At the Motor Insurance business, we mitigate the cost of claims by promoting the use of preferred repair centres. At the Non-life and Occupational Disability Insurance businesses, trends in the number of claims, payments and reserves are reported and assessed on a monthly basis.

At the Life business, life annuities that have already started to pay out are treated as claims. These claims are paid immediately or in instalments, in which case a provision is created.

We perform a liability adequacy test of the premium and claims reserves once a quarter (at the Life and Pensions businesses) or once every six months (at the Non-life and Occupational Disability Insurance businesses), or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved here. Once a year, the external actuary assesses and expresses an opinion on the liability adequacy test.

Parameter study

We study trends in underwriting risk related to mortality and lapses, and trends in costs, at least once a year. The results of this study are to set the price of new Life insurance policies and value the existing Life insurance portfolio. At the Non-life business, the fee structure of each product is regularly assessed by means of analysis. Monitoring takes place on the basis of the return figures of each branch and distribution channel.

Portfolio analysis

Portfolio analysis is aimed at optimising underwriting risks and returns within the parameters of the policy frameworks. This can lead to new strategic insights in areas such as entering new markets or terminating products. The analysis is based on the impact of underwriting risks following from various measures (regulatory adequacy test (TRT) / IFRS-based liability adequacy test (LAT): see Section 5.4.5; SCR: see Section 5.9.3 and VNB). Based on the risk appetite,

VIVAT Group mitigates underwriting risks primarily by means of diversification and reinsurance.

Reinsurance

The reinsurance policy provides protection against underwriting risks arising in the insurance portfolios of both the Life and the Non-life business.

Reinsurance is a tool we use for risk management (traditional reinsurance) and capital management purposes. Traditional reinsurance is primarily used to safeguard the results. The capital-oriented reinsurance solutions help to optimise the capital position of VIVAT Group.

The reinsurance policy is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the results, the risk appetite and the financial strength of the company.

The risk of terrorism is reinsured through the Netherlands Terrorism Risk Reinsurance Company (NHT).

Management of risk in the broker channel

DNB performed a qualitative investigation into risk management in the broker channel. The purpose of this investigation was to gain information on the risks associated with outsourcing in the form of brokerage and on the way in which the insurers shape risk management in the broker channel. The main conclusion was that, in the market, commercial interests may prevail over risk management. In 2014, VIVAT Group performed an examination of risk management in the broker channel. The management of the Non-life brokerage portfolio meets the relevant requirements. With regard to the Life brokerage portfolio (which is no longer active), points for improvement have been identified in relation to establishing and implementing appropriate controls.

5.4.3 Life and Pensions

5.4.3.1 Risks

The underwriting risk at the Life and Pensions businesses includes the significant sub-risk categories of mortality risk, longevity risk, catastrophe risk, early surrender risk and expense risk. It can also include disability and rehabilitation risk to a limited degree.

VIVAT Group is also exposed to interest rate risk in the context of guarantees. The landscape of actuarial models used to model the underwriting risk is in the midst of changes as a result of migration to new platforms, as well as maintenance to the models. These changes can have both a positive and negative impact on the valuation of these risks and the solvency, but cannot be estimated.

Mortality risk and longevity risk

The risk most typically associated with Life insurance policies is mortality risk. This risk mainly affects the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the company of the policyholder dying earlier than expected. In the case of an endowment policy, the mortality risk for VIVAT Group is that the policyholder might live longer than expected (longevity risk). The financial impact of the difference between the date the policyholder is expected to die and the actual date of death can be substantial, particularly in the case of longevity risk.

To forecast the survival probabilities of the entire population, VIVAT Group uses the model published by the Netherlands Actuarial Association for this purpose (AG 2014). This model is updated at least once a year to include the most recent observations by Statistics Netherlands (CBS). Once a year we also update the empirical figures for portfolio mortality and early surrender on the basis of research into observed mortality and decline within the Life portfolio.

Catastrophe risk

With respect to Life insurance, in the event of a catastrophe the risks will be concentrated primarily in the Group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risk. Such concentrations of risks have been partly offset through the use of reinsurance.

Early surrender risk

Other underwriting risks that affect the Life insurance portfolio are risks associated with policyholders' behaviour, such as the risk of early surrender risk (the policyholder terminates the policy before the maturity date) or conversion to a non-contributory status (the policyholder terminates the regular premium payment before the maturity date), and the risk of disability (the policyholder becomes unfit for work). For more

information on disability risk, please refer to Section 5.4.4.1.

Expense risk

VIVAT Group runs expense risk if actual costs turn out to be higher than the amounts received from the cost loadings included in the pricing calculation. This relates to changes in the level, trend or volatility of the costs related to the fulfilment of insurance or reinsurance contracts.

Since 2013, VIVAT Group has used a 'moderate going concern' assumption in its models. This means that it expects the portfolio to decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies. Zwitserleven and Reaal have both set up cost reduction programmes to reduce this risk as much as possible.

Market risk and interest rate guarantees

In the case of traditional insurance policies, VIVAT Group bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, we pay the policy holder a predetermined nominal amount. In contrast, VIVAT Group does not run any interest rate risk on unit-linked contracts. We have issued interest rate guarantees for some unit-linked insurance policies, as a result of which we are exposed to an interest rate risk in respect of products of this type. A guaranteed minimum return on maturity applies in the case of unit-linked investment policies with an interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the policyholder that, in principle, bears the market risk. The policyholder is the institution that concluded the contract to insure the pension commitments for its employees with VIVAT Group. We guarantee the payment of the insured pension rights. The value of the investments has to be at least sufficient to cover the provision for accrued pension rights that are guaranteed. Additional measures may also have been agreed contractually to compensate for investment losses up to a certain amount (e.g. the creation of an additional provision/buffer in the investment account). VIVAT Group is entitled to reduce the market risk if the additional provisions/buffers are insufficient. If the value of the investments (including any contractually agreed

additional measures) turns out to be insufficient, the remaining shortfall is for the risk of VIVAT Group.

Information on the way in which interest rate risk is managed is contained in Section 5.5.2.1. The following

Contents of the Life insurance portfolio

Product	Product features		Risks per product					
	Warranty	Profit-Sharing	Mortality	Longevity	Catastrophe	Lapse	Expense	Interest
Savings-based mortgage	Mortgage interest		√		√	√	√	
Life annuity	Regular payment			√			√	√
Term insurance	Insured capital	¹	√		√	√	√	
Traditional savings	Insured capital	√	√	√		√	√	√
Funeral insurance	Insured capital	√	√			√	√	√
Individual insurance policies in investment units	²		√			√	√	
Group insurance policies in cash	Regular payment / Insured capital	√		√	√		√	√
Group insurance policies in investment units	²		√		√		√	
Group insurance policies with separate accounts	Regular payment / Insured capital ³			√	√		√	

¹ Partly company profit-sharing

² In some insurance guaranteed minimum yield applies at maturity

³ End of contract date contract contributory is not mandatory

5.4.3.2 Life and Pensions portfolio

The Life insurance portfolio contains individual and group insurance policies. Individual policies are sold as policies that pay cash benefits (traditional policies that may or may not include profit-sharing or interest profit-sharing) and policies with payment in units (unit-linked insurance policies). The individual Life insurance portfolio mainly consists of unit-linked insurance policies, mortgage-related endowment policies and Life annuity insurance policies providing regular payments for the remainder of the holder's life. VIVAT sells individual Life insurance policies in the retail and SME markets in the Netherlands. With respect to new business, the focus is primarily on term Life insurance.

The group portfolio consists of traditional contracts, group policies with separate accounts, and unit-linked policies. VIVAT Group's strategy for group insurance policies for the next few years is to share longevity risk and market risk more broadly with the customer. VIVAT

table indicates which risks are associated with specific products for the Life insurance portfolio of VIVAT Group.

Group's group Life insurance portfolio focuses on the entire corporate market in the Netherlands.

Co-insurance

VIVAT Group has concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the case of co-insurance, each co-insurer is liable for its own part of the insurance. If a co-insurer withdraws, its insurance liabilities will be transferred to the remaining co-insurers. Every year, the leader of the contract draws up a report that VIVAT Group uses to monitor the development of the portfolio and determine the provisions.

The breakdown of the portfolio, as described in qualitative terms above, is shown in the following tables, together with information on the growth of insured amounts in the term insurance product group.

Breakdown of portfolio on 31 December 2014

In € millions	Premium on an annualised basis	Insured capital	Technical provision for insurance contracts	Risk capital
Savings-based mortgages	360	18,604	5,650	12,443
Life annuity	4	--	3,411	327
Term insurance	170	48,578	468	49,830
Traditional savings	114	8,360	5,581	2,076
Funeral insurance	33	2,320	1,071	1,530
Individual insurance policies in cash	681	77,862	16,181	66,206
Individual insurance policies in investment units	507	32,543	6,196	24,738
Group insurance policies in cash	289	14,331	9,212	29,322
Group insurance policies in investment units	456	28,891	7,942	28,665
Subtotal	1,933	153,627	39,531	148,931
Reinsurance of term insurance	-1	-75	--	-44
Proportional reinsurance	-151	-5,639	-3,589	-71,728
Total	1,781	147,913	35,942	77,159

Breakdown of portfolio on 31 December 2013

In € millions	Premium on an annualised basis	Insured capital	Technical provision for insurance contracts	Risk capital
Savings-based mortgages	373	19,685	5,558	13,663
Life annuity	1	--	3,480	298
Term insurance	170	45,443	426	46,999
Traditional savings	126	9,082	6,012	2,631
Funeral insurance	35	2,365	1,055	1,596
Individual insurance policies in cash	705	76,575	16,531	65,187
Individual insurance policies in investment units	532	35,161	6,152	31,053
Group insurance policies in cash	288	12,770	8,150	28,229
Group insurance policies in investment units	508	27,041	7,792	28,278
Subtotal	2,033	151,547	38,625	152,747
Reinsurance of term insurance	-3	-75	--	-73
Proportional reinsurance	-159	-6,184	-3,863	-72,169
Total	1,871	145,288	34,762	80,505

The insured capital concerns the balance on the reference date of the highest value of the insured amount payable on survival of the policyholder and the insured amount payable on death of the policyholder. The risk capital is the balance on the reference date of the amount payable on death of the policyholder minus the provision.

Insurance policies in cash

In principle, VIVAT Group bears the investment risk related to insurance policies in cash. Special categories

are formed by the savings-based mortgage insurance policies, in which the return on the savings portion is linked to the associated mortgage loan. A small portion of this portfolio is exposed to counterparty risk.

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

Breakdown of insurance policies in cash

In € millions	2014	2013
With profit-sharing (operational or surplus interest)	10,599	10,385
With interest rate rebate	3,763	3,554
Without profit-sharing	5,381	5,184
Savings-based mortgages	5,650	5,558
Reinsurance	-3,589	-3,863
Total	21,804	20,818

Insurance policies in investment units

Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units), and VIVAT Group is not, in principle, exposed to interest rate risk, price risk, exchange rate risk or counterparty risk. In a number of cases, however,

VIVAT Group has issued minimum guarantees, as a result of which the interest rate risk, price risk and exchange rate risk for these contracts are for the account and risk of VIVAT Group. The value of the guarantees within the portfolio is measured periodically.

Breakdown of insurance policies in investment units

In € millions	2014	2013
Without guarantee	9,449	9,851
With guarantee	4,689	4,093
Total	14,138	13,944

5.4.3.3 Life reinsurance

The insurance business has a largely integrated reinsurance programme for the mortality and occupational disability portfolio. As in previous years, separate reinsurance contracts were in effect for mortality and occupational disability for the individual and group portfolios. The catastrophe reinsurance contract was concluded group-wide for the various sub-portfolios.

The retention of the reinsurance contracts for mortality and occupational disability both for individual and group risks amounts contracts corresponds to € 1.5 million of risk capital. In addition, the retention of the mortality reinsurance contract of the individual Life portfolio has been proportionally reinsured by means of two quota share contracts. The quota share reinsurance contract on risk capital concluded as of October 2009 is in force for the term insurance, savings-based mortgage and unit-linked policy product groups, and has a retention of 9 percent. The second quota share reinsurance contract, which came into effect on 1 January 2011, reinsures both risk capital and provisions, and applies to the traditional savings portfolio. The retention of this contract is 8 percent.

A retention of € 15 million applies to the catastrophe cover, and another sub-layer with a retention of € 2 million applying to the Zwitterleven portfolio.

5.4.3.4 Sensitivities

The solvency of the Life insurance portfolio is sensitive to changes in the parameters used for calculating the market value of obligations. In order to obtain information on this sensitivity, the effects of changes in mortality, surrender probabilities (including conversions to non-contributory policies) and recurrent and other costs, including inflation, are calculated separately.

The sensitivity of solvency to changes in the underwriting parameters is limited, with the exception of sensitivity to longevity risk and costs. The sensitivity to the risks of surrender (including non-contributory continuation) and mortality risk is significantly reduced by the surrender floor restriction in the adequacy test. Concentration risk does not come within the scope of parameter sensitivities. The steep fall in the discount curve has led to a sharp increase in sensitivity to longevity risk and costs.

Sensitivity of solvency to changes in technical parameters (Solvency I)

In percentages

	2014	2013
Solvency ratio	136%	172%
Impact of sensitivities:		
- 50% increase in surrender rates (including non-contributory continuation)	-2%	-2%
- 15% higher mortality rates (mortality risk)	-3%	-2%
- 20% lower mortality rates (longevity risk)	-49%	-39%
- 10% increase in expenses assumptions + 1% increase in inflation	-26%	-18%

Changes in the actuarial parameters have an effect on the result of VIVAT Group. The sensitivity of the solvency of the insurance business to changes in the financial markets is explained in Section 5.9.

5.4.4 Non-life and Occupational Disability

5.4.4.1 Risks

For the subdivision of risks into sub-risks in the Non-life insurance portfolios, VIVAT Group makes a distinction between occupational disability insurance and other Non-life insurance.

Occupational disability policies are insurance policies covering the financial consequences of the policyholder becoming unfit for work (either fully or partially). The classification of Life insurance risks also applies to these insurance policies, although the materiality of these risks is different. The Non-life insurer pays occupational disability benefits that stem from the individual and group portfolios. The Life insurer pays occupational disability benefits that relate to cover that forms part of a Life insurance contract.

Disability and rehabilitation risk

In the case of occupational disability insurance, the main risks are the disability risk and rehabilitation risk. These are risks that appear when a policyholder becomes unfit for work and is paid benefits during the period that he/she is unfit for work. The risks relate to the amount, duration and timing of the payment of the insured cash flows. The disability risk is the risk that more policyholders than expected become disabled, or that policyholders become more severely disabled than expected. The rehabilitation risk is the risk that fewer policyholders recover or that the policyholder recovers to a lesser extent than expected. VIVAT Group manages

this risk by continuously monitoring the inflow and by promoting/offering reintegration pathways.

The risks of other Non-life insurance policies can be divided into risks related to future claims ensuing from current contracts (premium risk and catastrophe risk) and risks related to damages, whether claimed or not, that have already occurred (reserves risk).

Premium risk

Premium risk is the risk that premiums pertaining to future exposure are insufficient to meet all corresponding claims and costs. VIVAT Group manages this risk by means of the previously described product development, pricing and acceptance procedures.

Catastrophe risk

Catastrophe risk is the risk of losses due to extreme or exceptional events. This includes both natural disasters and events caused by human actions. Geographically, the risk in the Non-life portfolio of VIVAT Group is almost entirely concentrated in the Netherlands. There is concentration of underwriting risks in the Fire segment, where storm risk is an important factor. In addition, the concentration of risks can occur in apartment buildings, city blocks and office buildings. The concentration of risks also occurs in the group accident portfolio and the group disability schemes. VIVAT Group reinsures catastrophe risks due to perils of nature (such as storms) or terrorism. Catastrophes resulting from acts of violence, nuclear incidents or floods are excluded under the standard policy conditions. Through participation in the nuclear insurance pool and the environmental insurance pool, specifically insured risks are shared with other insurers.

Reserves risk

Reserves risk is the risk that the accrued claims reserves are insufficient to settle all claims for damages already made. VIVAT Group manages this risk by means

of the previously described procedures for claims handling and reserves. VIVAT Group has assigned specialised departments for the handling and run-off of claims (including bodily injury claims). Experts in these departments handle claims on an item-by-item basis, make estimates of the size of the claim, and monitor the progress of claims settlement. Claims with a run-off period of more than one year include occupational disability claims, bodily injury claims and liability claims.

Early surrender risk plays a limited role owing to the usually brief contract period duration of Non-life insurance policies.

5.4.4.2 Non-life and Occupational Disability portfolio

All major Non-life segments are represented in the Non-life portfolio. The emphasis of this portfolio is on three main segments: Fire, Motors and Occupational Disability. The insurance policies are mostly sold through authorised agents, distribution partners and SNS Bank's distribution channel to retail and SME customers. In addition, sales are also effected via the direct channel.

Claims reserve

In € millions	2014			2013		
	Net claims reserve	% Net claims reserve	% Gross earned premium	Net claims reserve	% Net claims reserve	% Gross earned premium
Fire	97	8%	28%	113	11%	27%
Accident and health	434	37%	17%	400	37%	17%
Motor vehicles	425	37%	33%	361	33%	33%
Transport	55	5%	7%	58	5%	7%
Other	154	13%	15%	155	14%	16%
Total	1,165	100%	100%	1,087	100%	100%

Key figures on provision for regular occupational disability payments

In € thousands	Life insurance		Non-life insurance		Total	
	2014	2013	2014	2013	2014	2013
Provision for regular payments	27,699	31,452	265,484	258,625	293,183	290,077
Number of commenced annuities	703	840	3,575	3,841	4,278	4,681
Average insured annual annuity	9	8	24	22	22	20

The premium volume and claims reserve for the Transport segment originate almost entirely from co-insurance. The table includes a relatively large claims reserve for the Accident and Health segment owing to the long-term Non-life obligations of occupational disability insurance policies. That said, the occupational disability insurance policies make up a limited share of

The occupational disability insurance products in the portfolio include both individual coverage (mainly for self-employed persons) and group coverage for employees.

Co-insurance

REAAL Schadeverzekeringen NV is represented at the Rotterdam Insurance Exchange through its co-insurance unit. Risks in the Fire, Transport and Liability segments are underwritten. REAAL Schadeverzekeringen NV focuses on the medium-sized and large business segments of the corporate insurance market.

Gross premium income and claims reserves

In 2014, total gross premium income from Non-life insurance policies amounted to € 760 million (2013: € 784 million). The decline is mainly due to reduced premiums for occupational disability insurance policies in the Accident and Health segment and lower premium income in the Transport segment. The net claims reserve was € 1,165 million at year-end 2014 (2013: € 1,087 million).

Gross premium income and the claims reserve can be broken down by segment as follows:

the gross premium income earned. The opposite is true of the Fire segment. Owing to the rapid settlement of fire claims, this segment, which generates more than a quarter of premium income, only represents a small part of the total claims reserve.

In 2014, the reinsurance premium earned was € 46 million (2013: € 59 million). This corresponds to 6.1 percent (2013: 7.5 percent) of the gross premium income earned.

The run-off of the claims reserve for previous claim years is shown in the table below.

Claims history 2014

In € thousands	Reserve as of 1 January	Addition of interest	Payments	Reserve as of 31 December	Claims run-off result
Claim years:					
2005 and earlier	250,303	4,310	24,279	214,283	16,051
2006	22,877	264	4,090	18,018	1,033
2007	39,035	361	8,521	32,222	-1,347
2008	42,290	461	6,640	29,802	6,309
2009	48,113	548	7,499	37,839	3,323
2010	74,932	709	12,491	53,313	9,837
2011	111,224	918	20,746	87,135	4,261
2012	130,334	1,160	30,469	103,787	-2,762
2013	267,140	1,473	135,389	152,218	-18,994
Total through 2013	986,248	10,204	250,124	728,617	17,711
Total 2014	--	936	248,127	345,056	--
Total	986,248	11,140	498,251	1,073,673	17,711

Claims history 2013

In € thousands	Reserve as of 1 January	Addition of interest	Payments	Reserve as of 31 December	Claims run-off result
Claim years:					
2004 and earlier	258,858	4,464	32,305	231,299	-282
2005	23,613	245	4,932	19,004	-78
2006	28,157	265	5,547	22,877	-2
2007	45,401	551	8,913	39,035	-1,996
2008	55,748	520	10,504	42,290	3,474
2009	64,085	667	12,889	48,113	3,750
2010	97,208	813	23,621	74,932	-532
2011	144,004	1,147	39,745	111,224	-5,818
2012	258,230	1,441	121,167	130,334	8,170
Total through 2012	975,304	10,113	259,623	719,108	6,686
Total 2013	--	827	251,949	267,140	--
Total	975,304	10,940	511,572	986,248	6,686

The table above, which shows the claims pattern for 2014, paints a distorted picture in the run-off results for each claim year. As a result of a review process of prior year bodily injury claims, a transfer was made from the IBNR provision to the claims reserve that had no impact on earnings. In addition, the IBNR provision was reclassified based on claim years. These changes have been recognised in the column 'Reserve as of 31 December 2014'. The current claim year (line: Total 2014) also includes the addition for the interest shortfall to the occupational disability insurance provision (€ 35

million; 2013: nil) and the additional prudential margin (€ 32 million; 2013: nil).

5.4.4.3 Non-life reinsurance

The level of retention selected by VIVAT Group under the Non-life reinsurance contracts is in line with the size of the portfolios. The reinsurance programme makes no specific distinction between the various sales channels, although large risks are reinsured at segment level.

In addition to regular protection for the portfolios, REAAL Non-life has concluded a catastrophe contract for covered natural perils (storm, hail) and accumulation within the fire portfolio.

The 2014 reinsurance programme is largely a continuation of the programme as it was in 2013. The capacity of the catastrophe programme has been somewhat reduced, in accordance with the slightly decline in the underlying exposure. The retention of the catastrophe programme amounted to € 35 million for

2014. In the Fire segment, from 2014 onwards a one year retention applies to the sub-layer of € 3 million on top of the regular retention per event. In the Accidents segment, the reinsurance capacity was expanded by € 5 million to reflect the underlying exposure. The capacity purchased corresponds with a 1 in 200 years event. The retention of the catastrophe programme amounts to € 35 million. In the Fire segment, the regular retention is € 1 million per event. In the other segments, the retention and reinsurance capacity for 2014 were the same as in 2013.

Non-life insurance retention

In € thousands

		2014	2013
Coverage:			
Fire	per risk	1,000	1,000
Motor third-party liability	per risk	2,500	2,500
Personal / business liability	per risk	1,000	1,000
Accidents	per risk	750	750
Transport	per risk	1,000	1,000
Occupational disability (risk capital)	per risk	1,500	1,500
Catastrophe	per event	35,000	35,000

Incoming occupational disability reinsurance

The reinsurance contract for occupational disability pensions related to the Dutch Occupational Disability Benefits Act (WAO) has not been renewed since 2004 and is in run-off. The gross claims reserve at year-end 2014 was € 36 million (2013: € 44 million). After retrocession, the reserve amounted to € 21 million (2013: € 25 million).

calculations also provide information on the degree of sensitivity for Solvency I. The table below shows the sensitivity of the profit after taxation in the event of a 10 percent increase or 10 percent decrease in Non-life claims. These sensitivities are based on a one-off increase or decrease in claims paid out (claim payments including movements in claims reserves) in the relevant financial year under Non-life insurance policies.

5.4.4.4 Sensitivities

The effects of changes in parameters observed in connection with the Solvency II capital (own funds)

Sensitivity of result to movements in Non-life claims

In € millions	Result		Own funds		Solvency	
	2014	2013	2014	2013	2014	2013
Claims +10%	-41	-39	-41	-39	160%	206%
Claims -10%	41	39	41	39	223%	265%

5.4.5 Adequacy test

Discount curve for insurance liabilities

At the end of 2008, VIVAT Group was granted consent by DNB to start using the ECB AAA curve to determine the fair value of its insurance liabilities under Solvency I (regulatory adequacy test or TRT, as the Dutch acronym

goes); in the second half of 2012, VIVAT Group adopted the ECB AAA curve with UFR yield curve for its Liability Adequacy Test (LAT). The idea was that VIVAT Group would revert to the risk-free swap curve dictated by DNB once the market had normalised. In accordance with what had been agreed, VIVAT Group reverted to using the swap curve with UFR for both TRT and LAT in the

reporting period. The use of the swap curve with UFR reduces the differences between the Solvency I and Solvency II frameworks on the one hand and the economic framework on the other.

Regulatory adequacy test (TRT)

The Dutch Financial Supervision Act stipulates that the adequacy of the underwriting provisions is required to be tested. If a deficit is identified in the TRT, the underwriting provisions (in the regulatory report) need to be shored up and the required regulatory solvency must be adjusted accordingly. Consequently, any allocations to the underwriting provisions (in the regulatory report) as a result of a deficit are co-decisive in determining the solvency position. DNB has consented to the fact that, where SRLEV and Proteq Levensverzekeringen NV are concerned, any surplus value identified in the TRT is considered in determining the solvency position. The value of the cash flow hedge reserve is treated separately in the TRT given that it is restated for IFRS purposes as a component of equity.

IFRS-based Liability Adequacy Test (LAT)

IFRS requires the adequacy of the underwriting provisions to be tested. The LAT starts from the same premise as the TRT, but the underlying principles are different in some respects. The IFRS-based LAT, rather than the TRT is leading in determining the IFRS-based underwriting provisions. A deficit in the LAT will cause

the underwriting provision in the IFRS-based statement of financial position to rise. Shadow loss accounting is used for SRLEV and Proteq Levensverzekeringen NV to allocate an interest shortfall to the underwriting provision from the provision for changes in the fair value of fixed-income securities before the LAT is even performed. If the provision for changes in the fair value of fixed-income securities has been utilised in full and a LAT deficit still remains, that deficit is cleared by making an allocation to the underwriting provision. This allocation will have an adverse effect on earnings for IFRS purposes.

Calculation of adequacy of underwriting provisions

The adequacy of the underwriting provisions is initially tested using the LAT. The TRT is performed next, subject to adjustments for reasons of prudence:

- The TRT includes a surrender value restriction for SRLEV and Proteq Levensverzekeringen NV, meaning that the available provisions for TRT purposes should at least equal the surrender value;
- The Cost of Capital for SRLEV is 4 percent (TRT and LAT). For Proteq Levensverzekeringen NV, this is 6 percent (TRT) and 4 percent (LAT);
- The Cost of Capital for Reaal Schadeverzekeringen NV is 4 percent (TRT and LAT).

These adjustments have an upward effect on the required underwriting provisions.

In € millions	Life insurance				Non-life insurance			
	LAT		TRT		LAT		TRT	
	2014	2013	2014	2013	2014	2013	2014	2013
IFRS-based provision (including shadow accounting)	36,798	34,827	36,798	34,827	1,255	1,222	1,255	1,222
Market value of provision	42,066	36,192	42,066	36,192	1,258	1,181	1,278	1,199
Surrender floor restriction	--	--	798	1,117	--	--	--	--
Delta risk margin due to use of different CoC rate for Proteq	--	--	12	10	--	--	--	--
Market value of provision calculated for LAT or TRT	42,066	36,192	42,876	37,319	1,258	1,181	1,278	1,199
Difference between Market Value and IFRS-based Provision	-5,268	-1,365	-6,078	-2,492	-3	41	-23	23
Shadow loss entry	3,756	933	--	--	--	--	--	--
Surplus value of investments	536	285	536	285	--	--	--	--
Cash flow hedge reserve	--	--	213	56	--	--	--	--
Addition to based-provision (IFRS-based P&L) due to LAT deficit	976	147	--	--	35	--	--	--
Addition to based-provision (P&L under Dutch Wft) due to TRT deficit	--	--	5,329	2,151	--	--	35	--
Adequacy test result of LAT or TRT¹	--	--	--	--	32	41	12	23

¹ This relates to the gross margin (for income tax purposes)

5.5 Market risk

5.5.1 Risks

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of our insurance business. Unfavourable changes in the market have an impact on the group's earnings and/or own funds and also affect the likelihood of meeting commercial targets. There is a robust risk management framework, which is designed to bring about an investment strategy that optimises the relationship between risks and returns. The framework also ensures that VIVAT Group's operations remain within the bounds of its risk appetite.

VIVAT Group defines *market risk* as the risk of losses or an unfavourable change in its financial situation that results, either directly or indirectly, from fluctuations in the level and volatility of the market prices of assets,

liabilities and financial instruments (funding and products not recognised on the financial position).

The following eight sub-market risks have been defined: interest rate risk, equity risk, property risk, spread risk, currency risk, market risk concentrations, volatility risk and basis risk. VIVAT Group can achieve its financial objectives by managing these risks adequately. It does this by reducing losses due to movements in the level and/or volatility of market prices of financial assets.

The Balance Sheet Management department (BSM), working with the ACTIAM asset manager, manages and checks market risk by deploying control mechanisms, such as interest rate swaps, interest rate swaptions and fixed income investments.

Derisking

A process of asset derisking was carried out at VIVAT Group in 2014, in the context of the Own Risk Assessment performed by the insurer at the start of

2014. The derisking process aimed to reduce the Solvency Capital Requirement (SCR) and was started at the end of May and continued until the end of August 2014. The SCR is a risk-sensitive capital requirement. As part of this process, riskier investments were sold, while less risky investments were purchased. Additional spread and interest derisking activities took place in the second half of the year.

5.5.2 ALM-policy

The ALM (asset and liability management) policy covers the management of market risk, counterparty risk and liquidity risk.

The point of departure for the ALM policy is the ALM study, which is drawn up annually. The ALM study seeks to find a balance between risk and return within the preconditions that apply with regard to solvency, and laws and regulations, and is performed at the end of the year. This ALM study is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM, taking into account the risk limits based on the Risk Appetite Statements (RAS), solvency, the tax position and the long-term risk exposure. In order to spread the risk, the risk budget is spread across a range of risk drivers / asset classes / sectors and names. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. At ACTIAM, investments are monitored by means of reports on performance and capital.

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

Sensitivity analyses and stress tests

Stress tests provide information on how sensitive investments and liabilities are to different risks. These risks are quantified (and monitored) separately. A single market risk capital requirement is then fixed by aggregating the individual capital requirements associated with the market risks, using a correlation matrix. Stress tests are performed once a month and

also on an ad hoc basis if movements in the market (and in particular the yield curve) give grounds to do so.

Furthermore, monthly single-shock sensitivity analyses are performed, which combine a top-down and bottom-up approach. For each product group, the products and models are analysed, following which the best form of hedge for the product group is considered. The bottom-up-process involves analysing the effectiveness of the hedge with respect to the embedded options at product level.

The top-down approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows and options). This concerns the statement of financial position drawn up on an economic basis and that under solvency principles). The interest rate sensitivity is the most important sensitivity managed.

5.5.2.1 Interest rate risk

Interest rate risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the interest rate term structure or the volatility of interest rates.

Interest rate risk is a key component of VIVAT Group's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not completely equal and it is expressed as movements in the result and/or capital position if market rates change. Moreover the expected fixed cash flows from insurance liabilities are matched with fixed-income investments as much as possible. The profit-sharing and return guarantees given to policyholders are an additional source of interest rate risk. This risk is partly mitigated by the use of interest rate derivatives to hedge the guarantees in traditional Life insurance with guarantees and profit-sharing. See Section 7.5, note 43 Hedging and hedge accounting.

Interest rate sensitivity of IFRS-based earnings and own funds

The interest rate sensitivity of the IFRS-based earnings and own funds is not reported separately, since they do not form part of integrated risk management and could potentially cloud the clear view of the risk to which the company is exposed.

VIVAT Group uses Solvency at Risk for managing the sensitivity of solvency to market conditions, such as interest rates. Solvency at Risk is based on the regulatory solvency reported to DNB. This method is chosen because solvency is the principal factor in managing market risks. In addition, the trend in the solvency ratio provides better information on the exposure to market risks than the trend in IFRS-based earnings and own funds. The trend in the IFRS-based earnings and own funds is attributable to the use of accounting principles which are partly based on fair value and partly based on cost price. The surrender floor, which IFRS does not recognise, is the main reason

for the difference between the Solvency at Risk sensitivity and the sensitivity of the IFRS-based own funds. Due to the shortfall in the IFRS-based liability adequacy test, the IFRS-based earnings are more sensitive to changes in interest rates.

More details on the Solvency at Risk sensitivity analysis can be found in Section 5.9.

Interest rate risk broken down by buckets

The table below presents nominal cash flows arising from insurance liabilities, net of reinsurance (liabilities) by maturity segment.

Cash flows from insurance business 2014

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	2,082	4,234	5,003	4,634	4,000	13,006	32,959
Insurance liabilities - Non-life	275	411	205	96	79	24	1,090
Total	2,357	4,645	5,208	4,730	4,079	13,030	34,049

Cash flows from insurance business 2013

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	2,059	4,320	4,916	4,541	3,861	12,039	31,736
Insurance liabilities - Non-life	317	451	223	103	42	24	1,160
Total	2,376	4,771	5,139	4,644	3,903	12,063	32,896

The table only includes the 'for own account portfolio'. The portfolio on behalf of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are perfectly matched. The cash flows from the underwriting provisions concern cash flows with a nominal guarantee own capital. This does not include the options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best-estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing. In this perspective, it is important to bear in mind that the Ultimate Forward Rate of 4.2 percent (UFR) prescribed by the Dutch Central Bank also introduces a risk. It limits the interest rate sensitivity of the cash flows of the liabilities included in the above table. Over the course of time, the downward pressure of the UFR on the interest rate sensitivity of the liabilities will disappear.

VIVAT Group's interest rate hedging policy and its general hedging policy aim to ensure that obligations towards policyholders are fulfilled in both the short term and the longer term. In addition, it aims to enable its providers of capital to enjoy a reasonable return (in terms of market value) that is in line with VIVAT Group's risk exposure and to stabilise the solvency capital.

5.5.2.2 Equity risk and property risk

Equity risk and property risk are defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of the market prices of equities and real estate, respectively.

The equity and similar investments of the insurance business amounted to € 1,330 million at year-end 2014 (2013: € 1,161 million).

The IFRS-based equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted accordingly.

VIVAT Group periodically examines the impact of changes in the equity and property markets on the result and on own funds. Scenario analyses are used for this purposes, in line with the situation applying in the case of interest rate risk.

The table below shows the indicative results of this analysis at the reporting date net of taxation. Upward effects of shares are processed in the revaluation reserve and do not impact earnings.

Sensitivity of insurance business to equity and property prices

In € millions	Result		Own funds	
	2014	2013	2014	2013
Equities +10%	--	--	68	83
Equities -10%	-47	-59	-68	-83
Property +10%	27	27	20	20
Property -10%	-27	-27	-20	-20

5.5.2.3 Exchange rate risk

Exchange rate risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of exchange rates. The exchange rate risk of VIVAT Group is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, VIVAT Group's policy is to permit only a very limited exchange rate risk. Given this, the exchange rate risk on fixed-income investments denominated in foreign currency is, in principle, hedged completely with currency swaps.

Exchange rate risk also arises in relation to the equity investments of VIVAT Group. This exchange rate risk, after netting the exchange rate risk in other non-fixed-income investments and liabilities, is structurally hedged using forward exchange rate contracts if the net exposure exceeds € 10 million.

The table below provides an indication of VIVAT Group's foreign exchange exposure.

Foreign exchange exposure of insurance business (net exposure)

In € millions	Balance		Hedge derivatives	
	2014	2013	2014	2013
US Dollar	139	66	-137	-61
Pound Sterling	20	45	-20	-45
Swiss Franc	-95	-79	87	74
Japanese Yen	19	--	-18	--
Australian Dollar	8	-3	--	--
Other	9	5	--	--
Total	100	34	-89	-32

The effects of changes in foreign exchange markets on the result, own funds and solvency are measured

periodically using scenario analyses. The table below shows the results of these analyses, net of taxation.

Sensitivity of insurance business to foreign exchange rates

In € millions	Result		Own funds	
	2014	2013	2014	2013
Currencies +10%	1	--	1	--
Currencies -10%	-1	--	-1	--

This table shows that movements in exchange rates have a very limited impact on VIVAT Group's earnings and own funds. There was no exchange rate risk in the equity portfolio for 2013, as these were hedged to a large extent (see also Section 7.5, note 43 Hedging and hedge accounting).

5.5.2.4 Basis risk and spread risk

Basis risk is among others the risk that movements in the interest rate on the EU government bonds held in portfolio will not be synchronous with movements in the swap rate. Basis risk arises due to the fact that there are multiple 'risk-free' yield curves. Changing the basis discount curves of the liabilities to a swap-based curve changed the basis risk, but it still exists. Moreover, from this perspective, it is important to bear in mind that the Ultimate Forward Rate of 4.2 percent (UFR) prescribed by the Dutch Central Bank also introduces a risk. Over the course of time, the positive valuation effect of the UFR disappears, which puts downward pressure on the trend in solvency in the future. See also Section 5.5.2.1.

Spread risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of the credit spread above the risk-free interest rate term structure.

With effect from December 2014, VIVAT Group has used the swap curve with UFR, instead of the ECB-AAA curve with UFR, for valuing liabilities (see Section 5.4.5).

Credit risk surcharges and market value of bonds

The spread risk for the insurance business arises in the fixed-income investment portfolio, where there are corporate and government bonds that are sensitive to changes in credit risk surcharges. Growing credit risk surcharges have a negative effect on the market value of underlying bonds.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The swap curve is currently used when discounting insurance liabilities. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the capital available, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

5.5.2.5 Concentration risk

Concentration risk is defined as all risk exposures associated with a potential loss that is large enough to endanger the solvency or financial position of insurance and reinsurance undertakings. Concentration risk relates to vulnerabilities in the areas of strategic positions and dependence.

It is measured as loss at default (LAD), and under the ALM policy the relevant limits must be complied with. This form of reporting is used by Balance Sheet Management (BSM) and at ACTIAM to monitor exposures to counterparties. The reports are discussed by the Investment Committee, and measures are taken when limits are exceeded.

5.6 Counterparty risk

5.6.1 Risks

Counterparty risk

VIVAT Group defines counterparty risk as the risk of potential losses due to an unexpected payment default or a credit rating downgrade of the counterparties and debtors of insurance and reinsurance undertakings within the next twelve months.

The counterparty risk policy:

- includes risk limiting agreements, such as reinsurance contracts, securitisations and derivatives, as well as short-term receivables from intermediaries and other credit claims that are not classified under spread risk;
- takes due account of collateral and other security held by or for the account of the insurance or reinsurance undertaking as well as the associated risks;
- takes account, for each counterparty, of the overall exposure of the insurance or reinsurance undertaking to this counterparty risk, irrespective of the legal form of its contractual obligations towards the undertaking.

For the purpose of determining the counterparty risk, the definition fixed for Solvency II purposes is followed.

5.6.2 Risk management process

The Balance Sheet Management department (BSM) manages and verifies counterparty risk within the set frameworks by selling investments when limits are exceeded and by developing, together with ACTIAM and Legal Affairs risk mitigating contracts or clauses in such contracts. The counterparty risk at VIVAT Group is measured by means of measuring the exposure to individual parties and the exposure to segments.

For each type of counterparty risk, the roles, powers and responsibilities of officers and committees, including tiered decision-making powers, are recorded in the policy documents for the relevant type of credit risk.

Fixed-income investment portfolio

The counterparty risk within the interest-bearing investment portfolios of VIVAT Group is the risk that an issuer of a bond or a debtor of a private loan can no longer meet its obligations. The strategic scope of the various investment grade categories within the interest-bearing portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives exposure

The counterparty risk related to the market value of the derivatives held by VIVAT Group with a counterparty is hedged by means of a Credit Support Annex (CSA) agreement. In accordance with standard industry practice. This agreement provides that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the credit risk. See also Section 7.5, note 43 Hedging and hedge accounting, which describes how derivatives are used for hedging purposes.

Reinsurers

VIVAT Group pursues an active policy with respect to the placement of reinsurance contracts, using a panel

consisting of reinsurers that have been rated. The general guideline is that reinsurers should have a minimum rating of A-. However, given the long-term nature of the underlying business, the current casualty panel consists of reinsurers with at least an A+ rating, while the panel for SRLEV and the Occupational Disability businesses consists of companies with an AA-rating. Continuity within the panels of reinsurers is an important principle.

Additionally, the credit risk of the Life reinsurance quota share contract that came into effect on 1 January 2011 has been minimised by the provision of collateral for the reinsured provisions.

Mortgage portfolio

VIVAT Group is exposed to a low level of credit risk on its mortgage portfolio. Part of this portfolio is guaranteed by the National Mortgage Guarantee fund (NHG). Property price increases in the past have led to a strong increase in the foreclosure value of the collateral. House prices may have fallen in recent years, but since a large part of the portfolio dates from the period 2000-2005, the recent decline is smaller than the price increases seen in the past. In the event of non-payment by a debtor, VIVAT Group will in many cases be able to recoup the loan by selling the collateral. Finally, the cautious acceptance policy also helps ensure a low credit risk profile for the mortgage portfolio.

5.6.3 Exposure

Fixed-income investment portfolio

The interest-bearing investment portfolios of VIVAT Group have predominantly European and North American debtors. No single debtor represents an interest of more than 5 percent in the interest-bearing investment portfolio with the exception of the German and the Dutch State.

Investments of insurance business

In € millions	2014	2013
Investments		
- Fair value through profit or loss: Designated	225	415
- Available for sale	26,141	21,683
- Loans and receivables	6,892	6,871
Interest-bearing investment portfolio	33,258	28,969
Equities and similar investments	1,330	1,161
Total	34,588	30,130

The following table shows the breakdown of the interest-bearing investment portfolio by sector. The shift towards government bonds is due to the derisking strategy of

VIVAT Group, and is the result of the adjusted risk appetite.

Breakdown of interest-bearing investment profile (sector)

In € millions	2014		2013	
Sovereign	21,832	66%	16,910	59%
Corporate bonds - financial sector	3,362	10%	3,776	13%
Investments related to savings-based mortgages	5,404	16%	5,311	18%
Corporate bonds - non-financial sector	1,357	4%	1,532	5%
Mortgage backed securities	1,042	3%	1,288	4%
Other	261	1%	152	1%
Total	33,258	100%	28,969	100%

The following overview provides a breakdown of the interest-bearing investments (excluding mortgages) by rating category. The strategic mix of the various categories within the interest-bearing investment

portfolio is set annually in the ALM investment plan. The 'no rating' category mainly consists of private loans related to savings-based mortgages.

Breakdown of interest-bearing investment portfolio (rating)

In € millions	2014		2013	
AAA	23,316	70%	17,290	60%
AA	1,536	5%	2,591	9%
A	1,709	5%	2,072	7%
BBB	1,098	3%	1,287	4%
< BBB	32	0%	89	0%
Not rated	5,567	17%	5,640	20%
Total	33,258	100%	28,969	100%

Of the fixed income portfolio, 80 percent of investments had an A rating or higher (year-end 2013: 76 percent), while 70 percent of investments were rated AAA (year-end 2013: 60 percent).

The table below contains the breakdown of the interest bearing investment portfolio by geographic area.

Breakdown of interest-bearing investment profile (geographic)

In € millions	2014		2013	
Netherlands	14,634	44%	13,928	48%
Germany	13,066	40%	8,864	31%
Austria	1,026	3%	933	3%
France	638	2%	1,088	4%
Italy	496	1%	430	1%
Spain	414	1%	426	1%
Other	2,984	9%	3,300	12%
Total	33,258	100%	28,969	100%

The “other” category consists of European and other international institutions that cannot be allocated to a single country.

Mortgages

The decline in the mortgage portfolio is due to regular repayments and also, to a large degree, to the completion of a mortgage transaction with SNS Bank

Mortgages of insurance business by type of security provided

In € millions ¹	2014	2013
Mortgages < 75% of foreclosure value	483	1,016
Mortgages > 75% of foreclosure value	452	658
Mortgages with National Mortgage Guarantee	1,132	1,182
Residential property in the Netherlands	2,067	2,856
Specific provision for bad debts	-7	-7
Total	2,060	2,849

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

5.6.4 Management of past due and impaired assets

The table below sets out the financial instruments by arrears and/or impairment.

Financial instruments - impairments 2014

In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	27,642	57	-4	--	27,695
Loans and receivables	8,924	36	--	-8	8,952
Other financial assets	456	32	--	-9	479
Total	37,022	125	-4	-17	37,126

Financial instruments - impairments 2013

In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	23,247	28	-16	--	23,259
Loans and receivables	9,668	60	--	-8	9,720
Other financial assets	465	64	--	-7	522
Total	33,380	152	-16	-15	33,501

VIVAT Group recognises impairments on equities if the market value has fallen to 25 percent below cost price, or has been quoted below cost price uninterrupted for at least nine months.

VIVAT Group recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by the Financial Committee. Financial instruments meeting one or more of these

criteria are analysed and assessed individually to determine whether there is a loss event.

5.6.5 Netting of financial assets and liabilities

The table below presents the financial assets and liabilities that are subject to netting. It also presents related items that have not been netted but are used to limit credit risk.

Financial assets and liabilities 2014

In € millions	Gross carrying amount	Related amounts not netted in the carrying amount		Financial instruments	Cash collateral	Other financial collateral	Netted value
		Offsetting carrying amount	Netted carrying amount				
<i>Financial assets</i>							
Derivatives	846	--	846	313	526	--	7
Total financial assets	846	--	846	313	526	--	7
<i>Financial liabilities</i>							
Derivatives	169	--	169	52	117	--	
Amounts due to banks	1,754	--	1,754	--	--	260	1,494
Total financial liabilities	1,924	--	1,924	52	117	260	1,494

Financial assets and liabilities 2013

In € millions	Gross carrying amount	Related amounts not netted in the carrying amount		Financial instruments	Cash collateral	Other financial collateral	Netted value
		Offsetting carrying amount	Netted carrying amount				
<i>Financial assets</i>							
Derivatives	590	--	590	86	346	139	19
Total financial assets	590	--	590	86	346	139	19
<i>Financial liabilities</i>							
Derivatives	123	--	123	86	33	--	4
Amounts due to banks	3,035	--	3,035	--	--	1,347	1,688
Total financial liabilities	3,158	--	3,158	86	33	1,347	1,692

5.7 Liquidity risk

5.7.1 Risks

Liquidity risk is the risk that VIVAT Group will be unable to access sufficient cash resources in the short term to meet its financial obligations, either under normal conditions or in times of stress, without incurring unacceptable costs or losses.

The liquidity risk policy uses three lines of defence:

1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

Liquidity risk management is organised on the basis of these three lines of defence. The liquidity risk is monitored and managed both at consolidated level and at legal entity level.

5.7.2 Risk management process

The policy of VIVAT Group is to have more liquidity available than it is required to hold. When determining the required liquidity, the ability to cope with a stress situation is taken into consideration. In addition to regular liquidity management, VIVAT Group has drawn up a liquidity risk policy containing minimum standards for available liquid investments.

The liquidity risk policy is based on three lines of defence:

Cash position

The cash position can be split into a cash position for the investment circle and a cash position for the operational circle. In the operational circle, premiums are collected and payments are made. In the investment circle, returns are obtained from investments (viewed from the perspective of a long-term average) and repaid loans are reinvested. The relationship between these two circles is established on the basis of the cash positions and cash flows of both circles. When premium income in the operational circle exceeds payments made (and

expenses), money flows from the operational circle to the investment circle, whereas when payments made (and expenses) in the operational circle exceed premium income, money is drawn out of the investment circle.

Liquidity buffer

As a second line of defence, VIVAT Group has built up a liquidity buffer. A liquidity buffer is held as part of the investment portfolio in order to ensure sufficient liquidity is available to enable a responsible investment policy to be followed in situations where withdrawals exceed premium income. This internal liquidity buffer comprises the required liquidity buffer under Solvency II and has been increased with an additional buffer.

The available buffer consists of government and corporate bonds, including asset-backed securities. The required buffer corresponds to the negative impact of haircuts on the market values of the bonds, the negative impact of collateral already deposited with counterparties, the surrender shock under Solvency II rules, plus liquidity utilised in transactions (quota share reinsurance transactions, repurchase agreements, among others).

Contingency policy

The last line of defence serves to deal with a situation in which the normal liquidity buffer turns out to be insufficient. To this end, VIVAT Group has implemented a Crisis Management Team (CMT) structure. The CMT structure must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

5.7.3 Exposure

A decline in the market interest rate and derisking within the investment portfolio resulted in an increase in the available liquidity. In addition, several contracts were financed in another way or terminated. This also had a positive effect on the liquidity ultimately remaining.

Liquidity buffer

In € millions

	2014	2013
Available liquidity	30,516	21,522
Required liquidity	-18,017	-14,165
Available liquidity	12,499	7,357
Utilised liquidity	-597	-635
Remaining liquidity	11,902	6,722

Credit ratings

Long term	S&P	Moody's	Fitch
REAAL NV	BBB- (stable)	--	--
SRLEV NV	BBB+ (stable)	Baa3 (developing)	BBB (negative)
Reaal Schadeverzekeringen NV	BBB+ (stable)	Baa3 (developing)	BBB (negative)

Pressure on ratings of insurance business

In 2014, both earnings and the capital position were weighed down from various factors, including low interest rates, the derisking of the investment portfolio, fierce competition in the pension market and changes in the model parameters for calculating solvency. During the year, this resulted in rating downgrades of the insurance business by all rating agencies.

Changes in ratings of insurance business in chronological order

On 6 May 2014, S&P confirmed the A- ratings of SRLEV NV and Reaal Schadeverzekeringen NV. The rating of REAAL NV, the insurance holding company, was confirmed at BBB. The outlook continued to be negative and reflected S&P's concerns about the future profitability of the insurance business, the execution risk associated with the disentanglement of the holding company, bank and insurance business, and uncertainty surrounding the future owner of the insurance business.

On 23 May 2014, Fitch downgraded SRLEV NV and Reaal Schadeverzekeringen NV by one notch to BBB (outlook: stable). According to Fitch, this downgrade reflected the pressure on current and future profitability, and the uncertainty surrounding the future owner of the insurance business.

On 23 October 2014, S&P downgraded SRLEV NV and Reaal Schadeverzekeringen NV by one notch to BBB+ (outlook: stable). The rating of REAAL NV, the insurance holding company, saw a one-notch downgrade to BBB- as well. S&P had indicated earlier (i.e. on 6 May 2014) that the insurance business would have to generate a

profit for 2014 in order for the ratings to remain as they were. Given the loss reported for the first half of the year, S&P considered it unlikely that this criterion would be met, following which it imposed a downgrade.

On 9 December 2014, Moody's downgraded SRLEV and Reaal Schadeverzekeringen BV by one notch to Baa3 (outlook: developing). The downgrade was primarily driven by a fall in profitability, which Moody's expects to continue, and deteriorating capitalisation. The outlook was changed from stable to developing in order to reflect the uncertainty surrounding the different scenarios for the future.

On 12 December 2014, Fitch confirmed the ratings of SRLEV NV and Reaal Schadeverzekeringen NV. The outlook was changed to negative given the persistent pressure on profitability, the higher than expected loss for the first nine months of 2014 and the high probability that the insurance business would suffer a material loss for 2014.

5.8 Non-financial risks

5.8.1 Risks

As described in the risk classification, VIVAT Group recognises both financial risks and non-financial risks. Non-financial risks include strategic, integrity and operational risks. The Non-Financial Risk department (NFR), which is part of the domain of CRO, monitors and provides advice to management on these risks.

Strategic risk

Strategic risk is the risk that strategic objectives will not be achieved due to a failure to respond, or a failure to respond adequately or in time, due to changes in the environment and the business climate. VIVAT Group has identified six sub-risks where adequate control results, or can result, in the strategic objectives being achieved, due to a decline in the vulnerabilities of the group.

Integrity risk (compliance risk)

Integrity and compliance risk is the risk that VIVAT Group's integrity will be harmed by actions (or omissions) that are contrary to its internal core or other values, social standards and values or conduct-related laws and regulations or requirements to be observed by VIVAT Group when providing its financial services or translating these into internal regulations.

These risks may result in regulatory measures, financial losses or damage to the company's reputation. The scope of external laws and regulations consists of those laws and regulations under which the regulators supervise aspects related to non-financial risks, such as the Dutch Financial Supervision Act (*Wft*), the Dutch Money Laundering and Terrorist Financing (Prevention) Act (*Wwft*) and the Dutch Sanctions Act, as well as relevant international laws and regulations.

Operational risk

Operational risk is the risk of direct or indirect losses due to inadequate or deficient internal processes and systems, owing to inadequate action being taken, human error or external events. In this sense, operational risk is overarching in nature. It can be broken down into IT risk, outsourcing risk, legal risk, integrity risk and other operational risks.

5.8.2 Risk management process

VIVAT Group has taken several measures to manage non-financial risks. The main elements are as follows:

- The Group policy formulated by NFR, including the operational risk framework, where ethical business conduct concerning non-financial risks is embedded. If desired, NFR provides advice [on how provisions of laws and regulations must be implemented within] the business units and monitors compliance.
- The training and awareness programme to increase awareness of integrity and non-financial risk

management amongst managers and staff. This programme includes information meetings, e-learning courses, presentations and 'train the trainer' workshops.

- Corporate support departments that operate independently of the first line provide advice on the development, evaluation and approval of products. In the PMPCs, the second line has a veto right.
- The incident reporting centre, where staff can report various kinds of incidents, such as fraud, undesirable behaviour and incidents in the area of information security. The aim is to ensure that risks are reported in time to prevent or limit the impact of any consequential damage, and that adequate measures can be taken to prevent similar incidents. Employees can also report incidents to the incident reporting centre anonymously (whistle-blower procedure).
- Fraud investigations are risk based, and support is obtained from external specialists where necessary.
- The monitoring programme carried out annually by NFR. Every year, resources are annually allocated to the relevant subjects following a risk-based analysis.
- The quarterly report on non-financial risks. This quarterly report provides the management of the BUs, the management of VIVAT Verzekeringen, the VRC and the Risk Committee of the Supervisory Board with an overview of the high-risk issues and the main developments in the area of non-financial risks. It includes the central embedding of the principle of Treating Customers Fairly, progress made in following up action points, the implementation of new/amended laws and regulations, and an analysis of developments in the area of incidents. This report also shows the extent to which VIVAT Group acts in accordance with its risk appetite.
- The periodical in-control statements issued by the members of the Executive Board of VIVAT, management of business units and the corporate support departments. In these statement, the boards report on the main risks and corresponding control measures, improvements made compared to the previous period and improvements that are still underway. The in-control statement specifies the most substantial risks.

In addition, the Compliance department also provides advice and support in the area of:

- Organisational integrity: Identifying and reporting on high-level risks, providing support with matters concerning privacy, expertise and complaints handling, dealing with information requests from regulators, measuring integrity and following up on this by means of the employee survey.
- Employee integrity: Coordinating incidents in the area of integrity and providing related guidance, handling matters related to directors, providing support in introducing new employees to the issue of integrity, and handling reports and activities related to private investment transactions.
- Product integrity: Providing advice for the PMPC, the PARP and product development processes in accordance with the AFM criteria and criteria related to Treating Customers Fairly.
- Customer integrity: Performing a second line advisory role with respect to policy implementation, acceptance of higher risk customers, alerts, sanction lists, and quarterly customer screening reports.
- Integrity of joint arrangements: Providing support with the use of quality criteria for intermediaries, performing activities related to intermediaries, including handling intermediary reports, screening, direct distribution and complaints handling.
- Following the disentanglement of the banking and insurance business in 2014, an organisation-wide integrity study was carried out. This business-wide study was carried out as part of the Employee Survey, partly in view of the potentially increased risk associated with the particular phase in which VIVAT Group currently finds itself as a business. This more extensive approach gives management the opportunity to monitor risks in a more targeted way, across the lines of business and corporate support departments, and to mitigate these risks where necessary. Furthermore, a start was made on rolling out a group-wide risk appetite dashboard for non-financial risks at all business units.
- Non-Financial Risk is the driver of the set-up of the Integrated Control Framework as described in Section 5.2.2. First-line divisions will ultimately have performed most of the work in this context.
- The management of VIVAT Group has signed the 'moral-ethical statement', in which the management declares that it will perform its duties with integrity and due professional care, that it will carefully weigh up the interests of stakeholders and that it will treat customers fairly.

At the time of the transfer of responsibilities to the insurer, an independently operating Non-Financial Risk organisation was created within VIVAT Group. This organisation includes the Compliance, Operational Risk Management, Internal Audit and Security departments. The Non-Financial Risk organisation is represented and holds mandates on all relevant committees within the risk governance structure.

5.8.3 Developments

The public debate about the financial sector continued during 2014. VIVAT Group came in for attention, particularly in light of the nationalisation, the matter of unit-linked insurance policies, and communications regarding the disentanglement of the banking and insurance business in combination with the potential sale of the insurance business.

VIVAT Group clearly works in the interests of customers, and this is reflected in its mission, core values and strategy. Acting in line with existing laws and regulations and internal rules forms the basis for ethical and controlled business operations. During 2014, structural attention was paid to maintaining and safeguarding integrity in operations. VIVAT Group has a code of conduct and procedures that are designed to safeguard integrity in this area.

In 2014, the management of Non-Financial Risk continued to develop its activities within VIVAT Group:

5.8.4 Exposure to non-financial risks

The organisation and its people continue to be under pressure owing to the transitional phase of the organisation, the set-up of a Solvency II-compliant organisation, the complex business challenges and wider developments in the areas of pensions and unit-linked policies.

In view of the situation regarding the capitalisation, a great deal of attention is consequently paid to financial risks, and as a result non-strategic, non-financial risks receive less attention. This is reflected in slow progress in the area of mitigating previously reported non-financial risks. There is also a risk of employees being absent for

extended periods of time or that employees with specific knowledge leaving the organisation.

Owing to internal and external developments, unit-linked policies are associated with a very high risk profile. It has been noted that the regulator is tending to impose stricter standards with regard to encouraging customers to take action. Current results in this area are not yet good enough, and a very ambitious commitment has been given to the regulator. The regulator is continuing to make major demands in this area; the best-efforts obligation is being turned into result commitment. Delays in the planning and implementation of the process for obtaining an unqualified auditor's report on the compensation calculations has led to delays in the area of rebalancing for customers.

Zwitserleven is giving top priority to the successful completion of the renewals process. This is a critical process, particularly in view of the new pension legislation, the uncertain situation regarding the sale of the insurer, and the decline in Zwitserleven's performance.

Numerous initiatives were developed in the Non-life business and used to deal with the strategic issues. Progress here is not as fast as desired.

5.8.5 IT risks

Phase-out of old systems

The rationalisation of the IT environment of VIVAT Group is safeguarded in the long-term plan and is closely monitored by means of roadmaps.

The roadmaps contain the overall plan for achieving the business objectives in the form of a detailed summary of the existing and future business and IT landscapes. That plan has been translated into a long-term tranche plan, which states which projects need to be carried out to achieve the business objectives on a year-by-year basis. The implications of these projects in terms of IT costs are also shown, by linking the cost allocation model for VIVAT Group's IT costs to the IT components.

In this way, the roadmaps provide the basis for monitoring the progress of the change calendar. This contributed to the successful implementation of change in the IT landscape (including rationalisations) in recent years. The implementation of the roadmaps is well on

schedule, and as a consequence the number of applications will continue to decline in the next few years.

IT security

VIVAT Group attracts a great deal of attention from cybercriminals since it is a financial organisation. Fighting cybercrime is therefore a key priority. In view of this, VIVAT Group has made a specific choice to ensure that the level of information security will not be adversely affected by the disentanglement of the bank and VIVAT Group. This means that preventing and combatting cybercrime will remain high on the agenda of the management and the Supervisory Board in the coming years as well. Appropriate organisational and technological measures will be taken in order to be able to tackle crime. With regard to the organisational measures, the joint arrangements with strategic partners will be strengthened. In the area of technological measures, the use of new tooling will be investigated.

Outsourcing

With regard to IT matters, VIVAT Group is shifting away from handling matters itself in favour of providing direction. We are moving towards outsourcing in areas of the consumer value chain where we are less distinctive. We assess how the required functionalities in that value chain can be purchased or outsourced as components. A range of different forms of outsourcing are used, including the use of package software, the purchase of services from the cloud and the full outsourcing of services. We face other risks in relation to outsourcing, and in order to maintain the desired level of control over outsourcing we perform risk assessments. To comply with our requirements in the area of risk management, steps have been taken to raise the level of the knowledge and capacity of the IT & Change organisation.

5.9 Capital management

5.9.1 Definition

Capitalisation refers to the extent to which VIVAT Group and its underlying legal entities have a capital buffer, which is necessary to cover unforeseen losses or to achieve the strategic objectives of the company. This capital buffer has to comply with our internal standards

as well as the external requirements of regulators and rating agencies.

Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds). There is a risk that the amount of capital required will be greater than anticipated. This may be due to factors such as a write-off charged to regulatory capital or a change in the scale of the risk-bearing activities. The most significant risk in this context arises if VIVAT is unable (either temporarily or otherwise) to raise new capital or is unable to reduce risks.

5.9.2 Capital policy

VIVAT Group has a capital policy. The objective of the capital policy is to ensure that there is always sufficient capital to fulfil obligations towards policyholders and all legal requirements. The second objective of the capital policy is to ensure capital is used as efficiently and flexibly as possible and to facilitate the implementation of VIVAT's strategy.

In addition to the capital policy, there is also a Capital Contingency Plan (CCP) which describes the policy that applies in a contingency situation. In this context, a contingency situation is defined as a situation in which a capital deficit arises, or threatens to arise, at VIVAT Group, and which poses a direct threat to the continued existence of VIVAT Group in its current form and thus for its stakeholders. In its Risk Appetite Statements, VIVAT Group has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on measures of capital that are linked to governance and management measures. VIVAT Group's capital policy forms the basis for translating policy into lower level policy, process descriptions, procedures and the like.

Management uses the Capital and Funding Plan, the ALM study, the Risk Dashboards and the Financial Risk Reporting for the purpose of managing the capital position. The Capital and Funding Plan describes the medium-term plans in the area of capital and funding. This includes a forecast of solvency for the next three years. The Capital and Funding Plan is based on the OP as supplied by the underlying Business Units plus supplementary information if appropriate. The Balance Sheet Optimisation department within BSM is responsible for delivering this plan.

5.9.3 Regulatory framework

Solvency I

VIVAT Group's solvency is currently still calculated in accordance with the Solvency I regulatory framework. Available capital is mainly based on the market value of assets and liabilities, adjusted for intangible assets and increased by subordinated debt. Required capital is related to the size of the underwriting provision.

Solvency II

The next phase will come into force under the Decree on Prudential Rules for Financial Undertakings 2015 (*Bpr 2015*), before Solvency II is implemented in 2016. The Solvency II ratio based on the Solvency Capital Requirement (SCR) will be implemented in 2015. As of 2015, the calculated Solvency II ratio will be an important criterion that is used for all insurers to determine whether a declaration of no objection is required for withdrawals of capital.

The European Solvency II project will create a new regulatory framework and a solvency framework based on market-consistent valuation. Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks will play a more central role. The financial requirements will more accurately reflect the risks to which insurers are exposed. Moreover, Solvency II is more in line with market developments and the internal risk management systems used by insurers.

Capitalisation is covered in all three pillars under the Solvency II framework:

The first pillar contains the prudential rules regarding minimum solvency. This pillar introduces two risk-weighted measures: the Minimum Capital Ratio (MCR), and the Solvency Capital Ratio (SCR).

The second pillar includes a process under which the insurer (or its senior management) has to evaluate its capitalisation periodically: the (Own Risk and Solvency Assessment or ORSA). A fixed part of the ORSA involves determining whether the standard model is appropriate for the needs of the insurer in question. If the standard model is not appropriate, the insurer has to develop its own models and methodologies in order to determine for itself whether its level of capitalisation is adequate. Based on the ORSA, a dialogue will take

place between the insurer and DNB (in its capacity as regulator) in the context of the Supervisory Review Process (SRP). In the SRP, DNB assesses the ORSA outcomes of an insurer. The outcomes of the SRP determine the minimum level of capital for an insurer.

The way in which insurers have to report their exposure and capital adequacy to the market (disclosure) is laid down in the third pillar. VIVAT Group will disclose its solvency position and financial condition on a Solvency II basis by means of public reports. Solvency II will apply to the supervised insurance entities and also to the consolidated activities of VIVAT Group. Other parts of VIVAT Group are not within the scope of Solvency II.

5.9.4 Capital position

Solvency I

The regulatory solvency of SRLEV NV (the legal entity that encompasses the majority of the Life insurance

In € millions	2014	2013
Regulatory solvency - REAAL NV	136%	172%
Regulatory solvency - SRLEV NV	141%	187%
Regulatory solvency - Reaal Schadeverzekeringen NV	191%	235%
Available regulatory capital	2,213	2,473
Capital requirement	1,624	1,439
Double leverage	128.2%	121.9%

The regulatory solvency of Reaal Schadeverzekeringen NV fell from 235 percent at year-end 2013 to 191 percent at year-end 2014, due to an additional increase in the IBNR provision for the Motor segment and by the underlying loss at Reaal Schadeverzekeringen NV, which was due to the combined ratio rising above 100 percent.

Compared to year-end 2013, double leverage at the insurance business increased from 122 percent to 128 percent, mainly as a result of a parallel fall in both the own funds of REAAL NV and the value of the associate. In absolute terms, double leverage increased by € 3 million to € 569 million and thus exceeds the internal norm of 115 percent.

Solvency II

REAAL NV went through a process in order to determine Solvency II earnings in the run-up to application of Solvency II. A description of the significant assumptions

business) fell from 187 percent at year-end 2013 to 141 percent at year-end 2014. Much of this decline was due to a more detailed and revised modelling of product features, an expected increase in costs due to the dissynergistic effect of the disentanglement of SNS REAAL NV, lower projected cost savings, and revised projections of premium income. In addition, there was a decline in solvency at SRLEV NV owing to the credit facility granted of € 105 million to REAAL NV in 2014. This credit facility has to be subtracted from the available capital, leading to a reduction in SRLEV NV's solvency. Trends in market parameters and the client base also contributed to the decline in solvency.

used by VIVAT Group when determining its capital (own funds) position under Solvency II is provided below. As Solvency II has not come into force yet, a shortened process has been followed, rather than the full reporting process. VIVAT Group uses the standard model under Solvency II. The figures reported under Solvency II are based on this standard model. The final results as reported to DNB may differ.

The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end 2014. The Delegated Acts of October 2014 have been used as a starting point. The further development of the Level 3 breakdowns, for example, may yet lead to changes in the methodology used.

The used curve as at 31 December 2014, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and Volatility Adjustment (VA), has been supplied

by DNB. Once Solvency II comes into effect in 2016, the applicable curve will be supplied by EIOPA.

When calculating the capital position under Solvency II, VIVAT Group makes use of the possibility of applying long- term guarantee measures. VIVAT Group applies the VA. It does not apply the Matching Adjustment (MA). VIVAT Group is keeping its options open regarding applying for the MA in 2015 or later.

When determining the Solvency II capital ratio, deferred tax assets may be set off against the required capital. In that case, it is necessary to demonstrate that, following a loss of the same scale as the SCR shock, future profits will be sufficient to enable the deferred tax asset created by that loss to be set off. Tax offsetting in the SCR has

not been applied to the Solvency II earnings. This had a negative impact of 30 percent on the Solvency II ratios of VIVAT Group, SRLEV NV and Reaal Schadeverzekeringen NV.

The classification of the hybrid capital of REAAL NV and SRLEV NV into Tier 1 and Tier 2 capital is based on VIVAT Group's interpretation of the transitional measures contained in the level 1 regulations as known in January 2015.

A Similar to Life (SLT) model is used for occupational disability insurance when determining the SCR of Reaal Verzekeringen NV. This also takes into account the impact of future management actions.

Summary of main assumptions for Solvency II

Item	Solvency II
Legal basis	Delegated Acts October 2014
Curve	Swap -/- CRA + VA
CRA	10bps
VA	21bps
MA	Not applied
UFR	UFR (from year 20 to UFR of 4.2% over 40 years)
Model used for Risk Margin	Standard Model
CoC% in Risk Margin	SRLEV NV 6%
	Reaal Schadeverzekeringen NV 6%
Reduction factors applied to Risk Margin	No
Reduction factors applied to SCR for underwriting risk	No
(longevity / lapse)	
Surrender value floor	No; surrender value floor does not apply
Required capital	Based on correlated results of SCR calculations
Deferred tax assets utilised in required capital	0% of tax asset in required capital
Tiering of capital	In line with Solvency II Delegated Acts (restrictions on subordinated capital and deferred tax assets).

Since the Solvency II rules are still subject to change and interpretation, only an indication is reported. As at year-end 2014, the Solvency II ratio was around or just above 100 percent. The indication of the actual solvency is around € 2.6 billion. As these calculations are new and improvements to processes were made during 2014, it was decided not to provide comparative figures for year-end 2013.

Going concern assumption

On 14 February 2015, SNS REAAL NV signed a Sale and Purchase Agreement with Anbang. The sale of REAAL NV to Anbang is subject to a number of conditions, including approval by the regulatory authorities and a contained fall in IFRS-based equity between 31 December 2014 and 30 June 2015. At the time of adoption of the financial statements, there was no reason to assume that the conditions for completion would not be met. However, there is no absolute certainty in this regard.

At year-end 2014, the Solvency I ratio of REAAL NV and SRLEV NV stood at 136 percent and 141 percent respectively, which is below the internal target of 175 percent. At the time of the sale of REAAL NV, agreements were made about Anbang increasing the entities' solvency. The signal to do so is the basis for the Declaration of No Objection (DNO) process with the regulatory authorities for completing the sale, in which process the solvency ratio will land between 140 and 150 percent under the Solvency II regime that will be in effect from 1 January 2016.

If the conditions relevant to the completion of the transaction with Anbang will not be met, the Board of Management of REAAL N.V. shall – if the Solvency I level at the time of completion is still below the 175 percent, and it is expected that the Solvency II requirement (Solvency Capital Requirement, SCR) will not be met – re-evaluate which measures should be taken. In these circumstances, the Board of Management of SRLEV NV will explicitly consider to no longer accept new policyholders and will continue to manage the exposures of the existing policyholders in a closed portfolio. The going concern assumptions for

various balance sheet items will be adjusted accordingly. This will then have a material negative impact on the financial position.

5.9.5 Market sensitivity of regulatory solvency

The sensitivity of regulatory solvency (Solvency I) is a measure used internally for risk management purposes. The Solvency at Risk sensitivity analysis is explained in Section 5.5.2.1. The post-stress Solvency I (including after market stress) is calculated every month, applying shocks in the areas of interest rates, credit spreads, equities and real estate. Post-stress solvency fell from 114 percent at year-end 2013 to 107 percent at year-end 2014.

The sensitivity of the regulatory solvency of VIVAT Group is shown in the table below. The most important risks are interest rate risk and spread risk (credit spreads). Sensitivity to interest rates is measured by means of a parallel movement in the yield curve. In reality, movements in the curve are not parallel, and so the interest rate shock is only indicative in nature.

Market sensitivity regulatory solvency (Solvency I) per December 31

In percentages

	2014	2013
Interest rates -1%	1%	-3%
Interest rates +1%	-4%	-7%
Credit spreads Corporate Bonds +0.5%	-9%	-11%
Credit spreads Sovereign Bonds +0.5%	-3%	-4%
Equity prices -10%	-2%	-1%

The decline in interest rate and spread sensitivity is attributable to the derisking measures taken in the past year. These measures include purchasing swaptions and swaps for hedging interest rate risk and switching from riskier investments (such as ABSs/MBSs, corporate bonds and equities) to less risky investments (mostly Dutch and German government bonds). The derisking measures are aimed at stabilising the Solvency II ratio. As a consequence, on a Solvency I basis the hedge is less effective.

The increase in equity risk is due to the reclassification of investments in real estate to equities.

Finally, with effect from December 2014 VIVAT Group has used the swap curve with UFR, rather than the ECB-

AAA curve with UFR, for valuing liabilities (see Section 5.4.5). The impact of this transition on interest rate sensitivity proved to be very limited. See Sections 5.5.2.1 and 5.5.2.4 for the risks of the UFR. This risk did not change in the transition from the ECB AAA curve to the swap curve.

5.9.6 ORSA

VIVAT Group performs an Own Risk and Solvency Assessment (ORSA) at least once a year. The management of VIVAT Verzekeringen uses the ORSA to verify the amount of capital required and may decide on management actions to bring the capital into line with the risk profile and risk appetite. Risk reaches agreement with the management of VIVAT Verzekeringen on the extent to which VIVAT Group's capitalisation, given the

identified risks, is sufficiently robust to be able to absorb remaining risks in existing and future circumstances. This is determined on the basis of scenario analyses and stress tests. All of the above is recorded in the ORSA document. The ORSA covers VIVAT Group and all underlying supervised legal entities. The internal evaluation of the ORSA is performed at least once a year.

The combination of the business strategy, risk appetite, solvency position and constant evaluation produces input for management's discussion on the amount of capital required. The outcome of this discussion is the ORSA capital, i.e. the minimum amount of capital required, given the current business, in order that any risks over a particular horizon can be absorbed.

The processes that form the input for the ORSA are as follows:

The management of VIVAT Verzekeringen formulates a strategy for VIVAT Group as a whole and hence management of VIVAT Verzekeringen defines the degree to which VIVAT Group is prepared to take risks (the Risk Appetite Statement), which is subsequently submitted to the Executive Board and the Supervisory Board of VIVAT Group for approval. After approval, this risk appetite is implemented using a top-down approach. The risk appetite (see Section 5.3.2) shows, from a quantitative perspective, how much capital is available for carrying on business operations and taking on new risks, among other things.

The business strategy forms the basis for determining which risks need to be identified. The risks may be financial or non-financial in nature (see Sections 5.4 to 5.8 inclusive). The risk appetite then considers these risks in further detail. It is crucial that the formulated business strategy is realistic when considered in the light of the risk appetite that has been determined. Following this, the risks are assessed from two perspectives. An assessment is made of the way in which a risk arises. As part of this, the extent of compliance with the policy frameworks will have to be checked. At the same time, the way in which the organisation has been set up in order to manage specific risks is described. This includes lines of defence, how ownership is ensured within the organisation, policy, advice, implementation and monitoring as described in the Risk Management Policies.

The forecast of the solvency position is then related to the business strategy and the OP. Once a year, VIVAT Group and its business units draw up a Capital and Funding Plan that is in line with the OP. The extent to which the available capital can absorb losses is also tested by performing stress tests. These stress tests are defined internally, on the basis of the features of the portfolio and potential (mostly macroeconomic) scenarios. This can be expanded on by means of a reverse stress test, which looks for possible scenarios that affect the level of capitalisation to an extent that is considered critical by internal criteria as laid down in the Risk Appetite Statement. Performing stress tests provides a better understanding of the risks arising from the business. A stress test may also lead to the business strategy or risk appetite being adjusted. The continuity analysis and stress test enable management actions to be defined. Since there is a better understanding of the business, it is also possible to produce a detailed contingency plan for situations that threaten solvency.

The evaluation of the risks and the related capital requirements is an ongoing, iterative process. In March 2014, VIVAT Group and its supervised entities performed an ORSA (reference date: 31 December 2013). The key conclusion from the assessment was that VIVAT Group would have to find a financially strong partner/buyer and initiate derisking measures. In addition to taking all manner of derisking measures, which were initiated following the assessment, the most important management action was the recapitalisation by means of the sale of VIVAT Group.

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6 Consolidated financial statements

6.1 Consolidated statement of financial position

Before result appropriation and in € millions	Notes ¹	31 December 2014	31 December 2013
Assets			
Intangible assets	1	75	64
Property and equipment	2	81	94
Investments in associates	3	6	6
Investment property	4	267	268
Investments	5	36,648	32,979
Investments for account of policyholders	6	14,559	13,491
Investments for account of third parties	7	1,427	1,361
Derivatives	8	846	590
Deferred tax assets	9	1,674	634
Reinsurance contracts	15	3,714	3,998
Loans and advances to banks	10	321	362
Other assets	11	479	522
Cash and cash equivalents	12	428	1,106
Total assets		60,525	55,475
Equity and liabilities			
Share capital ²		--	--
Other reserves		2,627	3,213
Retained earnings		-612	-625
Shareholders' equity	13	2,015	2,588
Minority interests	13	--	1
Total equity		2,015	2,589
Subordinated debt	14	887	859
Insurance contracts	15	46,646	41,263
Liabilities investments for account of third parties	7	1,427	1,361
Provision for employee benefits	16	8	8
Other provisions	17	29	28
Derivatives	8	169	123
Deferred tax liabilities	9	1,218	345
Amounts due to banks	18	1,754	3,035
Corporate income tax		82	269
Other liabilities	19	6,290	5,595
Total equity and liabilities		60,525	55,475

¹ The references next to the balance sheet items relate to the notes to the consolidated statement of financial position in Section 7.3

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

6.2 Consolidated statement of profit and loss

In € millions	Notes ¹	2014	2013
Income			
Premium income		3,105	3,190
Reinsurance premiums		207	223
Net premium income	25	2,898	2,967
Fee and commission income		100	84
Fee and commission expense		15	14
Net fee and commission income	26	85	70
Share in result of associates	27	1	2
Investment income	28	1,469	1,434
Investment income for account of policyholders	29	2,159	628
Result on financial instruments	30	-78	60
Total income		6,534	5,161
Expenses			
Technical claims and benefits	31	4,065	3,118
Charges for account of policyholders	32	2,329	1,663
Acquisition costs for insurance activities	33	215	247
Staff costs	34	234	194
Depreciation and amortisation of non-current assets	1,2	15	24
Other operating expenses	35	213	244
Impairment losses	36	21	217
Other interest expenses	37	256	226
Other expenses		1	1
Total expenses		7,349	5,934
Result before taxation		-815	-773
Taxation	38	-203	-148
Net result continued operations for the period		-612	-625
Attribution:			
Net result continued operations attributable to shareholders		-612	-625
Net result continued operations attributable to minority interests		--	--
Net result continued operations for the period		-612	-625

¹ The references next to the income statement items relate to the notes to the consolidated statement of profit or loss in Section 7.3.

6.3 Consolidated statement of total comprehensive income

Consolidated statement of other comprehensive income

In € millions

	2014	2013
Items that will not be reclassified subsequently to profit or loss		
Other changes in comprehensive income	--	-1
Total items never reclassified to profit or loss	--	-1
Items that may be reclassified subsequently to profit or loss		
Change in revaluation reserve	-1	-2
Change in cashflow hedgereserve	-8	8
Change in fair value reserve	-9	-123
Total items that may be reclassified to profit or loss subsequently	-18	-117
Other comprehensive income (after taxation)	18	-118

Statement of total comprehensive income

In € millions

	2014	2013
Net result for the period	-612	-625
Other comprehensive income (after taxation)	-18	-118
Total comprehensive income	-630	-743
Attribution:		
Total comprehensive income attributable to shareholder	-629	-743
Total comprehensive income to minority interests	-1	--
Total comprehensive income	-630	-743

6.4 Consolidated statement of changes in equity

Consolidated statement of changes in group equity 2014

In € millions	Issued share ¹ capital	Share premium reserve	Sum revaluation reserves	Sum other reserves	Equity attributable to shareholders	Minority ² interests	Group equity
Balance as at 1 January 2014	--	2,855	160	-427	2,588	1	2,589
Unrealised revaluations from cashflow hedges	--	--	116	--	116	--	116
Deferred interest income from cashflow hedges	--	--	1	--	1	--	1
Unrealised revaluations	--	--	2,668	--	2,668	--	2,668
Impairments	--	--	3	--	3	--	3
Realised revaluations through profit or loss	--	--	-211	--	-211	--	-211
Change in profit-sharing reserve	--	--	-476	--	-476	--	-476
Change in shadow accounting	--	--	-2,118	--	-2,118	--	-2,118
Other movements	--	--	-1	1	--	-1	-1
Amounts charged directly to total equity	--	--	-18	1	-17	-1	-18
Net result 2014	--	--	--	-612	-612	--	-612
Total result 2014	--	--	-18	-611	-629	-1	-630
Capital issue	--	56	--	--	56	--	56
Total changes in equity 2014	--	56	-18	-611	-573	-1	-574
Balance as at 31 December 2014	--	2,911	142	-1,038	2,015	--	2,015

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

² Refers to the liquidation and deconsolidation of REAAL Venture Capital NV.

REAAL NV announces that, similar to 2013, no dividend will be distributed for 2014.

Statement of revaluation reserves and other reserves 2014

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2014	5	8	147	160	198	-625	-427
Transfer of net result 2013	--	--	--	--	-625	625	--
Unrealised revaluations from cashflow hedges	--	116	--	116	--	--	--
Deferred interest income from cashflow hedges	--	1	--	1	--	--	--
Unrealised revaluations	--	--	2,668	2,668	--	--	--
Impairments	--	--	3	3	--	--	--
Realised revaluations through profit or loss	--	--	-211	-211	--	--	--
Change in profit-sharing reserve	--	--	-476	-476	--	--	--
Change in shadow accounting	--	-125	-1,993	-2,118	--	--	--
Other movements	-1	--	--	-1	1	--	1
Amounts charged directly to total equity	-1	-8	-9	-18	1	--	1
Net result 2014	--	--	--	--	--	-612	-612
Total result 2014	-1	-8	-9	-18	1	-612	-611
Total changes in equity 2014	-1	-8	-9	-18	-624	13	-611
Balance as at 31 December 2014	4	--	138	142	-426	-612	-1,038

Consolidated statement of changes in group equity 2013

In € millions	Issued share capital	Share premium reserve	Sum revaluation reserves	Sum other reserves	Equity attributable to shareholders	Minority interests	Group equity
Balance as at 1 January 2013	--	2,455	277	197	2,929	3	2,932
Unrealised revaluations from cashflow hedges	--	--	-13	--	-13	--	-13
Deferred interest income from cash flow hedges	--	--	--	--	--	--	--
Unrealised revaluations	--	--	-967	--	-967	--	-967
Impairments	--	--	12	--	12	--	12
Realised revaluations through profit or loss	--	--	-183	--	-183	--	-183
Change in profit-sharing reserve	--	--	--	--	--	--	--
Change in shadow accounting	--	--	1,034	--	1,034	--	1,034
Other movements	--	--	--	1	1	-2	-1
Amounts charged directly to total equity	--	--	-117	1	-116	-2	-118
Net result 2013	--	--	--	-625	-625	--	-625
Total result 2013	--	--	-117	-624	-741	-2	-743
Capital issue	--	--	--	--	--	--	--
Transactions with shareholders	--	400	--	--	400	--	400
Total changes in equity 2013	--	400	-117	-624	-341	-2	-343
Balance as at 31 December 2013	--	2,855	160	-427	2,588	1	2,589

Statement of revaluation reserves and other reserves 2013

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2013	7	--	270	277	346	-149	197
Transfer of net result 2012	--	--	--	--	-149	149	--
Unrealised revaluations from cashflow hedges	--	-13	--	-13	--	--	--
Deferred interest income from cashflow hedges	--	--	--	--	--	--	--
Unrealised revaluations	-2	--	-965	-967	--	--	--
Impairments	--	--	12	12	--	--	--
Realised revaluations through profit or loss	--	-9	-174	-183	--	--	--
Change in profit-sharing reserve	--	--	--	--	--	--	--
Change in shadow accounting	--	30	1,004	1,034	--	--	--
Other movements	--	--	--	--	1	--	1
Amounts charged directly to total equity	-2	8	-123	-117	1	--	1
Net result 2013	--	--	--	--	--	-625	-625
Total result 2013	-2	8	-123	-117	1	-625	-624
Total changes in equity 2013	-2	8	-123	-117	-148	-476	-624
Balance as at 31 December 2013	5	8	147	160	198	-625	-427

6.5 Consolidated cash flow statement

Consolidated cash flow statement

In € millions

	2014	2013 ¹
Cash flow from operating activities		
Operating profit before taxation	-815	-773
Adjustments for:		
Depreciation and amortisation of non-current assets	15	53
Changes in technical provisions for own risk	1,549	-765
Changes in other provisions	-166	-264
Impairment charges / (reversals)	21	217
Unrealised results on investments through profit or loss	1,022	-373
Retained share in the result of associates	--	-1
Taxes received	3	46
Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-1,240	-1,431
Change in other operating activities	-2,157	1,796
Net cash flow from operating activities	-1,768	-1,495
Cash flow from investment activities		
Sale of property and equipment	--	8
Sale of subsidiaries	--	15
Sale of investment property	4	11
Sale and redemption of investments and derivatives	10,370	10,034
Purchase of intangible assets	-2	-2
Purchase of property and equipment	-1	-13
Purchase of investments in associates	-15	--
Purchase of investment property	-2	--
Purchase of investments and derivatives	-9,360	-9,263
Net cash flow from investment activities	994	790
Cash flow from finance activities		
Issue of shares and share premium	56	250
Redemption of subordinated loans	-1	-2
Net cash flow from financing activities	55	248
Cash and cash equivalents 1 January	1,106	1,563
Cash from acquisitions	41	--
Change in cash and cash equivalents	-719	-457
Cash and cash equivalents as at 31 December	428	1,106
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,249	1,298
Dividends received	145	175
Interest paid	217	189

¹ The presentation of the comparative figures have been restated for comparison reasons.

7 Notes to the consolidated **financial** statements

7.1 Accounting principles for the consolidated **financial** statements

7.1.1 General information

REAAL NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. REAAL N.V. is a wholly owned subsidiary of SNS REAAL NV (SNS REAAL). REAAL NV's registered office is located at Croeselaan 1, 3521 BJ Utrecht, the Netherlands. VIVAT Verzekeringen is the trade name of REAAL NV.

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

The consolidated financial statements comprise the financial statements of REAAL NV (the parent company) and its subsidiaries (refer to Section Subsidiaries).

The main accounting principles used in the preparation of the consolidated financial statements and the company financial statements are set out in this Section.

Adoption of the **financial** statements

The consolidated financial statements of REAAL NV for the year ended on 31 December 2014 were authorised for publication by the Executive Board following their approval by the Supervisory Board on April 15, 2015. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

Based on the articles of association of SNS REAAL, the adoption of the (consolidated) annual financial statements of REAAL NV by the Executive Board of SNS REAAL requires prior approval from the General Meeting of Shareholders of SNS REAAL (NLF1).

7.1.2 Basis of preparation

Statement of IFRS compliance

VIVAT Group prepares the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, VIVAT Group prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements (refer to Section 9.1 Principles for the preparation of the company financial statements for the application of Section 2:402 of the Dutch Civil Code).

On 14 February 2015, SNS REAAL NV signed a Sale and Purchase Agreement with Anbang. The sale of REAAL NV to Anbang is subject to a number of conditions, including approval by the regulatory authorities and a contained fall in IFRS-based equity between 31 December 2014 and 30 June 2015. If the conditions relevant to the completion of the transaction with Anbang will not be met, the Board of Management of REAAL N.V. shall – if the Solvency I level at the time of completion is still below the 175 percent, and it is expected that the Solvency II requirement (Solvency Capital Requirement, SCR) will not be met – re-evaluate which measures should be taken. In these circumstances, the Board of Management of SRLEV NV will explicitly consider to no longer accept new policyholders and will continue to manage the exposures of the existing policyholders in a closed portfolio. The going concern assumptions for various balance sheet items will be adjusted accordingly. This will then have a material negative impact on the financial position.

Changes in published Standards and Interpretations **effective** in 2014

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2014, the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) respectively, became mandatory, and are adopted by the European Union. The following new or amended standards have an effect on the consolidated financial statements of VIVAT Group:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements (revised 2011)
- IAS 28 Investments in Associates and Joint Ventures (revised 2011)

Notes to the main changes:

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interest in Other Entities', IAS 27 'Separate Financial Statements', IAS 28 'Investment in Associates and Joint Ventures'

IFRS 10 "Consolidated Financial Statements" supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 provides a new single control model to determine which entities are controlled and need to be consolidated in the consolidated financial statements of the reporting entity. Control over an entity requires the reporting entity to possess all three essential elements:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by venturers". IFRS 11 requires a party to a joint arrangement to classify the type of joint arrangement it is involved in based on the rights and obligations arising from contractual arrangements. The classification of a joint arrangement dictates the accounting under this arrangement. IFRS 11 distinguishes the following classifications:

- Joint operations: the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement (proportionate consolidation)
- Joint ventures: the parties with joint control have rights to the net assets of the arrangement (equity method).

IFRS 12 "Disclosures of Interests in Other Entities" requires additional disclosures which enables the user of financial statements to understand the nature of, and risks associated with, interests in other entities and the effect of those interests on financial position, financial performance and cash flows. Significant judgements and assumptions and regarding whether an entity has control (and changes thereto) are disclosed as well.

IAS 27 "Separate Financial Statements" is currently limited to the company financial statements since prior consolidation requirements under IAS 27 are now superseded by IFRS 10.

IAS 28 "Investments in Associates and Joint ventures" is amended so that the equity method is applicable for minority interests as well as joint ventures. The disclosure requirements for entities with joint control of, or significant influence over, an investee are specified in IFRS 12 Disclosure of Interests in Other Entities.

VIVAT Group has assessed the impact of the amendments on the consolidated financial statements. Based on the control criteria, VIVAT Group consolidates several investment funds as of 1 January 2014. Comparative figures have been adjusted accordingly. In prior periods, only the direct investments of VIVAT Group and the investments for risk policyholders were recognized in the statement of financial position as investments for own risk or as investments for account of policyholders. VIVAT Group has determined that the amendments of standards, with exception of the

aforementioned consolidated investment funds, has not resulted in significant other changes in consolidation of entities, estimates, presentation and disclosure.

The actual impact of these changes on the consolidated financial statements is disclosed in the Section 'Changes in principles, estimates and presentation'.

Interpretations of existing standards or amendments to standards, not yet **effective** in 2014

New standards, amendments to existing standards and interpretations, published prior to 1 January 2015 and effective for reporting periods beginning on or after 1 January 2015, were not early adopted by VIVAT Group.

The most important changes for VIVAT Group are:

- IFRS 9 Financial Instruments

Notes to the main changes:

IFRS 9 Financial Instruments

The first adoption date is set by the IASB for reporting periods beginning on or after 1 January 2018. This new standard will replace the current standard IAS 39 and is divided into three phases: Classification and Measurement, Impairments and Hedge Accounting. The purpose of the new standard is to align the accounting of financial instruments in the financial statements with the business and risk management model of the reporting entity. Various parts of the new standard are not endorsed yet by the EU, hence early adoption by VIVAT Group is not possible. It is expected that the standard will have a significant effect on the classification and measurement of financial instruments, impairments and the application of hedge accounting.

Changes in principles, estimates and presentation

Changes in principles

Investments and liabilities for account of third parties

VIVAT Group has assessed the impact of the amendments of the published standards and interpretations which came into effect in 2014. VIVAT Group consolidates several investment funds as a consequence of the revised control criteria which came into effect under IFRS 10. In prior periods these investment funds were not consolidated, only the direct investments of VIVAT Group and the investments for risk policyholders were recognized on the consolidated statement of financial position as investments for own risk or as investments for account of policyholders. Due to the consolidation of the investment funds, VIVAT Group has recognized investments for third parties in the consolidated statement of financial position along with the related liabilities which are consolidated accordingly. As a result the net impact on equity is nil. The comparative figures have been adjusted accordingly. Both balance sheet items are measured at fair value, with fair value movements directly accounted for as result on financial instruments in the consolidated statement of profit or loss. Fair value movements in the investments for third parties and fair value movements in the related liabilities due to the third parties are equal and accounted for in the same account in the consolidated statement of profit or loss and as a consequence there is no net effect on the consolidated statement of profit or loss.

Changes in estimates

Return to swap curve for valuation of insurance liabilities

During the credit crisis, the swap curve was not considered to be an appropriate point of reference. For this reason VIVAT Group used since 2012, with permission of DNB, the ECB AAA curve with ultimate forward rate. At that time, VIVAT Group indicated that it would return to the use of the swap curve when market conditions were normalized. Currently, the swap interest rates market has normalized. As a result, the yield curves used in liability adequacy tests in the financial statements and in supervisory reports were analysed in 2014. Based on a comparison of the swap curve and the ECB AAA-curve for different maturities it was concluded that the application of the swap curve currently has the following advantages over the ECB AAA-curve:

- Improved transparency and liquidity. The swap market is the most liquid and complete market. Therefore the swap curve provides a better understanding of the underlying market data;
- Better observability. The ECB AAA-curve is a constructed curve, based on the government bonds of a limited number of EU countries, with the underlying data not being publicly available.
- Also available for longer-term maturities. The swap curve is available for long-term maturities up to 60 years compared to a 30-years-maturity of ECB AAA-curve.

As a result, the application of the swap curve improves the managing of interest rate risk in the liability adequacy test. In 2014 DNB has allowed the return to using the swap curve for the liability adequacy test in supervisory reporting instead of ECB AAA-curve. Considering the advantages above, it was decided to also apply the swap curve with ultimate forward rate for the liability adequacy test in the consolidated financial statements as a substitute for the previously used ECB AAA-curve with ultimate forward rate.

As a result of this change, the liability adequacy test deficit in the consolidated financial statements decreases with € 108 million (before taxation).

Fair value measurement of mortgage loans

As of 2014 the methodology for estimating the fair value of mortgage loans has been changed. The fair value of the mortgage loans is determined based on a present value method. The new methodology uses future cash flows discounted by the swap rate, increased by a risk surcharge. The result is challenged by comparing the outcome to the retail pricing of mortgages. Relevant and observable inputs are used in both models, to the extent that they are available. The surplus of the fair value over the carrying amount of the mortgage loans is included in the liability adequacy test in the consolidated financial statements. As a result, the deficit in the liability adequacy test increased by € 74 million (before taxation).

The net effect of these changes in estimates is recognized in profit and loss according to the methodology included in Section IFRS liability adequacy test Life insurance. The changes in estimates have a positive effect of € 29 million (after taxation) on the solvency margin according to Solvency I.

Due to the uncertainties regarding future interest rate developments, the future effect of the aforementioned changes in estimates cannot be reliably determined.

Changes in presentation

Segment information

In 2014 VIVAT Group changed the presentation of segment information and aligned this with management's performance assessment per segment. Operating segments reported by VIVAT Group as of 2014 consist of REAAL, Zwitterleven and ACTIAM. The reporting segment REAAL is divided in Life, Non-life and Other activities. Comparative figures have been adjusted in accordance with the changes in presentation of the operating segments.

Accounting principles used in the preparation of the consolidated financial statements

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements. All VIVAT Group entities have applied the accounting principles consistently.

IFRS disclosures on risk and capital management, as included in sections 5.4 to 5.9, form an integral part of the consolidated financial statements and are subject to an audit. As a result, the scope of the independent auditor's report includes these disclosures as well.

Accounting principles applied to balance sheet items

In preparing the financial statements, the accounting principles 'fair value', 'amortised cost' and 'historical cost' are used.

Fair value is used for:

- land and buildings for own use
- investment property
- investments classified at fair value through profit or loss
- investments classified as available for sale
- derivatives
- investments and liabilities for account of policyholders
- investments and liabilities for account of third parties

All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The carrying amount of assets and liabilities measured at amortised cost that is part of a fair value hedge accounting relationship is restated to reflect the change in fair value that is attributable to the hedged risk.

Non-financial assets and liabilities are generally measured at historical cost. Except for the cash flow information, the financial statements have been prepared on an accrual basis.

Functional currency and reporting currency

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

The applied principles for conversion of transactions and translation of balance sheet items denominated in foreign currencies are further described in Section Foreign currency.

Main accounting principles, estimates and assumptions

General

The preparation of the consolidated financial statements requires VIVAT Group to make estimations and assumptions based on complex and subjective opinions and best estimates. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the reporting date, and the reported income and expenses for the financial year. Hereby, management judges situations on the basis of available information and financial data which could potentially alter in the future. Although the estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other propositions or data can lead to materially different results.

Estimations and underlying assumptions are reviewed on a regular basis. The resulting impact to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting principles involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, determining the provisions for bad debts, determining the fair value of assets and liabilities and determining impairments.

For detailed information and disclosure of the accounting estimates and assumptions we refer to the next Sections and the notes to the financial statements items.

The use of estimations and assumptions in the preparation of the financial statements

Measurement of certain balance sheet items is highly dependent on the use of estimations and assumptions. Further disclosure is made on the use of estimations and assumptions in the specified accounting principles of these balance sheet items as set out in the table below. The use of estimations and assumptions regarding fair valuations of financial instruments, for balance sheet items and disclosures as well, are further described in Section Fair value of assets and liabilities.

Balance sheet items concerned:

- Insurance contracts
- Provision for bad debts
- Impairments:
 - Intangible fixed assets
 - Goodwill
 - Value of Business Acquired (VOBA)
 - Software and other intangible assets
 - Impairment reversals
 - Financial assets
 - Investments in debt securities
 - Investments in equity securities
 - Impairment reversals regarding investments in equity and debt securities

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is determined on quoted prices where available. These quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. VIVAT Group applies a transfer price when determining fair value; therefore financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information relating to the fair value of the instrument is taken into account.

For certain financial assets and liabilities, no market price is available. The fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input used in these models is based on observable market information to the extent possible. All valuation methods used are assessed and approved in-house according to VIVAT Group governance procedures.

7.1.3 Accounting principles used for consolidation

Subsidiaries

Subsidiaries, i.e. all companies and other entities (including special purpose entities) which are controlled by VIVAT Group are consolidated. Control over companies and entities is assumed if VIVAT Group possesses all three essential elements:

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

Subsidiaries are fully consolidated from the date on which control is transferred to VIVAT Group. They are de-consolidated from the date control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting principles applied by VIVAT Group. The interests of third parties are separately included in the consolidated statement of financial position and statement of profit or loss.

Associated companies and joint ventures

Investments in associated companies (associates) are entities in which VIVAT Group has between 20 percent and 50 percent of the voting rights, or entities over which VIVAT Group can exercise significant influence on the operational and financial policies, but in which it has no control.

Joint ventures are entities over which VIVAT Group has joint control, which arises from joint arrangements, and strategic decisions on the financial and operational policies are taken unanimously.

The consolidated financial statements include VIVAT Group's share in the total results of associates and joint ventures, from the date that VIVAT Group acquires significant influence to the date that significant influence ceases. The result is accounted for using the equity method, after adjusting the result to comply with VIVAT Group's accounting principles, if needed.

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

Under the equity method, VIVAT Group's share in the result of associates and joint ventures is recognised in the statement of profit or loss under 'share in the result of associates'. VIVAT Group's share in changes in the reserves of associates or joint ventures is recognised directly in shareholders' equity (change in share of associates in other comprehensive income).

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

Associates and joint ventures held for sale are classified as 'held for sale'. These associates and joint ventures are measured at the lower of the carrying amount or the fair value less costs to sell. The result on the sale of an investment in an associate or joint venture is presented in the statement of profit or loss as an aggregated amount, consisting of the sales price less the transaction costs and the carrying amount of the associate.

Elimination of group transactions

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

Unrealised gains on transactions between VIVAT Group and its associates and joint ventures are eliminated to the extent of VIVAT Group's interest in these investments.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at transaction date. Monetary balance sheet items denominated in foreign currencies are translated into euros at the exchange rate applicable on the reporting date. Exchange rate differences from these transactions and from converting monetary balance sheet items expressed in foreign currencies are recognised in the statement of profit or loss under 'investment income' or 'result on financial instruments', depending on the balance sheet item to which they relate.

The exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value recognised in the statement of profit or loss, are accounted for as part of these changes in the value of the related

balance sheet item. Exchange rate differences of non-monetary balance sheet items measured at fair value, with changes in the fair value being taken to shareholders' equity, are incorporated in shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

Accounting based on transaction date and settlement date

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised at transaction date, in other words, the date on which VIVAT Group commits itself to buy or sell the asset or liability. All other purchases or sales are recognised as forward transactions until they are settled.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if a legally enforceable right to set off the recognised amounts exists, as well as an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. If these conditions are not met, amounts will not be offset.

Discontinued operations or assets held for sale

Assets and liabilities that are part of discontinued operations and assets held for sale, of which it is highly probable that, on reporting date, the discontinuation or sale is within twelve months, are recognised at the lower of the carrying amount or fair value less expected costs to sell.

Financial instruments and insurance contracts held for sale are measured in accordance with IAS 39 and IFRS 4 requirements, respectively.

Segment information

The three primary operating segments of VIVAT Group are clearly distinctive organisational components, and carry out activities that generate income and expenses. It encompasses also the operational segment Group Activities that primarily performs transactions and activities with and on behalf of other parts of VIVAT Group. The operating segments are:

- REAAL
- Zwitserleven
- ACTIAM

The segment REAAL is divided in the segments Life, Non-life and Other. Other comprises holding activities and other activities which are not managed directly by REAAL Life or Non-life.

ACTIAM comprises the asset management activities of the insurer.

Necessary consolidation adjustments and elimination entries are directly accounted for in the related operating segment for one-off intercompany transactions directed by VIVAT group.

7.1.4 Specific balance sheet accounting principles

Intangible assets

Goodwill

Acquisitions are accounted for according to the purchase method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and VIVAT Group's interest in the fair value of the acquired identifiable assets, liabilities and

contingent liabilities on the acquisition date, is capitalised as an intangible asset. Any negative goodwill is recognised directly in the statement of profit or loss.

Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. Adjustments that occur after a period of one year are recognised in the statement of profit or loss. Adjustments to the purchase price that are contingent on future events, and to the extent that these are not already included in the purchase price, are included in the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently in case of indication of an impairment (see Section Impairment charges of intangible assets).

Software

Costs that are directly related to the development of identifiable software controlled by VIVAT Group, and that is likely to generate economic benefits that exceed these costs, are capitalised as intangible assets. The direct costs comprise external costs and staff costs directly attributable to software development. All other costs associated with the development or maintenance of software are included as an expense in the period in which they incur.

The capitalised software development costs are amortised on a straight-line basis over the useful life, with a maximum of five years. Every reporting date an assessment is carried out for possible impairments.

Value of Business Acquired (VOBA)

Value of business acquired (VOBA) is the net present value of estimated future cash flows of current insurance contracts of a business or insurance portfolio acquired as at the acquisition date and represents the difference between the fair value and the carrying amount in accordance with VIVAT Group principles of the insurance portfolios acquired.

VIVAT Group amortises the VOBA on the basis of the established release pattern of the value of the actuarially calculated surplus value at the date of purchase of the carrying amount of the underlying portfolios at the acquisition date. The amortisation charge is thus in line with the release of this surplus value from the carrying amount of the underlying portfolios.

At each reporting date, an IFRS liability adequacy test is performed on the carrying amount of the insurance contracts, after deduction of the capitalised VOBA. For a more detailed explanation on the liability adequacy test please refer to Section Insurance contracts and Impairment charges of intangible assets.

Other intangible assets

The other intangible assets include assets with a definite and an indefinite useful life, such as distribution channels, trademarks and client portfolios. Assets with a definite useful life are either amortised in accordance with the straight-line method over their useful life or on the basis of the profits flowing from the underlying portfolios, in general between five and fifteen years. If objective evidence indicates a possible impairment, an impairment test will be performed. The assets with an indefinite useful life are not amortised. These intangible fixed assets are assessed for impairment at each reporting date.

Impairment charges of intangible assets

An intangible asset is subject to impairment if its carrying amount exceeds the recoverable amount from continued use (value in use) or sale of the asset. The recoverable amount of assets not classified at fair value through profit or loss is estimated if indications of an impairment of the asset exist. Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are tested at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

Goodwill

Goodwill arisen from the acquisition of subsidiaries, associated companies and joint ventures is allocated to cash-generating units. The carrying amount of the cash-generating unit (CGU) (including goodwill) is compared to the calculated recoverable value, determined on the basis of value in use. If the recoverable value is lower than the carrying amount, the difference will be recognised as an impairment charge in the statement of profit or loss. Assumptions used in these goodwill impairment tests include:

- The value in use is determined for every CGU individually.
- The value in use is based on the business plans of the CGU concerned.
- The discount rate is determined on the capital asset pricing model, in which the beta is calculated on the basis of a group of comparable companies. This reference group is determined individually per CGU.

Value of Business Acquired (VOBA)

The VOBA is tested simultaneously using the IFRS liability adequacy test for insurance contracts. Deficits resulting from the liability adequacy test will be charged against VOBA, until this is completely impaired. Any remaining deficits will be charged through profit and loss. VOBA impairments will not be reversed in the reporting periods thereafter in case of a decrease of the test deficit.

Software and other intangible assets

On each reporting date, the capitalised costs for software, distribution channels and client portfolios are reviewed for indications of possible impairments.

The other intangible assets are tested for impairment once every year. The recoverable value is determined by a value in use calculation. The key assumptions used herein are the discount rate and the use of the intangible asset.

Reversal of impairments on intangible assets

Except for goodwill and VOBA, impairment losses on intangible assets are reversed if there is proof that a change in the estimates of the recoverable amount occurred after the impairment loss was recognised. The reversal is included under 'impairment charges' in the statement of profit or loss. The carrying amount after reversal can never exceed the amount before recognition of the impairment loss.

Property and equipment

Land and buildings for own use

Property for own use mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based on yearly valuations, performed by external, independent valuers with adequate professional expertise and experience in the specific location and categories of properties.

Property for own use is valued at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be transferred between willing parties in a transaction at arm's length. The capitalisation method is used to determine this value. This method uses an expected return at inception and the market rental value to determine the fair value of an asset. The determination of the result on property for own use includes lease incentives, discount rates and expected vacancy, as well as location, quality, age and liquidity of the concerning property.

Increase in the fair value exceeding the cost price is added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as these result in the reversal of earlier write-downs on the same asset, are credited to the statement of profit or loss. Decreases in the fair value, insofar as these result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are accounted for in the statement of profit or loss.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years, taking into account the possible residual value. Land is not depreciated. Regular impairment tests are carried out on land and buildings.

Repairs and maintenance expenses are recognised in 'other operating expenses' as these expenses are incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of land and buildings for own use in relation to their original use, are capitalised and then amortised.

Upon the sale of a property, the part of the revaluation reserve related to the sold property, within equity, is transferred to 'other reserves'.

IT equipment and other property and equipment

All other property and equipment are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses.

Cost includes the expenses directly attributable to the acquisition of the assets and is depreciated on a straight-line basis over the useful life, taking into account any residual value. The estimated useful life varies between 3 and 10 years.

Periodic impairment tests are performed on the other property and equipment. If the carrying amount of the tangible asset exceeds the recoverable amount, it is written down to the recoverable amount.

Repairs and maintenance expenses are recognised in 'other operating expenses' as these expenses are incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of the other property and equipment in relation to their original use, are capitalised and then amortised.

Results on the sale of property and equipment are defined as the balance of the recoverable amount less transaction costs and the carrying amount. These results are recognised as part of 'other operating income'.

Associated companies

Refer to Associated companies and joint ventures.

Investment property

Investment property, comprising retail and office properties, houses and land, are held to generate long-term rental income or capital appreciation or both. If property is held partly as investment property and partly for own use, the property is included in property and equipment, unless the part for own use is less than 20 percent of the total number of square metres.

Investment property is measured at fair value, including the transaction costs, upon initial recognition. Investment property is considered long-term investments and measured at fair value, being the value of the property in a (partial) let state. The fair value is based on the valuations performed every year by independent external valuers with adequate expertise and specific experience in property locations and categories.

The purpose of a valuation is to determine the value for which the asset would be transferred between willing parties in a transaction at arm's length. The capitalisation method is used to determine this value. This method uses an expected return at inception and the market rental value to determine the fair value of an asset. The determination of the result on property for own use includes lease incentives, discount rates and expected vacancy, but also location, quality, age and liquidity of the concerning property.

Changes in the fair value of investment property are recognised in the statement of profit or loss under Investment income.

Financial instruments

VIVAT Group classifies its financial instruments in one of the following categories: (1) loans and receivables, (2) available for sale and (3) at fair value through profit or loss. The classification depends on the purpose for which the financial assets are acquired. Management decides to which category the asset is allocated.

Upon initial recognition, financial instruments are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', in which transaction costs are taken directly to the statement of profit or loss.

The categories for investments are explained in more detail in the following Section.

Investments

Fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading purposes ('held for trading') or if it was designated as such upon initial recognition ('designated'). Investments are only designated at fair value through profit or loss if:

1. this eliminates or considerably limits an inconsistency in valuation or recognition between X and Y that would otherwise arise; or
2. VIVAT Group manages and assesses the investments on the basis of fair value.

The investments are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the statement of profit or loss under 'investment income'.

Interest income earned on securities is recognised as interest income in 'investment income'. Dividend received is recognised under investment income.

Loans and receivables (amortised cost)

The category loans and receivables comprises unlisted investments with a fixed term and the saving components of endowment mortgages that the insurance company has issued. The loans and receivables are measured at amortised cost using the effective interest method, less a provision for impairment if deemed necessary.

Available for sale (fair value through other comprehensive income)

Investments that do not meet the criteria defined by management for 'loans and receivables' or 'at fair value through profit or loss' are classified as available for sale.

After initial recognition, investments available for sale are subsequently measured at fair value. Unrealised gains and losses resulting from fair value adjustments of these investments are recognised in other comprehensive income (shareholders' equity), net of deferred taxes.

When investments are sold, the related accumulated fair value adjustments are recognised in the statement of profit or loss as 'investment income'. VIVAT Group uses the average cost method to determine the results.

Impairments on investments

At reporting date, VIVAT Group assesses whether there are objective evidence of an impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the statement

of profit or loss as 'impairment charges'. To the extent a positive revaluation reserve exists regarding investments available for sale, impairment losses are charged against the revaluation reserve within shareholders' equity.

Investments in debt securities

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if objective evidence exists of financial difficulties at the counterparty, declining markets for the product of the counterparty or other relevant evidence. This test comprises both quantitative and qualitative considerations. Debt securities are assessed on aspects including expected credit losses and credit losses already incurred (for example due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

Investments in equity instruments

An investment in equity instruments (an investment in shares) is considered to have been subject to impairment if its carrying amount exceeds the recoverable value for an extended period, which means the fair value:

- decreased 25 percent or more below cost, or
- has been at least 5 percent below cost for 9 months or more.

The fair value of unlisted shares is determined according to the following criteria, depending on the availability of data:

- The price of the most recent transaction as an indication.
- Current fair values of other, similar investments (in entities).
- Using valuation methods in accordance with accepted economic methods that use market data to the extent possible.

Reversal of impairments on debt securities and equity investments

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, this decrease is reversed by reducing the provision for impairment accordingly. The reversal is recognised in the statement of profit or loss. This does not apply to investments in equity securities, where an increase in value is always recognised through shareholders' equity.

Investments in mortgages

In respect to the loans with mortgage collateral (mortgages), a provision for impairment is recognised, if objective evidence exists that VIVAT Group is not able to collect all the amounts in accordance with the initial contract. For mortgages that are individually significant, the provision recognised equals the difference between the carrying amount and the recoverable amount. The recoverable amount equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans.

The criteria relating to impairments are applied to the entire mortgage portfolio. Mortgages with less significant amounts per individual loan (and corresponding credit risk), are tested collectively for impairment.

The provision for impairment losses also covers losses where objective evidence of losses likely to be incurred in the loan portfolio (IBNR: 'incurred but not reported') exist. Losses on mortgages are estimated on the basis of historic loss patterns and the creditworthiness of the counterparties. Both estimates take into account the current economic climate in which the counterparties operate.

If the amount of the impairment subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the statement of profit or loss. When a loan is uncollectable, it is impaired against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the statement of profit or loss.

Investments for account of policyholders (fair value through profit or loss)

Investments for account of policyholders are classified as fair value through profit or loss. These investments are designated as such, as the corresponding financial liabilities are also measured at fair value (see Section Life insurance contracts for account of policyholders). Amounts due from policyholders in this context are recognised in the statement of profit or loss as 'premium income'. Adjustments in the fair value of investments and results on the sale of investments are recognised in the statement of profit or loss as 'investment income for account of policyholders'.

Investments for account of third parties and liabilities from investments for account of third parties (fair value through profit or loss)

These investments relate to the share of third parties in the investments of investment funds with opposite, at the same amount, daily redeemable financial obligations to these third parties. Both are measured at fair value through profit or loss and the results are recognised in profit and loss as a net result on financial instruments. VIVAT Group is not exposed to any investment risk since beneficial ownership remains with these third parties.

These investment funds are consolidated since VIVAT Group has control of these funds and is exposed to these funds' gross results, which are mainly caused by investments for account of policyholders.

Derivatives

General

Derivatives concern derivative financial instruments and are recognised at fair value upon entering into the contract. The fair value of publicly traded derivatives is based on quoted bid prices for assets held or liabilities to be issued, and quoted offer prices for assets to be acquired or liabilities held.

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

Adjustments in the fair value of derivatives that do not qualify for cash flow hedge accounting are accounted for in the statement as 'result on financial instruments'.

Embedded derivatives

An embedded derivative is considered to be a separate derivative if there is no close relationship between the economic characteristics and risks of the derivative and the host contract, if the host contract is not measured at fair value through profit or loss and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value through profit and loss.

Hedge accounting

In addition to derivatives within the scope of shadow accounting VIVAT Group uses derivatives as part of asset and liability management and risk management. These instruments are used for hedging interest rate and foreign currency risks, including the risks of future transactions. VIVAT Group can designate certain derivative as either:

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

Hedge accounting is applied to derivatives designated as such and is in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

A hedge relationship is considered to be effective if VIVAT Group, at inception and during the term, expects that changes in the fair value or cash flows of the hedged item will be almost fully offset by changes in the fair value or cash flows of

the hedging instrument, insofar as these changes are attributable to the hedged risk, and the actual results remain within a bandwidth of 80 percent to 125 percent of the expected outcome.

VIVAT Group ceases the hedge accounting relationship after a management decision to this end or as soon as it has been established that a derivative is no longer an effective hedging instrument; when the derivative expires, is sold or terminated; when the hedged item expires, is sold or redeemed; or when an expected transaction is no longer deemed highly likely to occur.

Fair value hedge accounting

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

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

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

Cash flow hedge accounting

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

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses that were previously recognised in the cash flow hedge reserve are transferred to the statement of profit or loss and classified as income or expense in the period in which the hedged transaction occurs.

If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated result that was included in the cash flow hedge reserve fully remains in the cash flow hedge reserve in other comprehensive income until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated result reported in other comprehensive income is directly recognised in the statement of profit or loss.

Loans and advances to banks

These assets concern receivables to banks with a remaining maturity of one month or more, and not in the form of interest-bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method, less any impairment.

Taxes

Corporate income tax

Corporate income tax relates to payable or recoverable tax on the taxable profit for the period under review, and taxes due from previous periods, if any. Current tax receivables and payables are measured using the tax rate applicable at the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax base of assets and liabilities and the carrying amount. This is based on the tax rates applicable as at the reporting date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred tax assets and liabilities are measured at the undiscounted amount expected to be received or paid.

Deferred tax assets are only recognised if sufficient taxable profits are expected to be realised in the near future to compensate these temporary differences. Deferred taxes are recognised for temporary differences between the carrying amount and the value for tax purposes of investments in group companies and associates, unless VIVAT Group can determine the time at which these temporary differences will end and if it is likely that these differences will not end in the near future.

Deferred tax assets are assessed at the reporting date and if it is no longer likely that the related tax income will be realised, the asset is reduced to the recoverable value.

The most significant temporary differences arise from the revaluation of property and equipment, certain financial assets and liabilities, including derivative contracts and the application of hedge accounting, provisions for pensions and other post-retirement employee plans, technical provisions, deductible losses carried forward and, as far as acquisitions are concerned, from the difference between (a) the fair value of the acquired net assets and (b) the carrying amount.

Deferred taxes with respect to the revaluation of the aforementioned assets and liabilities of which value adjustments are recognised directly in shareholders' equity are also charged or credited to shareholders' equity and upon realisation included in the statement of profit or loss together with the deferred revaluations.

Other assets

Reinsurance contracts

Inbound reinsurance contracts

With these contracts another insurer transfers its insurance risks on its own insurance contracts. The entire contract qualifies as an inbound reinsurance contract due to the transfer of significant insurance risk; the obligations from the insured risk and the deposit component are recognised as liabilities under 'insurance contracts' in accordance with IFRS 4.

Outbound reinsurance contracts

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

The amounts receivable from, and payable to, reinsurance companies are determined in accordance with the terms and conditions of each reinsurance contract. Reinsurance obligations relate primarily to premiums payable for reinsurance contracts. These premiums are recognised as an expense in the period in which these are due.

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

Other assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. Accrued assets also include the accumulated interest on financial instruments measured at amortised cost, as well as other accruals, which include amounts receivable from the clearing counterparty regarding derivative positions.

Equity

Issued share capital and share premium reserve

The share capital comprises the issued and paid-up ordinary shares. The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary and B shares. Costs directly attributable to the issue of equity instruments net of tax are deducted from the share issue income.

Dividend ordinary shares

Dividend for a financial year, which is payable after the reporting date, is disclosed in Section 10.2 Provision regarding profit or loss appropriation in Other information.

Revaluation reserve

Revaluations of property for own use (see Section Land and buildings for own use) are included in the revaluation reserve.

Cash flow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes to the fair value of the derivative designated in the context of the application of cash flow hedge accounting, net of taxes, provided the hedged transaction has not yet occurred; see Section 7.5 note 43 Hedge and hedge accounting.

Fair value reserve

Gains and losses as a result of changes in the fair value of assets that are classified as available for sale are recorded in the fair value reserve, net of taxes. If the particular assets are sold, settled or become due as a result of other reasons, the assets are no longer recognised, the corresponding cumulative result will be transferred from the fair value reserve to the statement of profit or loss (see Section Investments). In addition, exchange rate differences on non-monetary financial assets that are classified as available for sale are recognised in this reserve.

Shadow accounting is applied to the fair value reserve concerning fixed income securities which are held to cover the insurance liabilities.

Other reserves

Other reserves mainly comprise VIVAT Group's retained earnings.

Subordinated debt and **final** bonus account

Subordinated debt

Subordinated debt includes the subordinated bonds and private loans issued by VIVAT Group. This debt is initially measured at fair value, meaning, the issue income (the fair value of the received payment) net of the transaction costs incurred. Subsequently, the debt is measured at amortised cost, using the effective interest method.

Final bonus account

The final bonus account concerns final bonus commitments in relation to certain Life insurance policies. Entitlement to a final bonus applies only to specific individual insurance contracts that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to a final bonus is cancelled when the insurance contract is surrendered. Entitlements to final bonuses to be paid are subordinated to all other debts. It is also stipulated that entitlement to a final bonus is cancelled if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements can or may no longer be complied with.

The final bonus account is determined actuarially based on the same accounting principles that are applied for the valuation of the profit additions, which form part of the liabilities arising from insurance contracts. In addition, the estimated probability of early termination of insurance contracts is taken into account.

Part of the final bonus account is converted annually, according to a fixed method, into an unconditional right of the policyholder and added to the liabilities arising from insurance contracts.

The obligations arising from the final bonus scheme are classified as a liability in the financial statements. This item is part of the available regulatory capital in the solvency reports to the Dutch Central Bank of the insurance activities.

Insurance contracts

General

In this balance sheet item, liabilities arising from insurance contracts are recognised. Insurance contracts are contracts that involve the transfer of significant insurance risks. These contracts can also involve investment risks. VIVAT Group has both Life and Non-life insurance contracts.

An obligation to make future contractual payments is recognised as soon as the insurance contract takes effect. VIVAT Group has continued applying the accounting policies on valuation of the insurance contract liabilities since the first time adoption of IFRS (the historically applied accounting policies). The insurance liabilities reported at the reporting date are valued using premium calculation principles for interest and mortality (Life insurance contracts) or historically observed claim development patterns (Non-life insurance). A combination of both methods is used in relation to the disability insurance contracts.

IFRS requires, for measurements based on historical cost, a liability adequacy test in which the carrying amount of the insurance liability is based on historical cost and deducted by the related Value of Business Acquired (VOBA). The carrying amount is compared with the fair value of the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit, causing the insurance liability to be measured at fair value assumptions.

The details with regard to valuation principles for Life and Non-life insurances and the corresponding liability adequacy test are described hereunder.

Life insurance

General

Life insurance contracts can be separated into Life insurance policies for own account and Life insurance contracts for account of policyholders for which VIVAT Group bears significant insurance risk. Policyholders bear investment risk with regard to insurance contracts for account of policyholders. For both type of insurance policies both individual insurance contracts as well as group insurance contracts occur. These contracts provide mainly long-term insurance of events that lead to a payment in cash, or of the counter value of investment units, upon maturity or death of the insured.

At the reporting date, liabilities for Life insurance will be determined based on a rate basis, a premium for longevity, interest guarantees (on Life insurance, of which the investment risk is borne by the insurance policyholder) and the effects of shadow accounting.

Rate policies

Liabilities arising from Life insurance contracts on a rate basis are determined on the basis of a sufficiently conservative prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable. The calculation deviates from using a prospective method if the nature of the relevant type of Life insurance does not allow the application of this method.

Actual payments and the timing of payments also depend on factors such as social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, and, for Life insurance contracts, assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, are also taken into account for some risk products. The assumptions used in the valuation of Life insurance policies at the reporting date are based on the calculation principles set at the time of the issue of the policy. Using different assumptions for these factors than have been used in preparing these accounts could have a significant effect on the liabilities arising from insurance contracts and insurance related expenses.

Most policies have a fixed discount rate, which is 3 percent for insurance contracts issued after 1999 and a maximum of 4 percent for insurance contracts prior to this time. For offset mortgages and other guaranteed products, the rate of return guaranteed in the insurance contract is used. The actuarial interest for these products equals the investment return achieved on the corresponding investments.

Embedded options and guarantees in insurance contracts

VIVAT Group does not separately recognise embedded derivatives in insurance contracts, like options to surrender insurance contracts at a fixed amount, or at a fixed amount and an interest rate, and thus closely linked to the basic insurance contract, but recognises these under the host contract from which they stem. The embedded derivatives are measured as soon as the recognised technical provision relating the host contract drops below the guaranteed minimum. The time value is not included in the measurement.

Life insurance policies for own account

General

For these contracts VIVAT Group bears insurance risk as well as investment risk since claims from these insurance contracts are directly linked to the underlying investments. These insurance contracts are divided in individual as well as group contracts within the following product groups: offset mortgage insurance, annuities, term insurance policies, savings policies, and funeral insurance policies.

The provision for Life insurance policies for own account and risk consists of the discounted value of expected future benefits payments to policyholders or other beneficiaries, less future premiums (net premium method)

Assumptions in basis rates

The assumptions used in the valuation of Life insurance policies own account at the reporting date are based on the calculation principles set at the time of the issue of the policy. Furthermore, a periodic IFRS liability adequacy test is performed as described hereafter. Estimates, assumptions and an explanation of the test are disclosed in Section IFRS liability adequacy test Life insurance.

Provisions for longevity risk

Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become insufficient due to the extended life expectancy of the insured persons. For this longevity risk, additional contributions to the provision were made in the past and provisions of acquired insurance companies have been maintained. Since 2008, in conjunction with

the legal merger of different Life entities and the increased possibility of compensation with short-life risk, the provisioning policy has been shaped differently. No additions to the provision for longevity risks are recognised, as long as there is sufficient compensation by positive risk premiums in the total portfolio. Furthermore, the actual longevity risk forms a part of the liability adequacy test.

Cost surcharges

Premiums include loadings to cover expenses. When the premiums are received or are due, the surcharges are released and are then available to cover actual expenses, including renewal expenses and acquisition costs.

Interest rate discount

In respect of individual insurance contracts, by payment of a single premium, an interest amount can be guaranteed, which could be higher or lower than the standard rate basis. Annuity policies are based on a yield related to actual market data. The difference between the insurance liability at the standard rate basis and the standard rate is called interest rate discount and is deducted from the liability from insurance contracts. The interest rate discount is amortised on either an actuarial or on a straight-line basis.

With regard to group insurance contracts, at inception, the share in the expected investment income on premiums received and single premium is recognised as interest rate discount and deducted from the liability from insurance contracts. Recognised interest rate discounts are amortised on a straight-line basis with the exception of agreed payment terms. In the initial year of recognition, a full year is amortised.

Provisions for disability risk

Under liabilities arising from insurance contracts, a provision is maintained for the entitlement to a waiver of premium in the event of disability and for the no-claim disability annuities. This provision is based on a factor multiplied by the annual premium that applies for the disability risk. The level of the factor is determined, inter alia, based on Incurred But Not Reported (IBNR) techniques derived from empirical data for claim behaviour. The IBNR techniques involve historic data on which estimates are made at the reporting date for claims expected to have occurred but which are not reported yet.

The valuation principles of disability coverage that have entered into force, including the waiver of premium, are the same as the principles for the main insurance policy.

Profit-sharing, bonuses and rebates

The present value of any profit-sharing that has been awarded but not yet distributed for the upcoming year is included in the provision for profit-sharing, bonuses and rebates.

Profit-sharing

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights. Discretionary profit-sharing schemes are related to the contractual right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of VIVAT Group's management board. The profit-sharing obligations already granted are also included in the liabilities arising from insurance contracts.

In addition to discretionary profit-sharing, there are also individual and group contracts with contractual profit-sharing. These include profit-sharing based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Granted obligations as a result of contractual profit-sharing are included in the liabilities arising from insurance contracts.

Shadow accounting

In accordance with IFRS 4, VIVAT Group applies shadow accounting in order to reduce the asymmetry in the liability adequacy test. As a result, both statement of financial position and the statement of profit or loss improve the insight in the economic relationship between assets and liabilities.

The asymmetry results from the measurement of investments at fair value and the measurement of the insurance liabilities to be recognised in the statement of financial position based on the expected cash flows from insurance contracts discounted at a fixed interest rate (derived from the rate policies). Changes in interest rates do not affect the insurance liabilities which are discounted at a fixed interest rate. Shadow accounting is based on the principle in which fixed income investments serve as an economic hedge on the insurance liabilities. In applying shadow accounting an increase or decrease of the interest rate has a similar opposite effect on both the recognised fixed income investments as well as the insurance liabilities.

In applying shadow accounting, via shadow loss, the effect of changes in interest rates on possible deficits, resulting from the liability adequacy test based on actual assumptions (among which discounting at an actual interest rate) is also better aligned with the effect of interest changes in the revaluation of available-for-sale investments.

Application

Shadow accounting is applied to fixed income available-for-sale investments and interest derivatives measured at fair value through profit and loss which held to cover insurance liabilities arising from:

- Insurance contracts with profit-sharing.
- Insurance contracts without profit-sharing, if and to the extent that the current interest rate is lower than the interest rate used in the premium calculation at inception date of the contract, considered at a portfolio level.
- Certain interest related options embedded in insurance contracts.

With respect to insurance contracts with profit-sharing, specific investment portfolios are held to cover the profit-sharing liabilities.

Shadow accounting is not applied in respect to:

- impairments;
- revaluation of debt securities resulting from impairment losses.

Under shadow accounting unrealised and realised results from investments have a similar effect on measurement of the liabilities arising from insurance contracts.

Shadow accounting in the statement of profit or loss

The realised results which are recorded in the statement of profit or loss are mirrored, based on shadow accounting, through technical claims and benefits and thus contributing to the insurance liabilities, if, in case of reinvestment, adequate interest income will not be achieved to meet the required interest rate charges within the technical insurance charges or due to profit-sharing rights.

The realised results which are, through shadow accounting, added to the insurance liabilities, are subsequently amortised through profit and loss in order to fully or partly compensate the deficit in interest income on the (re)investments. The carrying amount of the relating insurance liabilities, which is not yet amortised, is included in the carrying amount of the overall insurance liabilities which are considered in the liability adequacy test. Unrealised results on derivatives are included in shadow accounting by recognition of technical claims and benefits in the consolidated statement of profit or loss.

Rights of policy holders are not limited as a result of negative accumulated investment results through shadow accounting. If negative net accumulated investment results arise, this is directly recognised in the statement of profit or loss.

Shadow loss charged to Other Comprehensive Income

In Other Comprehensive Income a mirrored addition to the insurance liabilities is charged to the revaluation reserves relating to available-for-sale investments to the extent a deficit can be attributed to a decrease of the actual interest rate below the interest rate used in the premium calculation at inception of the contracts, considered at a portfolio level (a shadow loss, see Section IFRS Liability Adequacy Test Life Insurance).

Shadow accounting and the liability adequacy test

Unrealised investment results and realised investments results to be amortised, as a consequence of shadow accounting, and which are included in the insurance liabilities are taken into account when performing the liability adequacy test.

Life insurance contracts for account of policyholders

General

This concerns insurance policies in which the policyholders bear the investment risk. The liabilities arising from these contracts consist of the technical provisions for the value of the underlying investments, the value of interest rate guarantee and the value of the insurance component.

Unit linked Life insurance

The claims from unit linked Life insurance contracts are directly linked to the underlying investments. Given this link, the technical provisions held in respect of these policies are adjusted in line with changes in the fair value of these investments. The policyholder determines how VIVAT Group should invest the amount of any premiums paid after deduction of costs and risk premium. To this end, VIVAT Group has created separate investment funds.

Unit linked policyholders bear investment risk. In addition to deciding how funds should be invested, policyholders are also free to alter the policy at any time depending upon their personal and/or financial situation. Within unit-linked insurance, VIVAT Group issues guarantees on returns for a limited number of investment funds.

Group insurance contracts with segregated pools are recognised under unit linked group insurance contracts as well. Interest rate guarantees are also issued on these contracts.

Technical provisions linked to the investments related component

The technical provisions for the underlying investments of these insurance contracts are set equal to the carrying amount (fair value) of the related underlying investments. As a result, these technical provisions (and also the underlying investment) are recognised at fair value through profit or loss. Transaction costs and commission are not included at initial recognition but charged to the statement of profit or loss as these transactions incur.

Interest rate guarantees

Interest rate guarantees have been issued by VIVAT Group on the return of a limited number of unit linked insurance policies. The guarantee only applies at the maturity date of the insurance policy. Prior to maturity, the provision held for these policies is equal to at least the accumulated amount of premiums paid plus interest less any expense and mortality charge deductions, adjusted for future lapses.

If, for the group contracts, the income from investments is not sufficient to cover the obligations due to guaranteed returns, additional insurance liabilities are provided and charged to the statement of profit or loss. If group insurance contracts are extended for own account after contract expiration dates, the existing provisions for interest guarantees are

amortised on an actuarial basis to compensate for the deficits in future investment returns in comparison to the guaranteed interest rates in these contracts.

Insurance component

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

IFRS liability adequacy test Life insurance

The test

Under IFRS, the carrying amount of the insurance liability, after deduction of the related VOBA, should be at least equal to the fair value of the insurance liability. The total carrying amount of the liabilities tested consists of the carrying amount based on historical cost, supplemented with the effects of shadow accounting (refer to Section Shadow accounting and below 'Shadow loss') and any provisions for interest guarantees on Life insurances, in which the investment risk is borne by the insurance policyholder (with deduction of deficits due to interest rate guarantees which are charged to employers in case of group contracts).

It is tested whether the carrying amounts involved are ultimately adequate, based on actual assumptions, to meet the commitments to the policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments of mortality, disability, the behaviour of policyholders, claims handling and management costs. Valuation of the future expected profit-sharing and the time value of embedded options and guarantees is included in these cash flows. The estimate is increased by a risk margin, which is calculated using the Cost of Capital method. Finally the cash flows are discounted using the swap curve with Ultimate Forward Rate (UFR), as published by DNB. If the thus calculated provision turns out to be higher than the carrying amount of the insurance liabilities presented in the statement of financial position increased with differences in the recognised investments (to the extent that they are not recognised at fair value), a deficit exists.

Interest rate guarantees in group contracts where the investment risk is for the account and risk of policyholders, with a number of employers it is agreed that deficits in relation to the guaranteed interest rate are (partially) borne by the employer. In connection with this contribution by the employer amounts received or to be received shall be deducted from the deficit of the liability adequacy test.

Test level and frequency

This IFRS liability adequacy test is performed at least quarterly on the liabilities of the entire portfolio of Life insurance contracts.

Recognition of a deficit

If the outcome of the test is a deficit, the carrying amount will be supplemented, charged through shareholders' equity, insofar as there are assignable positive revaluations in the fair value reserve and cash flow hedge reserve (explained in the Section 'Shadow loss' below). Should a deficit remain, this deficit will first be charged through the technical insurance costs against VOBA, if available. Finally, a still remaining deficit will also, through technical insurance costs, be added to the liabilities arising from insurance contracts. In case of a decrease of the deficit in the next reporting period, this addition will be reversed from the insurance liabilities through profit and loss (through the technical insurance costs). Charges through the VOBA are final and will therefore not be reversed in a next reporting period.

Shadow loss

Insofar the deficit of the insurance liability in the IFRS test is related to an increase in the provision as a result of an interest rate decrease, the necessary addition to carrying amount of the liability, through shadow loss accounting, is charged to the fair value reserve and cash flow hedge reserve. The fair value reserve is only charged to the extent the charges relate to the fixed income investments related to the insurance liabilities. A deficit resulting from other technical assumptions is not recognised through a shadow loss. In case a positive outcome of the test is reached in a successive reporting period, this will result in a credit to the fair value reserve or a cash flow hedge reserve of a shadow loss amount

previously recognised in the insurance liability, in the amount of the surplus. Refer to Section 15 for more information on the effects of shadow (loss) accounting.

Assumptions used

- Discount rate: swap curve with UFR (the Dutch Central Bank curve).
- Profit allocation in accordance with applicable profit-sharing arrangements.
- Cost allocation and distribution of efficiency advantages based on internal assessment.
- Projected mortality probability data for the entire population based on 'Prognose Model AG 2014 adjusted for experience in the group's portfolio based on internal research (2013: Prognose Model AG 2012 with CBS data until 2012).
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Salary increases in collective labour agreements in accordance with the inflation assumption.
- Cost of capital of 4 percent.

Mortality probabilities

The mortality rates used in the projection of the insurance liabilities are those according to the expected population mortality rate multiplied by a portfolio factor.

To determine the expected mortality rates for the entire population the AG 2014 model from the Dutch Actuarial Society is used. The portfolio factor measures the difference between population mortality and mortality in the insurance portfolio. Within the framework set by VIVAT Group, this factor is individually determined for each business unit and is also dependent on product characteristics, gender, and elapsed time / age. This portfolio factor is revised annually based on internal research and the mortality quotient of the latest CBS observations.

Non-life insurance

General

Non-life insurance policies are insurance policies that provide coverage not related to the life or death of the insured persons. These contracts generally provide coverage for a relative short period of time. VIVAT Group's Non-life insurance contracts can be divided into the following product groups: accident and health, motor vehicles, fire, transport and other. Payments made after the occurrence of a specified insured event are either fixed (e.g. in the event of disability) or linked to the scale of the economic loss suffered by the policyholder (in accordance with the indemnity principle).

The liabilities arising from damage insurance contracts are determined based on historically observed claims run-off. For disability insurances this is combined with the valuation principles as disclosed in Section Life insurance contracts for account of policyholders, general.

Liabilities arising from Non-life insurance contracts include:

Provision for unearned premiums

This provision reflects premiums related to the period of any unexpired cover as at reporting date. The provision is equal to the unearned gross premiums, whereby the commission paid is deducted from the gross premium. The provision for unearned premiums is calculated separately for each insurance contract in proportion to the unexpired risk period, adjusted where necessary for variations in risk and claim frequencies over the term of the insurance contract.

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

Provision for current risks

The provision for current risks is made to meet obligations resulting from:

- claims and claims-handling expenses that may arise after the reporting date and which are covered by contracts issued prior to that date, insofar as the amount estimated in connection with this exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts and;
- the premiums received, be they single or regular, for contracts where the underlying risk increases over time. This is particularly the case for disability insurance.

Provision for claims payable

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

Provision for co-insurance

VIVAT Group holds co-insurance contracts, mainly relating to the transport sector. In the calculation of the technical provision, all risks entered into as of the reporting date are accounted for, as are claims, both reported and unreported, incurred during the financial year. The expected balances for risks covered and losses incurred arising from transport insurance are determined on an underwriting-year basis.

Provision for claims Incurred But Not Reported (IBNR provision)

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

Provision for internal claims handling costs

A separate provision for internal claims handling costs is formed as part of the provision for claims payable. This provision provides an estimate of the expenses involved in dealing with payments to be made in respect of claims arising from insured events that have already occurred.

Methodology IBNR and provision for internal claims handling costs

Contrary to the Liability Adequacy Test – which uses actuarial analyses – the IBNR and claims handling costs provision in the statement of financial position are measured by reference to the carrying amount of the previous month, adjusted (if needed) for large developments during the month. Twice a year these provisions are reassessed, based inter alia on business information as well as the actuarial analyses from the most recent Liability Adequacy Test.

Discounting

In accordance with general practice in the industry, VIVAT Group does not discount the Non-life provisions mentioned in this Section, with the exception of disability claims provisions. This also applies with regard to the provision for claims handling costs. Changes in estimates are reflected in the result in the period in which the estimates are adjusted.

IFRS Liability Adequacy Test Non-life insurance

The test

This test is performed on the provision for Non-life claims, the provision for unearned premiums and the provision for claims-handling expenses.

The test value of the gross insurance liabilities is based on a best estimate and a risk margin. The best estimate is determined for each portfolio separately. The classification of portfolios (branch and distribution channel) has been divided into homogeneous risk portfolios. The best estimate serves as a realistic estimate of future claim payments, claim-handling expenses and future expenses arising from insurance contracts. The cash flows of the disability insurance policies are discounted using the swap curve with ultimate forward rate. The risk margin is based on the Cost of Capital method, in which the cost of capital equals the capital requirements of a reference company. The cost of capital is annually determined and set to 4 percent in the fourth quarter of 2014.

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

Test level and frequency

An IFRS Liability Adequacy Test is carried out twice a year to establish the adequacy of provisions for liabilities arising from the total portfolio of Non-life insurance policies.

Employee benefits

All staff is employed by SNS REAAL. The annual staff costs, including its share in the costs for short term employee benefits and pension schemes, are charged to VIVAT Group by SNS REAAL.

Short-term remunerations for employees

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

Pension benefits

The main pension scheme is a defined contribution scheme at Stichting Pensioenfonds SNS REAAL. New staff is included in this scheme. In addition, for the staff of SNS REAAL there is a number of defined benefit pension plans of insurance companies acquired in the past. Participants to these schemes are so called dormant participants or retirees.

Other employee commitments

The other employee commitments refer mostly to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The size of the obligation is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, an obligation has been recognised for reimbursement of medical expenses. A liability is recognized for the expected expenses for these reimbursements during the period of employment based on methods which are in accordance with the defined pension schemes.

To qualify for these benefits, the employment contract of the employee should normally have continued until the retirement age, and it should have lasted for a specified minimum period.

Share-based remunerations

As a consequence of the nationalisation the shares of SNS REAAL N.V. are expropriated and no longer listed. Under the new scheme, which came into effect as of 1 January 2013, several employees of SNS REAAL and related entities have been granted phantom shares. The change in the value of a phantom share is based on the development of the result of SNS REAAL, excluding any possible incidental income and expenses. The value of the phantom share is paid out at maturity date.

The value of the phantom share is recognised as cost in the period in which the services have been delivered. In the subsequent periods the change in value is recorded in the results until the date of payment.

Other provisions

General

Provisions are recognised if there is a legally enforceable or present obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the size of the obligation can be made. Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the statement of profit or loss.

Restructuring provision

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

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

- the termination of the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- the payment of termination benefits as a result of an offer to encourage voluntary redundancy.

Benefits that are due after more than twelve months after the reporting date are discounted.

Legal provisions

VIVAT Group recognises a provision at the reporting date for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal costs and payments due during the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the reporting date, and a reliable estimate can be made of the obligation.

Financial liabilities

Derivatives

See Section Derivatives.

Amounts due to banks

Amounts due to banks comprise unsubordinated debts to credit institutions.

Upon initial recognition, amounts due to banks are measured at fair value, including transaction costs incurred. Subsequently, these liabilities are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised in the statement of profit or loss.

Other liabilities

Other liabilities primarily consist of interest accrued on financial instruments that are stated at amortised cost. This item also includes creditors, other taxes and accrued liabilities.

7.1.5 Specific accounting principles of the statement of profit or loss

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

The services of a number of SNS REAAL's corporate staff departments are shared with VIVAT Group. The costs of the corporate staff departments are charged to VIVAT Group on the basis of the services provided, or, if more appropriate, proportionally allocated to VIVAT Group's subsidiaries. The costs of the financial holding SNS REAAL, the costs of the strategic reorientation of SNS REAAL and the resulting one-off costs are not allocated.

Income

Income represents the fair value of the services, after elimination of intra-group transactions within VIVAT Group. Income is recognised as described in the following Sections.

Premium income

The premium income from insurance contracts, excluding taxes and other charges, is divided into regular Life (including pensions), single-premium Life and Non-life premiums.

Regular Life premiums, single-premium contracts and limited-premium Life insurance policies from Life insurance contracts are recognised as income when payment by the policyholder becomes due. Interest rate discounts and rate rebates are included in gross premium income and charged to technical claims and benefits during the amortisation period.

Premium income from Non-life insurance contracts is recognised as income (earned premium) during the term of the contract in proportion to the elapsed insurance term, taking into account the movement in the provision for unearned premium. In general it concerns insurance contracts with a maximum term of twelve months.

Reinsurance premiums

This item represents the premiums on ceded reinsurance contracts. These are recognised as a charge to the statement of profit or loss in proportion to the term of the contract.

Fee income and commission income

Fee and commission income include income from asset management, commission from the insurance activities and other related services offered by VIVAT Group. These are recognised in the reporting period in which the services are performed. Commission related to transactions in financial instruments for own account are incorporated in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

Fee expenses and commission expenses

Commission expenses and management fees are accounted for as 'fee and commission expense' to the extent that services are acquired.

Share in the result of associates

In this line item the share of VIVAT Group in the results of its associates is accounted for. If the carrying amount of the associated company falls to zero, no further losses are accounted for, unless VIVAT Group has entered into commitments or made payments on its behalf.

To the extent necessary, the accounting principles applied by the associated companies have been adjusted to ensure consistency with the accounting principles applied by VIVAT Group.

Investment income

Investment income consists of interest, dividend, rental income and revaluations.

Interest

The item interest comprises the interest income from investments.

Interest on financial assets is accounted for using the effective interest method based on the actual purchase price.

The effective interest method is based on the estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and the direct costs and income, such as the transaction costs charged, brokerage fees and discounts or premiums. If the risk of early redemption cannot be reliably determined, VIVAT Group calculates the cash flows over the full contractual term of the financial instruments.

Commitment fees, together with related direct costs, are deferred and recognised as an adjustment of the effective interest on a loan if it is likely that VIVAT Group will conclude a particular loan agreement. If the commitment expires without VIVAT Group providing the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment term.

Interest income on monetary financial assets that have been subject to impairment and written down to the estimated recoverable value or fair value is subsequently recognised on the basis of the interest rate used to determine the recoverable value by discounting the future cash flows.

Dividend

Dividend income is recognised in the statement of profit or loss as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividend.

Rental income

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

Revaluations

Under revaluations, realised and unrealised increases and decreases in the fair value of investments in the category fair value through profit or loss are recognised. The revaluations concern the difference between on the one hand the fair value at the end of the reporting period or net proceedings from the sale during the reporting period, and on the other hand the fair value at the beginning of the reporting period or the purchase price during the reporting period.

Realised revaluations of investments in the other categories are recognised here, being the difference between sales price and amortised cost.

Investment income for account of policyholders

This is the investment income on investments held for account of Life insurance policyholders. These investments are measured at fair value. Increases and decreases in the value of investments are recognised in the statement of profit or loss as 'investment income for account of policyholders'. The dividend and interest for account of policyholders are also accounted for in this item.

Result on financial instruments

The result on derivative and other financial instruments is recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are recognised directly in the statement of profit or loss under 'result on financial instruments'. However, if derivatives are designated as a hedging instrument, the recognition of a resulting gain or a resulting loss depends on the nature of the hedged item and the hedge effectiveness of the hedge accounting relationship. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly under 'result on financial instruments'.

This item also includes the profit or loss from the revaluation of the outstanding debt certificates, which are measured at fair value at initial recognition and subsequent measurement, with value adjustments taken in the statement of profit or loss. In addition, buy-back results on own funding paper and results from the sale of full loans are accounted for under this item.

Other operating income

This comprises all the income that cannot be accounted for under the aforementioned line items of the statement of profit or loss.

Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between the costs incurred and the corresponding economic benefits. If future economic benefits are expected to be derived across different reporting periods, expenses are recognised in the statement of profit or loss using a systematic method of allocation. Expenses are directly included in the statement of profit or loss if they do not generate any future economic benefits.

Technical claims

Net movements in technical provisions are recorded under this item. This includes mainly the addition of required interest and premium payments to cover future benefit payments, less payments due (Life and Non-life), developments in the portfolio, such as benefit payments and surrenders, the actuarial result on surrender, cancellation and mortality, and amortisation costs of the VOBA and capitalised interest rate rebates.

Charges for account of policyholders

The changes in provisions for insurance contracts for the account and risk of policyholders are accounted for under this item (see Section Life insurance contracts for account of policyholders).

Acquisition costs for insurance activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract or the conclusion of a mortgage in combination with an insurance product, including brokerage fees, the costs of medical check-ups and administrative costs for administering new policies in the portfolio. The change in the provision for unearned premiums, insofar this change relates to the related paid commissions, is also accounted for under acquisition costs.

Impairment charges

This item includes downward revaluations of assets for which the carrying amount exceeds the recoverable value. Intangible assets, property and equipment, associated companies, investments, receivables and other assets may be subject to impairment. As soon as impairment is identified, it is included in the statement of profit or loss. The specific principles for impairment are explained in more detail in Section 7.1.4 Specific balance sheet principles under the applicable items.

Staff costs

These costs concern all costs that pertain to the personnel. This includes, inter alia, salaries, social security costs and pension costs. Until 31 December 2014, all staff is employed by SNS REAAL. Staff costs are charged by SNS REAAL to VIVAT Group.

Depreciation and amortisation of fixed assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets, with the exception of VOBA amortisation. The specific principles for depreciation and amortisation are explained in more detail in Section 7.1.4 Specific balance sheet principles under the applicable items.

Other operating expenses

This includes office, accommodation and other operating expenses.

Other interest expenses

Other interest expenses comprise the interest expenses in respect of financial obligations arising from insurance activities and group operations. The interest expenses are recognised in the statement of profit or loss under the effective interest method.

Other expenses

Other expenses comprise all the expenses that cannot be accounted for under other headings in the statement of profit or loss. These expenses have no direct relation with the primary and secondary business operations, occur occasionally, and occur in a single financial year, or arise in a single financial year, and are amortised over multiple financial years.

7.1.6 Contingent liabilities and commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of VIVAT Group. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

7.1.7 Cash flow statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price.

In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

7.2 Acquisitions and disposals

REAAL NV acquired the entire share capital of ACTIAM NV from SNS REAAL on 1 July 2014 as part of the changes to the group structure and associated disentanglement of SNS REAAL. This acquisition arose from the unbundling of the insurance activities since ACTIAM NV mainly manages investments for the insurance business. At year-end 2014, ACTIAM NV had € 51.4 billion in assets under management, including € 4 billion in externally managed assets. SNS REAAL funded the entire acquisition price of € 56 million by paying in a share premium. ACTIAM NV's net asset value on the acquisition date was € 39 million. The original purchased goodwill of € 17 million was transferred to REAAL NV as a result of the acquisition. ACTIAM NV has contributed € 11 million to VIVAT Group's earnings since the acquisition date.

7.3 Notes to the consolidated financial statements

1 Intangible assets

Breakdown intangible assets

In € millions	2014	2013
Goodwill	17	--
Software	7	7
Value of Business Acquired (VOBA)	--	--
Other intangible assets	51	57
Total	75	64

Statement of changes in intangible assets 2014

In € millions	Goodwill	Software	VOBA	Other intangible assets	Total
Accumulated acquisition costs	17	9	--	107	132
Accumulated amortisation and impairments	--	-2	--	-56	-57
Balance as at 31 December	17	7	--	51	75
Balance as at 1 January	--	7	--	57	64
Purchases	17	2	--	--	19
Amortisation capitalised costs	--	-1	--	--	-1
Amortisation purchases	--	-1	--	-5	-6
Other	--	--	--	-1	-1
Balance as at 31 December	17	7	--	51	75

Statement of changes in intangible assets 2013

In € millions	Goodwill	Software	VOBA	Other intangible assets	Total
Accumulated acquisition costs	337	59	1,257	107	1,760
Accumulated amortisation and impairments	-337	-52	-1,257	-50	-1,696
Balance as at 31 December	--	7	--	57	64
Balance as at 1 January	150	32	623	80	885
Purchases	--	2	--	--	2
Amortisation capitalised costs	--	-2	--	--	-2
Amortisation purchases	--	-5	-38	-8	-51
Impairments	-150	-20	-585	-15	-770
Balance as at 31 December	--	7	--	57	64

Of the carrying amount of the software at year-end 2014, € 4 million (2013: € 5 million) related to self-developed software.

Other intangible assets include customer relationships. At year-end 2014, VIVAT Group had capitalised € 51 million (2013: € 57 million) in customer relationships. This related to the occupational disability insurance portfolio, which was recognised in the insurance business following acquisitions in 2007. The remaining straight-line amortisation period for customer relationships is ten years.

Impairment losses on the value of business acquired (VOBA) of € 585 million were recognised within technical claims and benefits in 2013 rather than within impairments (and reversals).

Recoverable amount of goodwill

Goodwill is not amortised. Instead, an impairment test is performed annually, or more frequently if indications of a possible impairment exist. The carrying amount of the related cash-generating units (including goodwill) is compared to the calculated recoverable amount. The recoverable amount of a cash-generating unit is determined by value-in-use calculations prepared with the help of independent external consultants.

Goodwill cash generating units

In € millions	2014	2013
ACTIAM NV	17	--
Total	17	--

The impairment test performed in 2014 did not give rise to a goodwill impairment.

Assumptions for value-in-use calculations

Breakdown principles value-in-use calculations

In € millions / %	ACTIAM NV
Equity	36.1
Other liabilities	10.4
Post-tax discount rate	7.5%
Annual growth rate	2.0%

The value-in-use calculations have been drawn up on the basis of the operating plans for the period 2015-2017. The assumptions are based on expected future market developments and past experience, and the long-term characteristics of the markets in which ACTIAM operates. In addition to the recharged group expenses already included in the operational plan, the goodwill impairment test also makes allowance for other holding company expenses that have not been directly allocated.

The main value drivers of the recoverable amount at ACTIAM are cost of equity (CoE), long-term income growth, and margin and market developments.

2 Property and equipment

Breakdown property and equipment

In € millions	2014	2013
Land and buildings for own use	51	66
IT equipment	19	--
Other assets	11	28
Total	81	94

Statement of changes in property and equipment 2014

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	122	21	18	161
Accumulated revaluations	-6	--	--	-6
Accumulated depreciation and impairments	-65	-2	-7	-74
Balance as at 31 December	51	19	11	81
Balance as at 1 January	66	--	28	94
Reclassifications	-11	--	9	-2
Investments	1	--	--	1
Depreciation	-1	-1	-5	-7
Impairments	-4	--	--	-4
Changes in the composition of group companies	--	20	-21	-1
Balance as at 31 December	51	19	11	81

Of the value of buildings no longer in use, € 2 million was reclassified in 2014 from owner-occupied land and buildings to investment property (2013: € 57 million).

No new offices were under construction at year-end 2014 (2013: € 7 million). As in 2013, no major contractual obligations for additions to property, plant and equipment were assumed in 2014.

In 2014, SNS REAAL transferred data processing equipment with a value of € 20 million to VIVAT Group at carrying amount and VIVAT Group transferred other assets with a value of € 21 million to SNS Bank NV at carrying amount in the context of the changes in group structure and the associated disentanglement of SNS REAAL.

Statement of changes in property and equipment 2013

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	142	1	35	178
Accumulated revaluations	-6	--	--	-6
Accumulated depreciation and impairments	-70	-1	-7	-78
Balance as at 31 December	66	--	28	94
Balance as at 1 January	127	--	27	154
Reclassifications	-64	--	7	-57
Revaluations	-3	--	--	-3
Investments	13	--	--	13
Depreciation	-2	--	-6	-8
Impairments	-5	--	--	-5
Balance as at 31 December	66	--	28	94

Rental income

No owner-occupied land or buildings are sublet.

Future rental income based on irrevocable operational leases

In € millions		2014
< 1 year		7
1 - 5 year		12
> 5 year		7
Total		26

Appraisal of land and buildings for own use

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

Valuation of land and buildings for own use

In € millions	Assessed	Carrying amount	Appraised value as % of total carrying amount
2014	51	51	100%
2013	65	66	98%
2012	110	127	87%

Fair value hierarchy for property, plant and equipment

In 2014, VIVAT Verzekeringen classified owner-occupied land and buildings in level 3 of the fair value hierarchy (2013: level 2). These assets are measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield. It was concluded at year-end 2014 that these parameters could not be defined objectively as they are different for every property and that these parameters have a significant impact on the measurement of the assets. Consequently, there was a shift in classification from level 2 to level 3 in 2014. For details on the levels, see Note 42 Financial instruments (Fair value of financial assets and liabilities).

Hierarchy property and equipment

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings for own use 2014	--	--	51	51
Land and buildings for own use 2013	--	66	--	66

3 Investments in associates

Statement of changes in investments in associates and joint ventures

In € millions	2014	2013
Balance as at 1 January	6	45
Reclassifications	--	-25
Disposals and divestments	--	-15
Share in result of associates	1	2
Dividend received	-1	-1
Balance as at 31 December	6	6

The statement below shows the principal associate (CED) at year-end 2014 and year-end 2013. CED's share capital is comprised entirely of ordinary shares and REAAL NV holds an interest in those shares. CED's operations are carried on in the country where it is registered. The shares of the associate are not listed.

Overview of investment in associates 2014 and 2013

Name	Country of incorporation	% of ownership interest	Measurement method
CED Holding BV	NL	23%	Equity

CED is a claims specialist. Its customers are insurance companies, self-insured entities and other parties that are affected by claims, such as financial service providers, leasing companies and government agencies. CED's expertise spans all areas of the claims handling process, from reporting to recovery. It helps its customers to resolve their claims quickly, effectively and responsibly. Its service encompasses both complex claims and high volumes of relatively simple claims. CED is strategic to REAAL NV as, it helps REAAL NV gain access to experience in efficient claims handling. CED's financial year end at 30 June.

Summarised financial information of CED Holding BV

Summarised statement of financial position

In € millions	CED Holding BV	
	30 June 2014	30 June 2013
Non-current assets	11	9
Current assets	49	54
Total assets	60	63
Current liabilities	25	31
Non-current liabilities	8	7
Total liabilities	33	38
Net assets	27	25

Summarised statement of comprehensive income

In € millions	CED Holding BV	
	2013/2014	2012/2013
Revenue	103	104
Expenses	99	100
Result continued operations	4	4
Taxation	1	1
Net result continued operations	3	3

The information above was derived from CED's financial statements; it does not represent the share of REAAL NV in these results. The financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Reconciliation of summarised financial information

In € millions	CED Holding BV	
	30 June 2014	30 June 2013
Opening net assets as at 1 January	25	26
Result for the period	3	3
Other comprehensive income	-1	-4
Closing net assets	27	25
Interest in associates (23%)	6	6
Carrying value	6	6

As in 2013, no loans had been granted to the associates at year-end 2014. The associates had no investment commitments at year-end 2014 (2013: nil).

4 Investment property

Statement of changes in investment property

In € millions	2014	2013
Balance as at 1 January	268	233
Reclassifications	2	57
Investments	2	--
Divestments	-4	-11
Revaluations	-1	-11
Balance as at 31 December	267	268

Of the value of buildings no longer in use, € 2 million was reclassified in 2014 from owner-occupied land and buildings to investment property (2013: € 57 million).

Fair value hierarchy for investment property

In 2014, VIVAT Verzekeringen classified the investment property in level 3 of the fair value hierarchy (2013: level 2). These assets are measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield. It was concluded at year-end 2014 that the parameters could not be defined objectively as they are different for every property and have a significant impact on the measurement of the assets. Consequently, there was a shift in classification from level 2 to level 3 in 2014. For details on the levels, see Note 42 Financial instruments (Fair value hierarchy of financial instruments).

Fair value hierarchy investment property

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings used by third parties 2014	--	--	267	267
Land and buildings used by third parties 2013	--	268	--	268

5 Investments

Breakdown investments

In € millions	2014	2013
Fair value through profit or loss: Designated	225	415
Available for sale	27,471	22,844
Loans and receivables	8,952	9,720
Balance as at 31 December	36,648	32,979

VIVAT Group has lent a part of its investments. The carrying amount of investments lent at 31 December 2014 was € 2,045 million (2013: € 1,504 million). The periods of lending vary but expire in 2016. VIVAT Group charges an annual lending fee of some 0.1 percent of the value of the related investments.

Another part of the investments has been pledged as collateral for amounts due to banks (repos) and subordinated debt (bonds). The carrying amount of investments pledged as collateral at 31 December 2014 was € 4,271 million (2013: € 5,141 million). The movement in collateral is a result of a reduction in repos.

Fair value through profit or loss: listing

In € millions	Designated fixed-income	
	2014	2013
Listed	219	331
Unlisted	6	84
Total	225	415

Fair value through profit or loss: statement of changes

In € millions	Designated fixed-income	
	2014	2013
Balance as at 1 January	415	1,032
Purchases and advances	--	497
Disposals and redemptions	-191	-1,109
Revaluations	1	-6
Other	--	1
Balance as at 31 December	225	415

Available for sale: listed

In € millions	Shares and similar investments		Fixed-income investments		Total	
	2014	2013	2014	2013	2014	2013
Listed	93	364	26,023	21,483	26,117	21,848
Unlisted	1,237	797	118	200	1,355	996
Total	1,330	1,161	26,141	21,683	27,471	22,844

Starting from the financial year 2014, the 'listed' classification has been determined using the Complementary Identification Code (CIC code), an identification code for assets required under the Solvency II reporting rules. IFRS 10 has changed the consolidation requirements compared with 2013, as a result of which investment funds are now consolidated. The classification as listed or unlisted is based on the listing of the investments of a fund. The changes have caused a shift between listed and unlisted to the extent these relate to equities and similar investments and interest-bearing securities. The comparative figures for 2013 have been adjusted accordingly.

Available for sale: statement of change

In € millions	Shares and similar investments		Fixed-income investments		Total	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	1,161	1,244	21,683	22,656	22,844	23,900
Purchases and advances	1,789	529	5,174	4,849	6,963	5,378
Disposals and redemptions	-1,647	-648	-4,196	-4,463	-5,844	-5,111
Revaluations	30	21	3,563	-1,299	3,593	-1,278
Impairments	-4	-10	--	-6	-4	-16
Amortisation	--	--	-88	-40	-88	-40
Other	--	25	7	-14	7	11
Balance as at 31 December	1,330	1,161	26,141	21,683	27,471	22,844

The net amount of € 142 million in equities sold and purchased in 2014 (2013: € 119 million negative) was mainly attributable to investments of collateral received in a money-market fund (€ 426 million) and derisking (€ 284 million negative).

The net amount of € 978 million in interest-bearing securities sold and purchased in 2014 (2013: € 386 million) was attributable to profit realisation, portfolio optimisation, reinvestment and derisking.

Available for sale: valuation

In € millions	Shares and similar investments		Fixed-income investments		Total	
	2014	2013	2014	2013	2014	2013
(Amortised) cost	1,235	1,022	21,074	19,980	22,309	21,002
Revaluation	95	139	4,596	1,239	4,691	1,378
Accrued interest	--	--	471	464	471	464
Balance as at 31 December	1,330	1,161	26,141	21,683	27,471	22,844

Changes in the value of interest-bearing securities increased in 2014 as a result of a sharp fall in interest rates.

Investments: loans and receivables

In € millions	2014	2013
Mortgages	2,067	2,856
Private loans linked to savings mortgages	5,404	5,311
Other private loans	1,488	1,560
Total	8,959	9,727
Provision for bad debts	-7	-7
Total	8,952	9,720

Statement of changes in loans and receivables

In € millions	2014	2013
Balance as at 1 January	9,727	9,842
Purchases and advances	381	1,225
Changes in the composition of group companies	5	--
Disposals and redemptions	-1,431	-1,509
Interest addition	282	284
Amortisation	-5	-2
Other	--	-113
Balance as at 31 December	8,959	9,727
Balance provisions as at 1 January	-7	-6
Addition	1	-13
Release	-1	12
Balance provisions as at 31 December	-7	-7
Total	8,952	9,720

In 2014, SNS Bank repurchased a portfolio of mortgages from VIVAT Group for € 416 million. This has been presented within disposals.

6 Investments for account of policyholders

Investments for account of policyholders include separate deposits held on behalf of policyholders, investments under unit-linked policies and separate investment deposits for large group pension contracts.

Expiring contracts with a value of € 796 million (2013: € 223 million) were reclassified from investments for account of policyholders to investments in 2014.

Investments for account of policyholders: listing

In € millions	2014	2013
Shares and similar investments:		
- Listed	5,743	5,331
- Not listed	7,349	6,877
Fixed-income investments		
- Listed	1,091	908
- Not listed	376	375
Total	14,559	13,491

Starting from the financial year 2014, the 'listed' classification has been determined using the Complementary Identification Code (CIC code), an identification code for assets required under the Solvency II reporting rules. IFRS 10 has changed the consolidation requirements compared with 2013, as a result of which investment funds are now consolidated. The classification as 'listed' or 'unlisted' is based on the listing of the investments of a fund. The changes have caused a shift between listed and unlisted to the extent these relate to equities and similar investments and interest-bearing securities are concerned. The comparative figures for 2013 have been restated accordingly.

Statement of changes in investments for account of policyholders

In € millions	2014	2013
Balance as at 1 January	13,491	13,265
Purchases and advances	1,849	1,983
Disposals and redemptions	-2,852	-2,174
Changes in fair value	2,021	427
Other movements	50	-10
Balance as at 31 December	14,559	13,491

The gain on the changes in fair value of € 2,021 million was attributable to a fall in interest rates and rising share prices. Other movements consist of currency gains and losses (€ 38 million) and changes in accrued interest (€ 12 million).

7 Investments for account of third parties

IFRS 10, which has been in effect since 1 January 2014, establishes new rules for assessing control and consolidation (see Section 7.1.2, Accounting principles used for consolidation).

The outcome of the IFRS 10 analysis of the various entities to be consolidated is that the consolidation base did not change compared to previous years, except for investment funds that are required to be consolidated by VIVAT Group. The impact on the statement of financial position was € 1,427 million. The table below lists the interests in the principal investment funds that have been consolidated since the financial year 2014.

Interest in major investment funds: listing

Name	Location	Activity	Shares held by VIVAT Groep	Shares held by others
SNS Beleggingsfondsen	Various	Investment Management	82%	18%
SNS Profiefondsen	Various	Investment Management	53%	47%
ACTIAM Responsible Indexfondsen	Various	Investment Management	59%	41%

The impact on the statement of financial position of € 1,427 million was largely caused by different SNS investment funds (€ 952 million) with the ACTIAM Responsible Index Funds and SNS Profile Funds accounting for the remainder (€ 423 million and € 38 million respectively).

The classification as 'listed' or 'unlisted' is based on the listing of the investments of a fund. The full amount has been classified as listed.

8 Derivatives

Breakdown derivatives

In € millions	Positive value		Negative value		Balance	
	2014	2013	2014	2013	2014	2013
Derivatives held for cash flow hedge accounting	154	27	--	35	154	-8
Derivatives held for fair value hedge accounting	104	75	--	--	104	75
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	588	488	169	88	419	400
Total	846	590	169	123	677	467

Most derivatives are held to hedge market risks (see Note 43, Hedging and hedge accounting, of Section 7.5).

Statement of changes in derivatives

In € millions	2014	2013
Balance as at 1 January	467	400
Purchases	167	180
Disposals	-52	-131
Revaluations	93	19
Exchange rate differences	2	-1
Balance as at 31 December	677	467

Limited new exposures were contracted in 2014 in the context of cash flow hedge accounting and fair value hedge accounting. The purchases and disposals mainly relate to derivatives held for the purposes of balance sheet management.

9 Deferred income tax assets and liabilities

Breakdown deferred tax assets and liabilities

In € millions	2014	2013
Deferred tax assets	1,674	634
Deferred tax liabilities	-1,218	-345
Total	456	289

Origin of deferred tax assets and tax liabilities 2014

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Intangible assets	-14	1	--	--	-13
Value of business acquired	5	-1	--	--	4
Capitalised acquisition costs Insurance activities	85	-29	--	--	56
(Investment) property and equipment	-30	1	--	--	-29
Investments	-266	19	-827	-8	-1,082
Derivatives	-24	2	-39	8	-53
Insurance contracts	537	204	865	--	1,605
Provision for employee benefits	2	--	--	--	2
Other	-6	-30	--	1	-35
Total	289	166	-2	1	456

Origin of deferred tax assets and tax liabilities 2013

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Intangible assets	-17	3	--	--	-14
Value of business acquired	-141	146	--	--	5
Capitalised acquisition costs Insurance activities	105	-20	--	--	85
(Investment) property and equipment	-37	6	1	--	-30
Investments	-667	23	370	8	-266
Derivatives	-32	9	7	-8	-24
Insurance contracts	824	58	-345	--	537
Provision for employee benefits	2	--	--	--	2
Other	-3	-4	--	1	-6
Total	34	221	33	1	289

Breakdown tax-effect changes shareholders' equity

In € millions	2014	2013
Change in revaluation reserve	--	-1
Change in cash flow hedge reserve	32	-7
Change in fair value reserve	-30	-25
Total	2	-33

The income tax payable and receivable has been finalised for the years up to and including 2010. The amount of income tax payable by the subsidiaries for these years has been settled with the head of the tax group. The tax returns for 2011 and 2012 were submitted during the year. The amount of income tax payable by the subsidiaries based on the tax returns has been settled with the head of the tax group. The assessments have not been finalised, however.

10 Loans and advances to banks

This item relates mainly to loans and advances to banks other than interest-bearing securities, with a remaining term to maturity of more than three months. Of this item, € 28 million has a remaining term to maturity of less than three months (2013: € 0 million).

11 Other assets

Breakdown other assets

In € millions	2014	2013
Policyholders	121	125
Intermediaries	107	116
Reinsurers	82	86
Amounts due from direct insurance	310	327
Accrued interest	19	19
Other advances and accrued assets	150	176
Total	479	522

12 Cash and cash equivalents

Breakdown cash and cash equivalents

In € millions	2014	2013
Short-term bank balances	428	1,106
Total	428	1,106

At year-end 2014, short-term bank balances included € 12 million in collateral received from third parties by virtue of derivative exposures (2013: € 344 million). With effect from 2014, this collateral has been reinvested in a money-market fund. This collateral amounted to € 426 million at year-end 2014. Short-term bank balances are at VIVAT Group's free disposal.

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

13 Equity

Breakdown equity

In € millions	2014	2013
Equity attributable to shareholders	2,015	2,588
Minority interest	--	1
Total	2,015	2,589

For further details on group equity, see Section 6.4, Consolidated statement of changes in equity.

14 Subordinated debt

Breakdown subordinated debt

In € millions	2014	2013
Bonds	572	542
Private loans	302	302
Final bonus account	13	15
Total	887	859

Subordinated bonds

Bonds

In € millions	Interest	Maturity	Carrying amount		Nominal value	
			2014	2013	2014	2013
SRLEV	9.000%	2011-2041	398	397	400	400
SRLEV (CHF)	7.000%	2011/perpetual	86	85	87	87
Total			484	481	487	487
Hedge accounting adjustment			88	61	--	--
Total			572	542	487	487

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041. The terms and conditions were set out in a prospectus of 12 April 2011. In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The terms and conditions of the issue were set out in a prospectus of 15 July 2011 ("Terms & Conditions").

On 18 December 2013, the European Commission ratified its provisional resolution of 22 February 2013 in a final resolution that approved the state aid resulting from the nationalisation of SNS REAAL, SRLEV's ultimate parent company, on 1 February 2013, subject to a hybrid debt call and a ban on coupon interest payments that do not stem from a legal obligation. Under the Terms & Conditions, SRLEV NV was not required to pay the accrued interest on 15 April 2014 and 19 December 2014. Consequently, SRLEV NV is not permitted to pay interest; it will, therefore, avail itself of its optional right to defer the coupon interest payment pursuant to Section 4(e) of the Terms & Conditions.

Pursuant to Section 7 of the Terms & Conditions, failure to pay the coupon interest does not qualify as default. Unpaid interest will qualify as arrears of interest while it remains unpaid and bears the same rate of interest as the bonds. Unpaid interest is recognised within other liabilities (see Note 19).

On 14 February 2015, SNS REAAL signed a purchase and sale agreement with Anbang Group Holdings Co. Ltd., a wholly owned subsidiary of Anbang Insurance Group Co. Ltd. (Anbang), a multinational Chinese insurance company, for the sale of VIVAT Verzekering (REAAL NV).

As a result of the purchase and sale agreement, the coupon ban that has been imposed by the European Commission on the outstanding subordinated bonds issued by SRLEV placed with third parties, was lifted. Until the transaction has completed, however, SRLEV will avail itself of its optional right to defer payment of interest on these hybrid debt instruments.

Subordinated private loans

Subordinated private loans comprise of two perpetual loans of € 207 million and € 95 million. Both loans were issued by SNS REAAL and have an average interest rate of 6.9 percent (2013: 7.1 percent). The earliest repayment date is 17 July 2017 for the loan of € 207 million and 24 April 2018 for the loan of € 95 million.

As part of the purchase and sale agreement with Anbang, REAAL and SRLEV NV will repay to SNS REAAL € 302 million in subordinated intra-group loans after the completion of the sale, subject to a reduction if REAAL's IFRS-based equity shows a downward trend.

Final bonus account

The subordinated final bonus account liability is part of the actual solvency of SRLEV NV. This account concerns final bonus commitments relating to certain Life insurance policies and is predominantly of a long-term nature.

15 Insurance and reinsurance contracts

Breakdown insurance and reinsurance contracts by segment

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
REAAL Life, for own risk	14,524	16,847	3,589	3,862
Zwitserleven, for own risk	17,009	9,429	--	1
Life, for own risk	31,533	26,276	3,589	3,863
REAAL Life, for account of policyholders	5,881	5,973	--	--
Zwitserleven, for account of policyholders	7,942	7,792	--	--
Life, for account of policyholders	13,823	13,765	--	--
Non-life	1,290	1,222	125	135
Total	46,646	41,263	3,714	3,998

Breakdown insurance and reinsurance contracts by contract

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Provision for Life insurance obligations	31,759	26,530	3,589	3,863
Unamortised interest rate discounts	-295	-344	--	--
Provision for profit-sharing, bonuses and discounts	69	90	--	--
Life, for own risk	31,533	26,276	3,589	3,863
Technical provisions for insurance on behalf of policyholders	13,823	13,765	--	--
Life, for account of policyholders	13,823	13,765	--	--
Premium shortfalls and current risks	10	9	--	--
Unearned premiums	83	93	1	1
Claims payable	878	834	88	99
Claims incurred but not reported	319	286	36	35
Non-life	1,290	1,222	125	135
Total	46,646	41,263	3,714	3,998

Insurance contracts are predominantly of a long-term nature.

As part of the simplification of systems and software within VIVAT Group, insurance portfolios were converted from REAAL to Zwitserleven systems. In this context, € 2,531 million of the insurance portfolio was transferred from REAAL Leven to Zwitserleven in 2014. The portfolio was transferred at the carrying amount of the insurance liabilities.

On 17 November 2010, SNS REAAL reached final agreement with Stichting Verliespolis on the compensation scheme for unit-linked policyholders. At 31 December 2014, the provision for Life insurance liabilities included € 82 million for compensation to unit-linked policyholders (2013: € 65 million). Of this provision, € 2 million was utilised in 2014 (2013: € 289 million).

In 2014, Life insurance liabilities included € 19 million (2013: € 30 million) in compensation to unit-linked policyholders, consisting of an addition of € 24 million (2013: € 20 million) and a release of € 5 million (2013: nil).

The provision for compensation for defined contribution plans amounted to € 2 million at year-end 2014 (2013: € 4 million). A part of the portfolio was compensated and € 2 million of the provision was utilised in 2014 (2013: € 41 million). This provision was increased by € 10 million in 2013 for expected future compensation. The provision is needed to cap policy costs in accordance with the recommendations of the Dutch Association of Insurers. The scheme was set up to

compensate for the provision of insufficiently transparent information to members of pension plans on the costs embedded in policies and their implications for the pension benefit outlook.

SRLEV NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The obligations, including the indexation reserves, are contingent on the financial position of NV Pensioen ESC, which – as stipulated in the contract with the third party – will be guaranteed by REAAL NV if the solvency ratio of SRLEV NV should fall below 150 percent. SRLEV NV's solvency ratio stood at 141 percent at year-end 2014. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

a. Statement of changes in provisions for Life insurance obligations for own risk

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Balance as at 1 January	26,530	27,202	3,863	3,021
Portfolio reclassification	601	655	--	--
Reinsurance contracts	--	--	--	1,260
Benefits paid	-1,674	-2,141	-533	-637
Premiums received	1,366	1,304	161	164
Interest added	874	917	142	139
Technical result	-177	-169	-112	-167
Release of expense loading	-156	-173	68	83
Change in shadow accounting	3,563	-1,205	--	--
Change in statement of profit or loss by IFRS LAT shortfall	829	147	--	--
Other movements	3	-7	--	--
Balance as at 31 December	31,759	26,530	3,589	3,863

In 2013, an amount of € 9 million was reclassified from retained profit-sharing, bonuses and discounts. There was no such reclassification in 2014.

In 2014, an amount of € 601 million was reclassified from Life insurance on behalf of policyholders to retained Life insurance liabilities (2013: € 646 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms on behalf of VIVAT Group. This transfer took place in dialogue with the customers. Additional provisions relating to these insurance contracts were also converted into retained insurance contracts. At year-end 2014, these additional provisions amounted to € 216 million.

The table below breaks down movements as a result of shadow accounting versus the corresponding movement in insurance contracts in the statement of financial position.

See Section 5.4.5 for a reconciliation of the IFRS provision and the TRT and LAT test results.

Breakdown changes in shadow accounting in provisions for Life insurance obligations

In € millions	Through OCI, revaluation reserves		Through statement of profit or loss, technical claims and benefits		Total	
	2014	2013	2014	2013	2014	2013
Results on allocated investments and interest derivatives ¹	--	--	-56	82	-56	82
Profit-sharing	635	-324	160	91	795	-233
Shadow loss accounting	2,824	-1,054	--	0	2,824	-1,054
Total changes in shadow accounting in provision for Life insurance obligations	3,459	-1,378	104	173	3,563	-1,205
Taxation	865	-344	26	43	891	-301
Total changes, net	2,594	-1,034	78	130	2,672	-904

¹ This relates to results on interest derivatives and fixed income investments available for sale recognised in profit and loss, provided that they are held to match interest related derivatives and guarantees for account of policyholders, embedded in the provision for life insurance obligations.

b. Statement of changes in unamortised interest rate discounts

In € millions	Life own risk	
	2014	2013
Balance as at 1 January	344	400
Discounts granted in the financial year	-6	-11
Amortisation	-43	-45
Balance as at 31 December	295	344

c. Statement of changes in provision for profit-sharing, bonuses and discounts

In € millions	Life own risk	
	2014	2013
Balance as at 1 January	90	115
Portfolio reclassification	--	-9
Profit-sharing, bonuses and discounts granted in the financial year	-21	-16
Balance as at 31 December	69	90

d. Statement of changes in technical provisions for insurance on behalf of policyholders

In € millions	2014	2013
	Balance as at 1 January	13,765
Portfolio reclassification	-601	-646
Premiums received	980	1,102
Benefits paid	-1,190	-1,423
Interest added	617	429
Exchange rate / valuation differences	448	538
Technical result	-36	-26
Release of expense loading	-102	-117
Other movements	-58	-21
Balance as at 31 December	13,823	13,765

e. Statement of changes in provision for premium shortfalls and current risks

In € millions	Gross	
	2014	2013
Balance as at 1 January	9	16
Additions during the year	--	-7
Added to the results	1	--
Balance as at 31 December	10	9

f. Statement of changes in provision for unearned premiums

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Balance as at 1 January	93	102	1	2
Additions during the year	83	93	1	1
Added to the results	-93	-102	-1	-2
Balance as at 31 December	83	93	1	1

g. Statement of changes in provision for claims payable

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Balance as at 1 January	834	849	99	122
Reported claims, current period	447	464	21	23
Reported claims, prior periods	84	71	2	4
Claims paid, current period	-262	-267	-13	-15
Claims paid, prior periods	-273	-296	-23	-37
Interest added	13	13	2	2
Change in statement of profit or loss by IFRS LAT shortfall	35	--	--	--
Balance as at 31 December	878	834	88	99

h. Statement of changes in provision for claims incurred but not reported

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Balance as at 1 January	286	289	35	40
Additions during the year	136	82	4	6
Added to the results	-103	-85	-3	-11
Balance as at 31 December	319	286	36	35

16 Provision for employee benefits**Breakdown provision for employee benefits**

In € millions	2014	2013
Other employee commitments	8	8
Total	8	8

The defined benefit plan for a number of SNS REAAL NV employees has been insured with SRLEV NV, which recognises this insurance obligation within insurance contracts. Other employee benefits did not change in 2014.

In relation to the change of employer with effect from 1 January 2015, when active employees of SNS REAAL transferred to SNS Bank NV or REAAL NV, the associated pension provision and related costs were allocated to the relevant entity at that date (see Note 24, Post balance sheet events).

17 Other provisions

Breakdown other provisions

In € millions	2014	2013
Restructuring provision	10	16
Other provisions	19	12
Total	29	28

The restructuring provision relates to future restructuring operations. Most of the restructuring operations are expected to be completed over the next few years.

Other provisions are predominantly of a long-term nature; they have been formed mainly for the risk that legal and other claims can not be settled. The timing of the expected outflow of resources is uncertain.

Statement of changes in other provisions

In € millions	Restructuring provision		Other provisions		Totaal	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	16	25	12	11	28	36
Reclassifications	--	--	8	2	8	2
Additions / release	1	3	1	2	2	5
Withdrawal	-9	-8	--	--	-9	-8
Released to results	-2	-4	-1	-3	-3	-7
Change in structure of group companies	4	--	--	--	4	--
Other movements	--	--	-1	--	-1	--
Balance as at 31 December	10	16	19	12	29	28

18 Amounts due to banks

Breakdown amounts due to banks

In € millions	2014	2013
Due on demand	438	626
Deposits and certificates	260	1,348
Private loans	1,056	1,061
Total	1,754	3,035

Deposits and certificates are comprised of liabilities under repo agreements. The decrease in 2014 compared with 2013 resulted from settlement and sale of repos.

The private loans comprise two loans from SNS Bank NV:

- A loan of € 250 million which is due on 31 December 2015 at an interest rate of 2.52 percent.
- A floating-rate loan of € 806 million equivalent to the savings elements of securitised mortgages. For details, see Note 21, Related parties.

As part of the purchase and sale agreement with Anbang, REAAL will fully repay the intra-group loan from SNS Bank NV in the sum of € 250 million after the sale has been completed.

19 Other liabilities

Breakdown other liabilities

In € millions	2014	2013
Debts in relation to direct insurance	1,522	569
Debts to reinsurers	3,686	3,961
Other taxes	41	48
Other liabilities	907	930
Accrued interest	134	87
Total	6,290	5,595

Debts in relation to direct insurance include € 1,406 million related to the Zwitserleven group contracts (2013: € 456 million).

Accrued interest includes € 93 million related to deferred coupon interest payments on the subordinated bonds issued by SRLEV NV in 2011 (2013: € 44 million). For details, see Note 14, Subordinated debt.

20 Off balance sheet commitments

Contingent liabilities

Breakdown contingent liabilities

In € millions	2014	2013
Liabilities from pledges and guarantees given	3	8
Liabilities from irrevocable facilities	54	89
Total	57	97

Liabilities from tiered loans relate to the maximum potential credit risk of SRLEV NV's arising from tiered loans from ABN AMRO as the intermediary. Tiered loans are private loans whose principal is not paid as a lump sum but according to a schedule. Over the course of time, subsequent payments will form part of the investment portfolio. This exposure does not affect SRLEV NV's solvency margin.

At year-end 2014, SRLEV NV had assumed commitments to invest € 53 million in investment funds. These funds may in due course call these commitments (capital calls). Ahead of these capital calls, securities have been identified that can be sold as soon as there is a capital call. This exposure has no effect on capital for SRLEV NV's solvency.

At year-end 2014, SRLEV NV had assumed commitments of € 0.6 million for the renovation of an investment property.

Related-party balances are presented in Note 23, Related parties.

Guarantee schemes

For details on the insurance contract between NV Pensioen ESC, an associate of SRLEV NV, and a third party, see Note 15, Insurance contracts.

DNB can impose a levy on VIVAT Group as part of a so-called relief scheme, which stipulates that a Life insurer falling short of the minimum solvency requirement can be transferred to a relief institution through reinsurance or portfolio

transfer. The capital required is apportioned among Life insurers, taking into account their own solvency requirements, with a maximum of approximately € 269 million in total and approximately € 135 million per relief situation for all Life insurers jointly.

In 2012, SRLEV NV revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV NV bore part of the interest deficit. At year-end 2014, a liability of € 7.2 million exists relating to this separate accounts restructuring. The customers' liability in respect of this restructuring was € 29 million at year-end 2014.

Guarantees received

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to € 1,132 million at year-end 2014 (2013: € 1,182 million).

The market value of the collateral of the mortgages was € 3,230 million at year-end 2014. The amortised cost of the mortgages was € 2,060 million at year-end 2014.

Netherlands Reinsurance company for Losses from Terrorism

In 2015, REAAL NV will take a 13.66 percent share in the Life cluster (2014: 14.51 percent) and a 5.19 percent share in the Non-life cluster (2014: 5.24 percent) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2015, the guarantee will be € 75 million (2014: € 79 million) and premiums will amount to € 0.8 million (2014: € 1 million).

Legal proceedings

VIVAT Group is involved in legal proceedings. Although it is impossible to predict the outcome of current or pending legal proceedings, management believes on the basis of currently available information and after taking legal advice that the outcome of these proceedings is unlikely to have any material adverse effects on VIVAT Group's financial position or operating results.

Unit-linked policies

Since 2008, there has been widespread public concern about the costs and risks related to unit-linked policies and the question of whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, VIVAT Group (and other insurers) created a compensation scheme with consumer organisations. Based on this scheme, the costs that have been and will be charged until the maturity date will be paid into the policy if these costs are higher than the maximum percentage specified in the compensation scheme. The compensation scheme has been implemented. An audit of the implementation has uncovered a small number of weaknesses; payments will be made to customers to rectify these weaknesses. A provision has been formed for the amount involved.

While earlier attention mainly focused on compensation for costs, Dutch insurers are now seeing an increase in complaints/claims involving unit-linked policies raised on different grounds. Regulators, politicians and media have also turned their attention to unit-linked insurance policies. Since 2008, VIVAT Group has received a large number of complaints/claims from customers who blame it for not having informed (or warned) them clearly enough about the associated costs, specific product features and attached risks prior to them taking out a policy. Some customers also blame VIVAT Group for not having warned them well enough about the possible impact of actual developments, such as the credit crunch, on the target capital during the duration of the policy.

VIVAT Group uses various tools to communicate with customers and encourages them to check whether their unit-linked policies still meet the purposes for which they were originally taken out and to consider revising their products or switching to other forms of capital accumulation ('complementary strategy').

The number of legal proceedings against VIVAT Group that involve unit-linked policies is limited but growing. At year-end 2014, 26 cases had been submitted to the Kifid's Arbitration Committee, one to Kifid's Appeals Committee and five to the civil courts, including a class action to the court in Alkmaar brought by VerenigingWoekerpolis.nl. To date, the number of cases in which VIVAT Group has been required to pay damages following a decision by the Arbitration Committee or a civil court is very limited. The possibility of adverse judgements is growing, however, as the number of cases increases. The costs of the compensation scheme and complementary strategy are substantial; and have been recognised in the financial statements. Current and any future subsequent legal proceedings could have a substantial financial and reputational impact. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial impact of current and possible future proceedings. As a result, no provision has been formed.

Future payment obligations

VIVAT Group has signed a number of contracts for ITC support, with a payment obligation of € 5.8 million in 2015. The obligation for the period of more than one year and less than five years amounts to € 8.4 million. No obligations have been entered into for more than five years. These contracts were transferred from SNS REAAL NV to VIVAT Group in 2014 because of the restructuring of SNS REAAL NV.

Future payment obligations for car leases in 2015 amount to € 1.8 million and to € 3.0 million for a period of more than one year. No obligations have been entered into for more than five years.

The rental obligations for owner-occupied properties are € 9 million in 2015. The tenancy agreements will expire between 2015 and 2023.

21 Related parties

Identity of related parties

Parties are considered to be related if one party can exercise control or significantly affect the other party's financial or operating policies. VIVAT Group has a range of normal business relationships with related companies and parties as part of its ordinary activities. VIVAT Group's related parties are its parent SNS REAAL, subsidiaries, associates, joint ventures, Stichting administratiekantoor beheer financiële instellingen (NLF1), the Dutch State and senior management and their close family members. Transactions with related parties primarily concern normal banking and insurance activities, taxation and other administrative activities. Unless stated otherwise, transactions with related parties are conducted at arm's length.

A number of corporate staff departments at VIVAT Group are shared. The related expenses are allocated to the related parties that use their services. For further details, see Section 7.4 Segmentation.

Intra-group balances between VIVAT Group, SNS REAAL NV, subsidiaries, associates and joint ventures

Transactions and positions between REAAL NV, SNS REAAL NV and affiliates

In € millions	SNS REAAL NV		Affiliates	
	2014	2013	2014	2013
Positions				
Receivables	--	41	2,683	3,103
Subordinated loans	302	302	--	--
Other debts	36	31	1,058	1,112
Transactions				
Movements receivables	-41	-645	-420	-270
Movements subordinated loans	--	-55	--	--
Movements other debts	5	-92	-54	-107
Income	7	18	129	112
Impairments	--	9	--	--
Other expenses	180	242	54	29

Tax group

REAAL NV is a wholly owned subsidiary of SNS REAAL. Together with other group companies, they constitute a tax group for income tax and VAT purposes. All companies within this tax group headed by SNS REAAL are jointly and severally liable for the group's income tax and VAT debts. For further details on income tax, see Note 9, Deferred income tax assets and liabilities.

Acquisition of ACTIAM NV

For further details, see Section 7.2, Acquisitions and disposals.

Funding-related intra-group balances

A number of measures were taken in the second half of 2013 to reduce the interdependencies between SNS Bank NV and REAAL NV, and to absorb the implications for the capital position to the extent possible. The measures were in line with the instructions of the European Commission and approved by the Dutch Central Bank (DNB). In 2014, the intra-group balances were:

- A € 250 million loan by SNS Bank NV to REAAL NV (2013: € 250 million) to refinance the current account balance. The loan is due in one year and includes an one-year renewal option. The loan also has a repayment option in the event of the sale of any part of the insurer. The loan bears an interest rate of 2.52 percent per annum. REAAL NV has provided the shares in SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV as collateral to SNS Bank NV. REAAL NV is under the obligation to make early repayment if it ceases to be a subsidiary of SNS REAAL or if SRLEV NV, Reaal Schadeverzekeringen NV or Proteq Levensverzekeringen NV cease to be subsidiaries of REAAL NV. The loan has a risk weighting of 500 percent.
- REAAL NV signed a credit facility of € 200 million with its subsidiary SRLEV NV in March 2014. Six sub-loans with a combined value of € 105 million had been granted at year-end 2014. This is a temporary facility and if used will be repaid in full if the insurer is sold.
- Because of the repurchase of a portfolio of mortgage loans by SNS Bank NV from SRLEV NV and the related settlement, a loan of € 512 million from SRLEV NV to Zwitterleven RM Beleggingen BV expired. The derivative exposures between Zwitterleven RM Beleggingen BV and SNS Bank NV in the sum of € 28 million and the exposure associated with the collateral between SRLEV NV and SNS Bank NV of € 28 million lapsed. The exposure of € 13 million, which is equivalent to the savings elements of the loans between SNS Bank NV and SRLEV NV, lapsed as well.
- The financing structure of REAAL Hypotheken B.V. was changed in the second half of 2014. The changes were made for the purpose of aligning the funding arrangements with the framework of standards on intra-group balances

by the Dutch Financial Supervision Act. As a result, SRLEV NV granted a loan to REAAL Hypotheken B.V. to repay the current account balance between REAAL Hypotheken B.V. and REAAL NV. The mortgage portfolio not yet pledged to third parties was provided as collateral to SRLEV NV.

- REAAL NV has waived a current account receivable of € 6.1 million from its subsidiary RM BV.

Mortgage-related intra-group balances

SRLEV NV and SNS Bank NV have sold savings-based mortgages to customers. A savings-based mortgage is a financial product that combines an insurance policy issued by SRLEV NV with a mortgage provided by SNS Bank NV. The proceeds from the insurance policy will ultimately be used to redeem the mortgage. SRLEV NV has paid the savings-based elements of the insurance premiums it received from the policyholders into a deposit at SNS Bank NV for SRLEV NV at interest rates equal to those on the mortgages linked to these insurance policies.

SRLEV NV and SNS Bank NV have entered into a cession/retrocession transaction, in which process SNS Bank NV transferred to SRLEV NV part of the legal title to each savings-based mortgage, and will continue to do so. This part is equal to the amounts of the savings that SRLEV NV paid into a deposit at SNS Bank NV, including accrued interest. The amounts deposited at SNS Bank NV, including accrued interest, are equal to the purchase price of the legal title to the mortgages. If and when these amounts increase because of new (monthly) savings deposits by SRLEV NV at SNS Bank NV and the accrued interest, SRLEV NV will pay that amount to SNS Bank NV, which will sell additional parts of the legal title to savings-based mortgages and transfer that title to SRLEV NV. If and when these amounts decrease, for instance when an insurance policy expires, SNS Bank NV will repurchase the legal title to the mortgage, which will be transferred at a predetermined purchase price equal to the amount of the decrease in the deposited savings, including accrued interest. The cession/retrocession agreement does not apply for securitised mortgages. Furthermore, SNS Bank NV is not permitted to enter into securitisation or other transactions involving savings-based mortgages linked to SRLEV NV insurance policies without SRLEV NV's prior consent.

As the sale price of the legal title corresponds with the repurchase price and as the cession/retrocession agreement explicitly stipulates that the credit risk on the savings-based mortgages will continue to rest with SNS Bank NV, no transfer of beneficial title will take place. Consequently, the mortgages continue to be capitalised on the statement of financial position of SNS Bank NV. At 31 December 2014, the total amount of savings outstanding between SNS Bank NV and SRLEV NV amounted to € 1,641 million (2013: € 1,586 million), of which € 806 million related to sub-participations in securitisations. SNS Bank NV legally transferred the balance of these two amounts to SRLEV NV by cession/retrocession.

As far as the deposits of SRLEV NV with SNS Bank NV by virtue of mortgages securitised by SNS Bank NV are concerned (31 December 2014: € 806 million; 31 December 2013: € 811 million), SRLEV NV received a loan from SNS Bank NV to acquire sub-participations in the securitised mortgages of the structured entities.

In 2014, SNS Bank NV repurchased a portfolio of mortgages from REAAL NV for € 416 million.

Other significant intra-group balances between REAAL NV and related parties:

- As part of the changes to the group structure and resulting disentanglement of SNS REAAL, SNS REAAL transferred € 20 million in property and equipment (IT) and € 5 million relating to the funding of lease cars to REAAL NV. In addition, € 21 million in property and equipment was transferred from REAAL NV facility services to SNS Bank NV.
- At year-end 2014, REAAL NV's investments in fixed-income securities issued by SNS Bank NV were € 23 million (2013: € 27 million).
- At year-end 2014, SRLEV NV's investments, measured at amortised cost, in bonds issued by various Hermes securitisation entities consolidated by SNS Bank NV were nil (2013: € 22 million). The disposal was entirely attributable to the repayments of the bonds.

- At year-end 2014, SRLEV NV's investments, measured at amortised cost, in bonds issued by various Holland Homes securitisation entities consolidated by SNS Bank NV were € 48 million (2013: € 54 million).
- On 1 January 2015, the operations of REAAL Banking Services, will be transferred to SNS Bank NV, which will continue these operations under the BLG Wonen label.

Intra-group balances with senior management of VIVAT Group

The senior management is comprised of the members of the Statutory Board of VIVAT Verzekeringen, the other managing directors of VIVAT Group and the members of the Executive Board of SNS REAAL NV. In total, there were 21 senior managers at 31 December 2014 (31 December 2013: 10).

On 1 July 2014, a new governance structure was implemented, and as a result VIVAT Group is now under independent management (Statutory Board and the management of Zwitserleven, Reaal and ACTIAM). The Executive Board of SNS REAAL NV has retained its influence on, and responsibility for, the policies pursued by VIVAT Group. Under IFRS, the members of the Executive Board of SNS REAAL NV – together with the management of VIVAT Group – qualify as senior management.

Since the independent senior management of VIVAT Group has been in place, the areas of responsibility of the Executive Board members of SNS REAAL NV, which were separate until 1 July 2014, were changed into shared areas of responsibility. The entire Executive Board of SNS REAAL NV has been part of the group of senior managers since 1 July 2014 (2013: three of the four Board members).

Breakdown remuneration managers in key positions

In € thousands	Statutory board		Other managers in key positions		Total	
	2014	2013	2014	2013	2014	2013
Fixed annual income	2,492	1,575	2,282	2,224	4,774	3,799
Pension contributions	395	241	330	317	725	558
Long-term remuneration	--	--	--	--	--	--
Termination benefits	--	--	--	607	--	607
Total	2,887	1,816	2,612	3,148	5,499	4,964
Average number of ftes	6.0	3.1	9.4	7.9	15.4	11.0
Average remuneration per fte ¹	481	540	278	381	357	426

¹ In the average remuneration per fte 2013, amounts for the so-called 'crisisheffing' have been excluded.

Fixed annual income (IFRS: 'Short-term employee benefits') refers to fixed salary (including holiday allowance, end-of-year bonus, contribution to health insurance and social security contributions) and variable remuneration. No variable remuneration was paid to senior management relating to 2014. VIVAT Group has taken out two insurance policies for a number of senior managers: occupational disability insurance and term Life insurance. VIVAT Group pays the related premiums. These premiums are part of annual income.

Based on the provisions of the Dutch Budget Agreement 2013 Tax Measures (Implementation) Act, 16 percent crisis tax was due on salaries paid to employees in 2013 to the extent that they exceeded € 150,000 (per employee). The crisis tax was part of the Annual Income for 2013. No crisis tax was due for 2014. The total remuneration for 2013 specified in the table above includes this crisis tax. For the purposes of comparison, the average remuneration per FTE for 2013 has been presented exclusive of the crisis tax.

Pension contributions (IFRS: 'Post-employment benefits') refer to the pension contributions paid for by the employer, net of the employee's personal contribution.

Long-term remuneration (IFRS: 'Other long-term employee benefits') refers to remuneration that has been awarded but not yet paid.

Severance pay (IFRS: 'Termination benefits') refers to compensation for termination of the employment contract, including any compensation to which the employee is entitled as part of the termination of the employment contract without having to deliver a professional performance.

The remuneration policy governing the members of the Statutory Board met the requirements of the Dutch Financial Undertakings (Remuneration Policy) Act (Wbfo), which came into effect on 7 February 2015, as early as in 2014. The Act stipulates that a number of other senior managers are also governed by these requirements. Acting ahead of the introduction of the Act, it was decided at year-end 2014 to align the remuneration policy governing these seven persons to the requirements of the Act with effect from 1 January 2015. These requirements include a cap on severance pay (limiting it to one-year's fixed annual salary) and/or a freeze on fixed annual salary (exclusive of any collectively agreed increases) in combination with a ban on variable remuneration.

Loans

The table below shows the loans granted to senior management outstanding at 31 December 2014. These are all mortgage loans provided in the course of ordinary activities and subject to conditions that apply to other members of staff as well.

Breakdown loans to managers in key positions

In € thousands	Outstanding as at 31 December		Average interest rate ¹		Redemptions		Advances	
	2014	2013	2014	2013	2014	2013	2014	2013
Mortgage loans	7,789	3,460	4.05%	4.00%	354	279	--	--

¹ The average interest rate is the interest paid as a percentage of the average outstanding mortgage loan balances.

The difference in the amount outstanding at 31 December 2014 and 2013 was due to repayments in 2014 and changes in senior management.

Details on the remuneration of the individual members of the Executive Board and the Supervisory Board included in the Annual Report 2014 of SNS REAAL (Remuneration report).

22 Interests in non-consolidated structured entities

In some cases VIVAT Group has retained involvement in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

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

Non-consolidated structured entities 2014

In € millions	Carrying amount assets	Carrying amount liabilities	Carrying amount vs maximum exposure to loss	Total assets of entities	Total liabilities of entities
Securitisation entities	30	--	30	2,016	2,016
Total	30	--	30	2,016	2,016

Non-consolidated structured entities 2013

In € millions	Carrying amount assets	Carrying amount liabilities	Carrying amount vs maximum exposure to loss	Total assets of entities	Total liabilities of entities
Securitisation entities	31	--	31	2,107	2,107
Total	31	--	31	2,107	2,107

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

VIVAT Group had not offered financial or non-financial support to any non-consolidated structured entities at 31 December 2014. VIVAT Group does not intend to offer further financial or other support to non-consolidated structured entities.

During the year VIVAT Group received the following income, gains and losses from its interests in non-consolidated structured entities:

Results from non-consolidated structured entities

In € millions	2014			2013		
	Interest/ dividends received	Fees received	Net gains/(losses) on financial instruments classified as held for trading	Interest/ dividends received	Fees received	Net gains/(losses) on financial instruments classified as held for trading
Securitisation entities	--	--	--	1	--	--
Total	--	--	--	1	--	--

23 Interest in associates and other enterprises

Zwitserven RM Beleggingen B.V., a structured entity over which VIVAT Group exercises control, is consolidated. VIVAT Group manages this entity as part of its Life insurance business. Zwitserven RM Beleggingen B.V. held mortgages acquired from SNS Bank NV in 2010. At year-end 2014, SNS Bank NV repurchased remaining mortgages from this entity. The gain on this transaction for VIVAT Group was € 4.4 million. As a result of the transaction, this entity had no activities at year-end 2014 and will cease to exist in 2015 (see Note 5, Investments).

24 Post balance sheet events

Sale of REAAL NV

On 16 February 2015, SNS REAAL NV announced that it had signed an agreement for the sale of REAAL NV with Anbang Group Holdings Co. Ltd., a wholly-owned subsidiary of Anbang Insurance Group Co. Ltd. (Anbang), a leading Chinese insurance company.

Under the agreement, Anbang acquires 100% of the shares of REAAL NV for a consideration of € 150 million. This consideration may still vary due to changes in the IFRS equity of REAAL NV between 31 December 2014 and 30 June 2015, the anticipated effective date of the sale. As part of the agreement, € 302 million of subordinated intercompany loans from SNS REAAL NV to REAAL NV and SRLEV NV will be repaid after completion of the sale, subject to a reduction in the event of negative changes in REAAL NV's IFRS equity. Furthermore, an intercompany loan from SNS Bank NV to REAAL NV of € 250 million will be repaid in full. The solvency of REAAL NV will be strengthened to

adequate levels through a capital injection by Anbang. Parties have agreed on a strengthening of the solvency ratio of REAAL NV to a level of between 140 and 150% under the Solvency II regime, which will enter into force on 1 January 2016.

Completion of the sale of REAAL NV to Anbang is subject to regulatory approvals in the Netherlands and China. Another condition is that the IFRS equity of REAAL NV does not decline beyond specific limits between 31 December 2014 and 30 June 2015. On the date of these financial statements there is no reason to assume that the conditions of the sale will not be met. Nevertheless, at this moment there is no absolute certainty that the transaction will be completed.

If the conditions relevant to the completion of the transaction with Anbang will not be met, the Board of Management of REAAL N.V. shall – if the Solvency I level at the time of completion is still below the 175 percent, and it is expected that the Solvency II requirement (Solvency Capital Requirement, SCR) will not be met – re-evaluate which measures should be taken. In these circumstances, the Board of Management of SRLEV NV will explicitly consider to no longer accept new policyholders and will continue to manage the exposures of the existing policyholders in a closed portfolio. The going concern assumptions for various balance sheet items will be adjusted accordingly. This will then have a material negative impact on the financial position.

In its final decision on the nationalisation of SNS REAAL NV of 19 December 2013, the European Commission imposed a number of restrictions on SNS REAAL. The signing of the agreement with Anbang has caused the restrictions on REAAL NV, including the coupon ban on subordinated bonds issued to third parties, to come to an end. The acquisition ban will, however, remain in force for REAAL NV until 19 December 2016. Until the sale has been completed, SRLEV NV will avail itself of its right to defer coupon payments on the subordinated bonds and on the subordinated intra-group loan from SNS REAAL NV.

After having signed the agreement to transfer all shares in REAAL NV from SNS REAAL NV to Anbang Group Holdings Co. Limited on 14 February 2015, SNS REAAL NV revoked the statements of joint and several liability (Section 403, Book 2 of the Dutch Civil Code) for SNS Verzekeringen B.V., ACTIAM NV and Foresta Investerings Maatschappij NV. As a result, SNS REAAL NV will no longer incur new liability claims arising from legal acts by these companies in the future.

Further disentanglement of SNS REAAL NV, SNS Bank NV and REAAL NV

With effect from 1 January 2015, the legal employer status of almost all employees changed from SNS REAAL NV to SNS Bank NV or REAAL NV, without affecting their employment conditions. The scope of application of the collective labour agreement, personnel guide, pension scheme and social plan was extended to include the legal entities SNS Bank NV and REAAL NV.

The pension rights of the majority of employees of SNS Bank NV and REAAL NV, including the accrual of all new pension rights of active employees, are included in the defined contribution plan of the independent Stichting Pensioenfonds SNS REAAL.

A minor part of the pension rights is classified as defined benefit plans. These are rights that were accrued by employees in the past and that remained in pension schemes taken over as part of business acquisitions. Until 31 December 2014, these rights were provided for by SNS REAAL NV as part of employee benefit liabilities under IAS 19. At the beginning of 2015 these liabilities were allocated to SNS Bank NV and REAAL NV insofar as they related to staff transferred to these entities as a result of the transfer to a new legal employer. Insofar as they related to former employees who had already left the company and therefore were not subject to a transfer of legal employer, the liabilities remained with SNS REAAL NV. Due to efficiency considerations and following receipt of approval, the liabilities of SNS Bank NV and SNS REAAL NV are expected to be transferred at fair value to REAAL NV in the first half of 2015.

Other employee benefit liabilities include provisions for employee discounts on own products granted to pensioners. The provision on the balance sheet of SNS REAAL NV will be allocated to SNS Bank NV and REAAL NV in the first half of 2015.

Transfer of REAAL Banking Services operations

On 1 January 2015, the operations of REAAL Banking Services were transferred to SNS Bank NV, which will continue these operations under the BLG Wonen label.

25 Net premium income

Premium income consists of insurance premiums net of reinsurance premiums.

Breakdown net premium income

In € millions	Own account		For account of policyholders		Total	
	2014	2013	2014	2013	2014	2013
Regular premiums Reaal Life	651	699	364	411	1,015	1,110
Regular premiums Zwitserleven	305	279	496	554	801	833
Total gross regular premiums Life	956	978	860	965	1,816	1,943
Single premiums Reaal Life	76	217	2	4	78	221
Single premiums Zwitserleven	334	109	118	133	452	242
Total gross single premiums	410	326	120	137	530	463
Total gross premium income	1,366	1,304	980	1,102	2,346	2,406
Total reinsurance premiums Reaal Life and Zwitserleven	161	164	--	--	161	164
Total net premium income Life	1,205	1,140	980	1,102	2,185	2,242
Total net premium income Non-life					713	725
Total net premium income					2,898	2,967

Breakdown regular premiums Life

In € millions	Own account		For account of policyholders		Total	
	2014	2013	2014	2013	2014	2013
<i>Individual</i>						
Without profit-sharing	541	537	364	411	905	948
With profit-sharing	132	162	--	--	132	162
Total individual	673	699	364	411	1,037	1,110
<i>Group</i>						
Without profit-sharing	--	--	496	554	496	554
With profit-sharing	283	279	--	--	283	279
Total group	283	279	496	554	779	833
Total gross regular premiums Life	956	978	860	965	1,816	1,943

Breakdown single premiums Life

In € millions	Own account		For account of policyholders		Total	
	2014	2013	2014	2013	2014	2013
<i>Individual</i>						
Without profit-sharing	75	217	2	4	77	221
With profit-sharing	193	--	--	--	193	--
Total individual	268	217	2	4	270	221
<i>Group</i>						
Without profit-sharing	--	--	118	133	118	133
With profit-sharing	142	109	--	--	142	109
Total group	142	109	118	133	260	242
Total gross single premiums Life	410	326	120	137	530	463

Breakdown premium income Non-life

In € millions	Gross		Reinsurance		Total	
	2014	2013	2014	2013	2014	2013
Fire	214	214	14	21	200	193
Accident and health	126	131	5	6	121	125
Motor vehicle	248	259	2	2	246	257
Transport	54	54	1	4	53	50
Other segments	117	126	24	26	93	100
Net premium income Non-life	759	784	46	59	713	725

26 Net fee and commission income

This item includes fees from services that do not qualify as interest.

Breakdown net fee and commission income

In € millions	2014	2013
Fee and commission income:		
- Securities activities	2	2
- Insurance agency activities	18	18
- Management fees	69	50
- Other activities	11	14
Total fee and commission income:	100	84
Fee and commission expense	15	14
Total	85	70

27 Share in result of associates

This item represents the share in the profit or loss of associates. In 2014, this amounted to € 1 million (2013: € 2 million).

28 Investment income

Breakdown investment income

In € millions	2014	2013
Fair value through profit or loss: Designated	38	19
Available for sale	912	899
Loans and receivables	501	506
Investment property	17	10
Total	1,469	1,434

Composition of investment income 2014

In € millions	Fair value through profit or loss		Available for sale	Loans and receivables	Investment property	Total
	Held for trading	Designated				
Interest	--	7	604	500	--	1,111
Dividend	--	--	27	--	--	27
Rental income	--	--	--	--	18	18
Total interest dividend and rental income	--	7	632	500	18	1,157
Realised revaluations	--	31	280	1	-1	311
Unrealised revaluations	--	1	--	--	-1	--
Total revaluations	--	32	280	1	-1	311
Total	--	38	912	501	17	1,469

Composition of investment income 2013

In € millions	Fair value through profit or loss		Available for sale	Loans and receivables	Investment property	Total
	Held for trading	Designated				
Interest	--	11	636	504	--	1,151
Dividend	--	--	29	--	--	29
Rental income	--	--	--	--	21	21
Total interest dividend and rental income	--	11	665	504	21	1,201
Realised revaluations	--	14	234	2	--	250
Unrealised revaluations	--	-6	--	--	-11	-17
Total revaluations	--	8	234	2	-11	233
Total	--	19	899	506	10	1,434

VIVAT Group recognised € 0.5 million in interest income on impaired investments (2013: € 1.1 million).

Rental income from investment property includes both rentals and directly attributable operating expenses. Operating expenses amounted to € 5.8 million (2013: € 6.7 million).

Investment income includes a net gain on currency differences of € 1.2 million (2013: € 3.5 million).

29 Investments income for account of policyholders

Breakdown investment income for account of policyholders

In € millions	2014	2013
Interest	44	45
Dividend	116	145
Total interest and dividend	160	190
Revaluations	1,999	438
Total	2,159	628

The gain, mainly resulting from revaluations (€ 1,999 million), was caused by a lower long-term interest rate that led to an increase in the market value of fixed-interest securities and rising share indices.

30 Result on financial instruments

Breakdown result on financial instruments

In € millions	2014	2013
Revaluations transferred from shareholders' equity	-19	8
Interest income transferred from shareholders' equity	1	3
Result on derivatives held for cash flow hedge accounting	-18	11
Market value movements in hedging instruments	--	-1
Market value movements in hedged item attributable to hedged risks	-2	-4
Market value movements in derivatives held for fair value hedge accounting	-2	-5
Market value movements of derivatives maintained for ALM not classified for hedge accounting	-59	55
Share options	--	-1
Total	-78	60

Ineffectiveness for VIVAT Group arising from cash flow hedges and recognised through profit or loss was nil for 2014 (2013: nil).

31 Technical claims and benefits

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

Breakdown technical claims and benefits

In € millions	Gross		Reinsurance		Total	
	2014	2013	2014	2013	2014	2013
Benefits paid and surrenders for own account	1,900	2,767	-533	-637	1,367	2,130
Change in technical provisions for own account	832	-280	274	371	1,106	91
Profit-sharing and discounts	73	55	--	--	73	55
Change in shadow accounting	104	173	--	--	104	173
Change in LAT shortfall	829	147	--	--	829	147
Life insurance	3,738	2,862	-259	-266	3,479	2,596
Claims paid	535	564	-36	-52	499	512
Change in provision for reported claims	44	-15	11	23	55	8
Change in provision for claims incurred but not reported	33	-3	-1	5	32	2
Non-life insurance	612	546	-26	-24	586	522
Total	4,350	3,408	-285	-290	4,065	3,118

The change in technical provisions for own account includes compensation paid to unit-linked policyholders and compensation relating to defined contribution plans. For further details on the compensation scheme, see Note 15.

32 Charges for account of policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit-sharing and discounts relating to these policyholders. Profit-sharing and discounts include € 43 million in amortisation of interest rate rebates (2013: € 45 million).

Breakdown charges for account of policyholders

In € millions	2014	2013
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,190	1,423
Change in technical provisions for Life insurance contracts for account of policyholders	1,139	240
Total	2,329	1,663

33 Acquisition costs for insurance activities

Breakdown acquisition costs for insurance activities

In € millions	2014	2013
REAAL Life	32	55
Zwitserleven	11	12
Reinsurance Life	3	10
Total Life	46	77
REAAL Non-life	178	181
Reinsurance Non-life	-9	-11
Total Non-life	169	170
Total	215	247

34 Staff costs

Breakdown staff costs

In € millions	2014	2013
Salaries	131	116
Pension costs	29	21
Social security contributions	20	17
Other staff costs	53	40
Total	234	194

Breakdown pension costs

In € millions	2014	2013
Pension schemes based on defined contribution	29	21
Total	29	21

Composition pension costs

In € millions	2014	2013
Pension contributions	34	25
Employee contributions	-5	-4
Total	29	21

Share-based remuneration

The former share plan lapsed at the time of the nationalisation in February 2013 and the shares granted were expropriated.

Under the new share plan, which came into effect retroactively on 1 January 2013, part of the variable remuneration to employees of SNS REAAL and its group entities, if any, is granted in phantom shares. The value of these shares is based on developments in earnings of SNS REAAL. The value of the phantom shares is cash-settled on maturity.

Other staff costs

Other staff costs include the cost of temporary staff of € 36 million (2013: € 29 million), the car fleet, travelling expenses and training costs.

Number of FTEs

In numbers	2014	2013
Number of FTEs	3,134	2,009

The corporate staff at SNS REAAL holding company level were largely allocated to SNS Bank NV and VIVAT Group in 2014. In addition, ACTIAM was acquired in 2014, which had a headcount of 139 FTEs at year-end 2014.

On 1 January 2015, another 777 FTEs transferred from SNS REAAL to VIVAT Group, including IT & Change and Audit. This brought the total headcount of VIVAT Group to 3,911 FTEs at the start of 2015. Because of the disentanglement of SNS REAAL, the responsibility for these FTEs will be transferred from SNS REAAL to VIVAT Group.

35 Other operating expenses

Breakdown other operating expenses

In € millions	2014	2013
IT systems	113	113
Housing	14	23
Marketing and public relations	13	10
External advisors	9	10
Other costs	64	88
Total	213	244

36 Impairment losses (reversals)

Breakdown impairment losses / reversals by class of asset

In € millions	Impairments		Reversals		Total	
	2014	2013	2014	2013	2014	2013
Through profit or loss						
Intangible assets	--	186	--	--	--	186
Property and equipment	4	5	--	--	4	5
Investments	4	34	--	12	4	22
Other debts	13	4	--	--	13	4
Total through profit or loss	21	229	--	12	21	217
Through equity						
Investments	3	12	--	--	3	12
Total through equity	3	12	--	--	3	12

Breakdown impairment losses / reversals by segment

In € millions	Impairments		Reversals		Total	
	2014	2013	2014	2013	2014	2013
Through profit or loss						
REAAL	2	204	--	12	2	192
Zwitserleven	19	25	--	--	19	25
ACTIAM	--	--	--	--	--	--
Total through profit or loss	21	229	--	12	21	217
Through equity						
REAAL	3	12	--	--	3	12
Total through equity	3	12	--	--	3	12

37 Other interest expenses

Breakdown other interest expenses

In € millions	2014	2013
Bonds	49	45
Private loans	74	57
Interest on reinsurance deposits	123	119
Other interest and investment expenses	11	5
Total	256	226

38 Taxation

Breakdown taxation

In € millions	2014	2013
In financial year	-38	63
Prior year adjustments	1	10
Corporate income tax due	-37	73
Due to temporary differences	-166	-221
Deferred tax	-166	-221
Total	-203	-148

Reconciliation between the statutory and effective tax rate

In € millions	2014	2013
Statutory income tax rate	25.0%	25.0%
Result before tax	-815	-773
Statutory corporate income tax amount	-204	-193
Effect of participation exemption	--	-2
Prior year adjustments (including tax provision release)	1	10
Permanent differences	--	38
Other, mainly non-deductible expenses	--	-1
Total	-203	-148
Effective tax rate	24.9%	19.1%

7.4 Segmentation

39 Segment information

The corporate structure was comprised of three segments at year-end 2014: REAAL, Zwitterleven and ACTIAM. REAAL focuses on individual Life and Non-life insurance, while Zwitterleven offers individual and group pension insurance. ACTIAM seeks to achieve investment targets for institutional market parties.

SNS REAAL and VIVAT Group share a number of corporate staff departments. All of their costs are allocated to the segments that engage their services in a two-stage process. Stage 1 is the allocation, where possible, of expenses according to services engaged (standard allocation). The remaining expenses are allocated in proportion to staff numbers in stage 2.

ACTIAM NV has been part of VIVAT Group since 1 July 2014; it is included separately in the segment tables. The segment statement of profit or loss includes the results of ACTIAM NV for the second half of 2014.

Zwitterleven

This segment offers specialised pension products aimed at future income. Zwitterleven's customers are directors/major shareholders, SMEs and large companies.

REAAL

The REAAL segment has three sub-segments: REAAL Life, REAAL Non-life and REAAL Other.

REAAL Life

This segment offers individual Life insurance to the retail and SME markets, and includes REAAL Levensverzekeringen and Proteq Levensverzekeringen.

REAAL Non-life

This segment offers property, mobility, bodily injury, invalidity and occupational disability insurance.

REAAL Other

This segment comprises activities that are managed separately from the REAAL Life and REAAL Non-life.

ACTIAM

This segment offers solutions to institutional market parties. ACTIAM helps its customers achieve their investment targets with sustainable performance, service and advice.

40 Statement of financial position by segment

Statement of financial position by segment 31 december 2014

	Zwitserleven				REAAL	ACTIAM	Elimination	Total
		REAAL Life	REAAL Non-life	REAAL ¹ Other	REAAL Total			
In € millions								
Assets								
Intangible assets	--	--	51	24	75	--	--	75
Property and equipment	21	31	--	29	60	--	--	81
Investments in associates	--	--	6	--	6	--	--	6
Investment properties	37	230	--	--	230	--	--	267
Investments	18,124	17,193	1,431	-69	18,555	--	-31	36,648
Investments for account of policyholders	8,691	5,868	--	--	5,868	--	--	14,559
Investments for account of third parties	--	1,427	--	--	1,427	--	--	1,427
Derivatives	419	427	--	--	427	--	--	846
Deferred tax assets	1,408	259	11	-4	266	--	--	1,674
Reinsurance contracts	--	3,589	125	--	3,714	--	--	3,714
Loans and advances to banks	54	267	--	--	267	--	--	321
Corporate income tax	2	-2	27	-27	-2	--	--	--
Other assets	147	297	33	-11	319	15	-2	479
Cash and cash equivalents	179	170	21	19	210	39	--	428
Total assets	29,082	29,756	1,705	-39	31,422	54	-33	60,525
Equity and liabilities								
Shareholders' equity	1,166	938	239	-363	814	36	--	2,015
Minority interests	--	--	--	--	--	--	--	--
Total equity	1,166	938	239	-363	814	36	--	2,015
Subordinated debt	224	613	50	--	663	--	--	887
Insurance contracts	24,951	20,405	1,290	--	21,695	--	--	46,646
Liabilities investments for account of third parties	--	1,427	--	--	1,427	--	--	1,427
Provision for employee benefits	--	--	--	8	8	--	--	8
Other provisions	6	14	--	9	23	--	--	29
Derivatives	129	40	--	--	40	--	--	169
Deferred tax liabilities	741	451	29	-3	477	--	--	1,218
Amounts due to banks	298	1,206	--	250	1,456	--	--	1,754
Corporate income tax	--	70	--	5	75	7	--	82
Other liabilities	1,567	4,592	97	55	4,744	11	-33	6,289
Total equity and liabilities	29,082	29,756	1,705	-39	31,422	54	-33	60,525

¹ In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.

Statement of financial position by segment 31 december 2013

	Zwitserleven				REAAL	ACTIAM	Elimination	Total
		REAAL Life	REAAL Non-life	REAAL ¹ Other	REAAL Total			
In € millions								
Assets								
Intangible assets	--	--	56	8	64	--	--	64
Property and equipment	25	35	--	34	69	--	--	94
Investments in associates	--	--	6	--	6	--	--	6
Investment property	38	230	--	--	230	--	--	268
Investments	11,772	19,732	1,457	18	21,207	--	--	32,979
Investments for account of policyholders	7,627	5,864	--	--	5,864	--	--	13,491
Investments for account of third parties	--	1,361	--	--	1,361	--	--	1,361
Derivatives	368	222	--	--	222	--	--	590
Deferred tax assets	480	179	3	-28	154	--	--	634
Reinsurance contracts	1	3,862	135	--	3,997	--	--	3,998
Loans and advances to banks	58	304	--	--	304	--	--	362
Corporate income tax	22	16	--	-38	-22	--	--	--
Other assets	420	161	58	-2	217	--	-115	522
Cash and cash equivalents	328	698	31	49	778	--	--	1,106
Total assets	21,139	32,664	1,746	41	34,451	--	-115	55,475
Equity and liabilities								
Shareholders' equity	1,614	1,052	302	-380	974	--	--	2,588
Minority interests	--	1	--	--	1	--	--	1
Total equity	1,614	1,053	302	-380	975	--	--	2,589
Subordinated debt	215	594	50	--	644	--	--	859
Insurance contracts	17,221	22,820	1,222	--	24,042	--	--	41,263
Liabilities investments for account of third parties	--	1,361	--	--	1,361	--	--	1,361
Provision for employee benefits	--	--	--	8	8	--	--	8
Other provisions	8	6	--	14	20	--	--	28
Derivatives	62	28	--	33	61	--	--	123
Deferred tax liabilities	142	215	19	-31	203	--	--	345
Amounts due to banks	1,258	1,495	32	250	1,777	--	--	3,035
Corporate income tax	--	2	--	267	269	--	--	269
Other liabilities	619	5,090	121	-120	5,091	--	-115	5,595
Total equity and liabilities	21,139	32,664	1,746	41	34,451	--	-115	55,475

1 In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.

41 Statement of profit or loss by segment

Statement of profit or loss by segment 2014

In € millions	Zwitserleven				REAAL	ACTIAM	Elimination	Total
		REAAL Life	REAAL Non-life	REAAL ¹ Other	REAAL Total			
Income								
Premium income	1,253	1,093	759	--	1,852	--	--	3,105
Reinsurance premiums	2	159	46	--	205	--	--	207
Net premium income	1,251	934	713	--	1,647	--	--	2,898
Fee and commission income	13	52	--	12	64	46	-23	100
Fee and commission expense	--	1	--	15	16	14	-15	15
Net fee and commission income	13	51	--	-3	48	32	-8	85
Share in result of associates	--	--	1	--	1	--	--	1
Investment income	643	781	38	23	842	1	-17	1,469
Investment income for account of policyholders	1,666	493	--	--	493	--	--	2,159
Result on financial instruments	-108	30	--	--	30	--	--	-78
Total income	3,465	2,289	752	20	3,061	33	-25	6,534
Expenses								
Technical claims and benefits	2,501	978	586	--	1,564	--	--	4,065
Charges for account of policyholders	1,594	735	--	--	735	--	--	2,329
Acquisition costs for insurance activities	10	36	169	--	205	--	--	215
Staff costs	68	83	71	3	157	9	--	234
Depreciation and amortisation of non-current assets	1	5	7	2	14	--	--	15
Other operating expenses	61	77	61	7	145	7	--	213
Impairment losses	20	3	1	-3	1	--	--	21
Other interest expenses	27	238	4	9	251	3	-25	256
Other expenses	--	1	--	--	1	--	--	1
Total expenses	4,282	2,156	899	18	3,073	19	-25	7,349
Result before taxation	-817	133	-147	2	-12	14	--	-815
Taxation	-204	33	-37	2	-2	3	--	-203
Net result continued operations	-613	100	-110	0	-10	11	--	-612

¹ In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.

Statement of profit or loss by segment 2013

	Zwitserleven				REAAL	ACTIAM	Elimination	Total
		REAAL Life	REAAL Non-life	REAAL ¹ Other	REAAL Total			
In € millions								
Income								
Premium income	1,075	1,331	784	--	2,115	--	--	3,190
Reinsurance premiums	3	161	59	--	220	--	--	223
Net premium income	1,072	1,170	725	--	1,895	--	--	2,967
Fee and commission income	14	51	1	18	70	--	--	84
Fee and commission expense	1	2	--	11	13	--	--	14
Net fee and commission income	13	49	1	7	57	--	--	70
Share in result of associates	--	1	1	--	2	--	--	2
Investment income	406	925	129	-20	1,034	--	-6	1,434
Investment income for account of policyholders	72	556	--	--	556	--	--	628
Result on financial instruments	39	21	--	--	21	--	--	60
Total income	1,602	2,722	856	-13	3,565	--	-6	5,161
Expenses								
Technical claims and benefits	1,112	1,484	522	--	2,006	--	--	3,118
Charges for account of policyholders	485	1,178	--	--	1,178	--	--	1,663
Acquisition costs for insurance activities	11	66	170	--	236	--	--	247
Staff costs	61	65	57	11	133	--	--	194
Depreciation and amortisation of non-current assets	4	7	11	2	20	--	--	24
Other operating expenses	67	85	75	17	177	--	--	244
Impairment losses	25	176	16	--	192	--	--	217
Other interest expenses	28	198	5	1	204	--	-6	226
Other expenses	--	1	--	--	1	--	--	1
Total expenses	1,793	3,260	856	31	4,147	--	-6	5,934
Result before taxation	-191	-538	--	-44	-582	--	--	-773
Taxation	-48	-99	--	-1	-100	--	--	-148
Net result continued operations	-143	-439	--	-45	-482	--	--	-625

¹ In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.

7.5 Additional notes to the consolidated financial statements

42 Financial instruments

Fair value of financial assets and liabilities

The table below shows the fair value of VIVAT Group's financial assets and liabilities. It only shows the financial assets and financial liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the carrying amount for VIVAT Group and should not be interpreted as such.

Value of financial assets and liabilities

In € millions	Fair value	Carrying amount	Fair value	Carrying amount
	2014	2014	2013	2013
Financial assets				
Investments				
- Fair value through profit or loss: designated	225	225	415	415
- Available for sale	27,471	27,471	22,844	22,844
- Loans and receivables	7,140	6,892	6,911	6,871
- Mortgages	2,340	2,060	3,088	2,849
Investments for account of policyholders	14,567	14,559	13,497	13,491
Derivatives	846	846	590	590
Loans and advances to banks	321	321	362	362
Other assets	479	479	522	522
Cash and cash equivalents	428	428	1,106	1,106
Total financial assets	53,817	53,281	49,335	49,050
Financial liabilities				
Subordinated debt	937	887	913	859
Derivatives	169	169	123	123
Amounts due to banks	1,754	1,754	2,224	2,224
Other liabilities	6,290	6,290	6,406	6,406
Total financial liabilities	9,150	9,100	9,666	9,612

The fair values represent the amount at which financial instruments could have been traded at arm's length between market participants on the measurement date. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the Fair value hierarchy Section below.

The fair value of financial assets and liabilities at amortised cost is shown excluding of accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

Notes to the valuation of financial assets and liabilities

The following methods and assumptions are used to determine the fair value of financial instruments.

Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Mortgages

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

Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

Loans and advances to banks

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

Other assets

Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

Cash and cash equivalents

The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Subordinated debts

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

Amounts due to banks

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

Other liabilities

The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

Hierarchy in determining the fair value of financial instruments

A large part of the financial instruments is recognised at fair value. The fair value of financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

Level 1 – Fair value based on quoted prices in an active market

Quoted prices from exchanges, brokers or pricing institutions are observable for all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on behalf of policyholders whose underlying investments are listed.

Level 2 – Fair value based on observable inputs

This category includes financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also includes investments whose prices have been supplied by brokers but for which there are inactive markets. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

Level 3 – Fair value not based on observable market data

The financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

The table below shows the instruments in level 1, level 2 and level 3. Financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

Hierarchy financial instruments 2014

In € millions	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments at fair value through profit or loss: designated	225	--	201	24	225
Investments available for sale	27,471	25,590	1,315	566	27,471
Investments for account of policyholders	14,559	14,069	120	378	14,567
Derivatives	846	--	843	3	846
	43,101	39,659	2,479	970	43,109
Financial assets not measured at fair value					
Mortgages	2,060	--	--	2,348	2,348
Investments loans and advances	6,892	--	7,053	79	7,132
Loans and advances to banks	321	--	--	--	--
Other assets	479	--	--	--	--
Cash and cash equivalents	428	--	--	--	--
Financial liabilities measured at fair value					
Derivatives	169	--	121	48	169
Financial liabilities not measured at fair value					
Subordinated debt	887	485	452	--	937
Amounts due to banks	1,754	--	--	--	--
Other liabilities	6,290	--	--	--	--

At year-end 2014, there was a shift of € 485 million in subordinated debt from level 2 to level 1. This shift related to subordinated bonds for which quoted prices in an active market were available in 2014.

Hierarchy financial instruments 2013

In € millions	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments at fair value through profit or loss: designated	415	348	53	14	415
Investments available for sale	22,844	21,270	883	691	22,844
Investments for account of policyholders	13,491	12,971	109	411	13,491
Derivatives	590	--	590	--	590
	37,340	34,590	1,634	1,116	37,340
Financial assets not measured at fair value					
Mortgages	2,849	--	--	3,094	3,094
Investments loans and advances	6,871	10	6,766	136	6,911
Loans and advances to banks	362	--	--	--	--
Other assets	522	--	--	--	--
Cash and cash equivalents	1,106	--	--	--	--
Financial liabilities measured at fair value					
Derivatives	123	--	123	--	123
Financial liabilities not measured at fair value					
Subordinated debt	859	--	913	--	913
Amounts due to banks	2,224	--	--	--	--
Other liabilities	6,406	--	--	--	--

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

Change in level 3 financial instruments in 2014

In € millions	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Transfer to level 3	-46	--	11	8	-27
Realised gains or losses recognised in profit or loss	--	9	-1	21	29
Realised gains or losses recognised in other comprehensive income	--	--	--	--	--
Unrealised gains or losses recognised in profit or loss	--	6	--	-4	2
Unrealised gains or losses recognised in other comprehensive income	--	--	--	9	9
Purchase/acquisition	--	9	--	73	82
Sale/settlements	--	-20	-1	-226	-247
Other	--	--	--	1	1
Transfer from level 3	--	-36	--	-7	-43
Balance as at 31 December	-46	378	24	566	922
Total gains and losses included in profit or loss		9	-1	21	29

Change in level 3 financial instruments in 2013

In € millions	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	--	--	--	69	69
Transfer to level 3	--	411	14	666	1,091
Realised gains or losses recognised in profit or loss	--	--	--	--	--
Realised gains or losses recognised in other comprehensive income	--	--	--	--	--
Unrealised gains or losses recognised in profit or loss	--	--	--	4	4
Unrealised gains or losses recognised in other comprehensive income	--	--	--	--	--
Sale/settlements	--	--	--	--	--
Other	--	--	--	--	--
Transfer from level 3	--	--	--	-48	-48
Balance as at 31 December	--	411	14	691	1,116
Total gains and losses included in profit or loss	--	--	--	--	--

Breakdown level 3 financial instruments

In € millions	2014	2013
Bonds issued by financial institutions	64	66
Collateralised debt obligation	147	228
Collateralised loan obligation	12	6
Equities	366	405
Derivatives	-46	--
Investments for account of policyholders	379	411
Total	922	1,116

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

Impairments on financial instruments by category

In € millions	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Equities	--	2	--	--	4	5	4	7
Bonds	--	--	--	6	--	--	--	6
CDOs / CLOs	--	--	--	--	--	--	--	--
Total	--	2	--	6	4	5	4	13

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

Reclassification between categories 2014

In € millions	to Level 1	to Level 2	to Level 3	Total
From:				
Based on published stock prices in an active market (Level 1)	--	449	1	450
Based on observable market data (Level 2)	76	--	-28	48
Not based on observable market data (Level 3)	--	43	--	43

Reclassification between levels 1, 2 and 3

Shift between levels 3 and 2

At year-end 2014, € 43 million was transferred from level 3 to level 2 for investments for account of policyholders.

Shift between levels 2 and 3

At year-end 2014, € - 28 million was transferred from level 2 to level 3 for credit exposures on derivatives (inflation-linked swaps and cross-currency swaps).

Shift between levels 1 and 2

At year-end 2014, € 449 million was transferred from level 1 to level 2 for collateralised debt obligations and collateralised loan obligations.

Offsetting financial assets and liabilities

The table below shows the financial assets and liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk.

Financial assets and liabilities 2014

In € millions	Gross carrying amount	Related amounts not netted in the carrying amount					Netted value
		Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	
<i>Financial assets</i>							
Derivatives	846	--	846	313	526	--	7
Total financial assets	846	--	846	313	526	--	7
<i>Financial liabilities</i>							
Derivatives	169	--	169	52	117	--	
Amounts due to banks	1,754	--	1,754	--	--	260	1,494
Total financial liabilities	1,924	--	1,924	52	117	260	1,494

Financial assets and liabilities 2013

In € millions	Related amounts not netted in the carrying amount						Netted value
	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	
<i>Financial assets</i>							
Derivatives	590	--	590	86	346	139	19
Total financial assets	590	--	590	86	346	139	19
<i>Financial liabilities</i>							
Derivatives	123	--	123	86	33	--	4
Amounts due to banks	3,035	--	3,035	--	--	1,347	1,688
Total financial liabilities	3,158	--	3,158	86	33	1,347	1,692

Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives and liabilities from investments for account of third parties, by contract maturity date. The derivatives are broken down in the tables below.

Liquidity calendar financial liabilities 2014

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	--	--	-64	-341	-2,509	-2,914
Other liabilities ¹	-1,502	-113	-938	-1,127	-1,548	-5,228
Amounts due to banks	-438	-285	-305	-324	-402	-1,754
Total	-1,940	-398	-1,307	-1,792	-4,459	-9,896

¹ Excluding debt in relation to direct insurance.

Liabilities to third parties recognised in the statement of financial position as a result of the consolidation of non-controlling interest in the investment funds are classified as other liabilities falling due in less than one month. In 2014, this amounted to € 1,427 million. The share of non-controlling interests in investment funds in 2013 has also been included in the table below (€ 1,361 million).

Liquidity calendar financial liabilities 2013

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	--	--	-64	-254	-2,653	-2,971
Other liabilities ¹	-1,442	-121	-1,010	-1,212	-1,656	-5,441
Amounts due to banks	-1,014	-989	-11	-545	-476	-3,035
Total	-2,456	-1,110	-1,085	-2,011	-4,785	-11,447

¹ Excluding debt in relation to direct insurance.

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

Liquidity calendar derivatives 2014

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-14	--	-16	-133	--	-163
Currency contracts	--	-6	--	--	--	-6
Total	-14	-6	-16	-133	--	-169

Liquidity calendar derivatives 2013

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	--	--	--	-12	-77	-89
Currency contracts	--	--	-1	--	--	-1
Total	--	--	-1	-12	-77	-90

For further details on liquidity management, see Section 5.7, Liquidity risk.

43 Hedging and hedge accounting

VIVAT Group uses various strategies for its insurance business to hedge its interest rate, market and currency risks associated with solvency. This strategy has been fine-tuned since 2013, partly by the purchase of interest rate derivatives such as swaptions and swaps. Under IFRS, derivatives are recognised at fair value in the statement of financial position, while changes in their fair value are recognised through profit or loss. An accounting mismatch arises if changes in the fair value of hedged risks are not recognised through profit or loss, causing volatility in the results. In these cases, hedge accounting is applied in principle to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which VIVAT Group is active in the relevant markets.

Derivatives for hedging purposes 2014

In € millions	Nominal amounts			Total	Fair value	
	< 1 year	1 - 5 years	> 5 years		Positive	Negative
Interest rate contracts						
- Swaps and FRAs	--	103	1,566	1,669	423	-122
- Options	1,133	4,653	5,728	11,514	421	-41
Currency contracts						
- Swaps	--	87	--	87	1	--
- Forwards	-176	--	--	-176	1	-6
Total	957	4,843	7,294	13,094	846	-169

Derivatives for hedging purposes 2013

In € millions	Nominal amounts			Total	Fair value	
	< 1 year	1 - 5 years	> 5 years		Positive	Negative
Interest rate contracts						
- Swaps and FRAs	--	18	895	913	126	-60
- Options	215	2,111	4,445	6,771	463	-60
Currency contracts						
- Swaps	--	86	--	86	--	-2
- Forwards	118	--	--	118	1	-1
Total	333	2,215	5,340	7,888	590	-123

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

Hedging

VIVAT Group uses derivatives to protect the market value of own funds and regulatory solvency against undesired market developments. Examples include:

- hedging interest rate risks arising from return guarantees made to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities; and
- hedging currency risks on investments and liabilities denominated in foreign currencies.

Hedge accounting

VIVAT Group applies two types of hedge accounting, fair value hedges and cash flow hedges, in the majority of the hedging strategies described above.

Fair value hedges

Hedging currency risk in equity portfolio

VIVAT Group hedges the currency risk in the equity portfolio using foreign exchange futures contracts.

Hedging interest rate risk on subordinated debts

VIVAT Group hedges the interest rate risk in the subordinated debts using interest rate swaps.

Cashflow hedges

Hedging interest rate risk in future reinvestments

VIVAT Group has renewed the effective maturity of two investment portfolios at macro level using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period. The cash flow hedge consists of interest rate swaps. Reinvestments are made as soon as the current swap matures, at which time reinvestments are made in fixed-income securities. The characteristics of this reinvestment (maturity, coupon dates) are largely similar to those of the sold (long-term) swap. As a result, the effectiveness of the hedge is virtually 100 percent.

At year-end 2014, 12 of these combinations were outstanding (year-end 2013: 12 combinations). No hedge relationships were terminated in 2014.

Reinvestment calendar (nominal amounts)

In € millions	2014	2013
< 1 year	58	--
1 - 5 years	78	136
> 5 years	471	471
Total	607	607

A net unrealised revaluation gain of € 121 million was accrued in own funds at year-end 2014 (2013: € 27 million). This fair value gain will be released to profit or loss at the moment of reinvestment specified above, over a period equal to the swap's remaining term to maturity.

VIVAT Group does not apply hedge accounting to the swaptions and related hedged positions.

44 List of principal group companies

Overview of principal subsidiaries

Name	Country of incorporation and place of business	Nature of business or industry	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by the group (%)	Proportion of ordinary shares directly held by non-controlling interests (%)
SRLEV NV	Alkmaar	Insurance	100	100	0
Reaal Schadeverzekeringen NV	Zoetermeer	Insurance	100	100	0
Proteq Levensverzekeringen NV	Alkmaar	Insurance	100	100	0
SNS Verzekeringen BV	Zoetermeer	Insurance	100	100	0
Zwitsersleven PPI NV	Utrecht	Pensions	100	100	0
ACTIAM NV	Utrecht	Asset management	100	100	0
SNS Investment Funds	various	Investment management	range	range	range
ACTIAM Index Funds	various	Investment management	range	range	range

As of 1 January 2014, IFRS 10 'Consolidated financial statements' has been effective. The standard introduces new rules for assessing control and consolidation. In this context, SNS Investment Funds and ACTIAM Index Funds have been included in the above list.

8 Company financial statements

8.1 Company statement of financial position

Before result appropriation and in € millions	Notes ¹	31 December 2014	31 December 2013
Assets			
Intangible assets	1	24	7
Property and equipment	2	29	34
Subsidiaries	3	2,584	3,154
Receivables from subsidiaries		16	281
Investments	4	6	9
Deferred tax assets		6	7
Corporate income tax		--	34
Other assets	5	3	3
Cash and cash equivalents	6	15	43
Total assets		2,683	3,572
Equity and liabilities			
Share premium reserve		2,911	2,855
Statutory reserves associates		146	163
Other reserves		-430	195
Retained earnings		-612	-625
Shareholders' equity	7	2,015	2,588
Subordinated debt	8	207	207
Capital base		2,222	2,795
Provision for employee benefits		8	8
Other provisions	9	9	14
Amounts due to banks	10	250	250
Corporate income tax		37	361
Other liabilities	11	157	144
Total equity and liabilities		2,683	3,572

¹ The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.

8.2 Company statement of profit or loss

In € millions	2014	2013
Result on subsidiaries after taxation	-582	-422
Other results after taxation	-30	-203
Net result for the period	-612	-625

9 Notes to the company financial statements

9.1 Accounting policies for the company financial statements

REAAL NV prepares its company financial statements in accordance with the provisions of Section 402 of Book 2 of the Dutch Civil Code. Accordingly, the share of profit of subsidiaries after taxation is the only item shown in the statement of profit or loss. Use has been made of the option offered in Section 362(8) of Book 2 of the Dutch Civil Code to use the same accounting policies for the company financial statements as for the consolidated financial statements (see the accounting policies for the consolidated financial statements).

For details on items not disclosed in the notes to the separate statement of financial position, see the notes to the consolidated financial statements.

The list referred to in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

Subsidiaries are companies and other entities in which REAAL NV has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by REAAL NV. Group companies are recognised using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in the statutory reserve for associates, which forms part of own funds.

Statutory reserves that have been formed for the capitalised costs of subsidiaries' research and development of software are also recognised in the statutory reserve for associates.

Movements in the carrying amounts arising from the share of profit of subsidiaries recognised in accordance with the accounting policies of REAAL NV are recognised through profit or loss. The distributable reserves of subsidiaries are recognised in other reserves.

Loans to and from group companies are intercompany balances, which are recognised at amortised cost. A situation in which a closed SRLEV NV portfolio is managed could also affect the financing structure and the terms attaching to the loans from REAAL NV group companies (see Section 7.1.2 of the consolidated financial statements).

Cash and cash equivalents include amounts held at banks that are available on demand.

9.2 Notes to the company financial statements

1 Intangible assets

Breakdown intangible assets

In € millions

	2014	2013
Goodwill	17	--
Software	7	7
Total	24	7

Statement of changes in intangible assets 2014

In € millions	Goodwill	Software	VOBA	Total
Accumulated acquisition costs	17	9	--	26
Accumulated amortisation and impairments	--	-2	--	-2
Balance as at 31 December	17	7	--	24
Balance as at 1 January	--	7	--	7
Purchases	17	2	--	19
Amortisation capitalised costs	--	-1	--	-1
Amortisation purchases	--	-1	--	-1
Balance as at 31 December	17	7	--	24

The goodwill of € 17 million relates to the acquisition of ACTIAM NV (see Section 7.2, Acquisitions and disposals).

Statement of changes in intangible assets 2013

In € millions	Goodwill	Software	VOBA	Total
Accumulated acquisition costs	337	11	34	382
Accumulated amortisation and impairments	-337	-4	-34	-375
Balance as at 31 December	--	7	--	7
Balance as at 1 January	151	8	34	193
Purchases	--	2	--	2
Amortisation capitalised costs	--	-2	--	-2
Amortisation purchases	--	-1	-2	-3
Impairments	-151	--	-32	-183
Balance as at 31 December	--	7	--	7

2 Property and equipment

Breakdown property and equipment

In € millions	2014	2013
Land and buildings for own use	--	7
IT equipment	19	--
Other assets	10	27
Total	29	34

Statement of changes in property and equipment 2014

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisitions costs	9	20	15	44
Accumulated depreciation and impairments	-9	-1	-5	-15
Balance as at 31 December	--	19	10	29
Balance as at 1 January	7	--	27	34
Reclassification	-9	--	9	--
Investments	2	--	--	2
Depreciation	--	-1	-5	-6
Changes in the composition of group companies	--	20	-21	-1
Balance as at 31 December	--	19	10	29

In 2014, SNS REAAL NV transferred data processing equipment for the amount of € 20 million to VIVAT Group at carrying amount and VIVAT Group transferred other assets worth € 21 million to SNS Bank NV at carrying amount in the context of the changes in group structure and the associated disentanglement of SNS REAAL NV.

Statement of changes in property and equipment 2013

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisitions costs	15	--	33	48
Accumulated depreciation and impairments	-8	--	-6	-14
Balance as at 31 December	7	--	27	34
Balance as at 1 January	5	--	25	30
Reclassification	-8	--	8	--
Investments	10	--	--	10
Depreciation	--	--	-6	-6
Balance as at 31 December	7	--	27	34

3 Subsidiaries

Statement of changes in subsidiaries

In € millions	2014	2013
Balance as at 1 January	3,154	3,943
Purchases and expansions	39	--
Capital issue	4	--
Revaluations	-17	-117
Result	-582	-422
Dividend received	-14	-250
Balance as at 31 December	2,584	3,154

REAAL NV has pledged the shares in SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV as collateral to SNS Bank NV. For details, see note 21 Related parties.

4 Investments

Breakdown investments

In € millions	2014	2013
Investments available for sale	1	1
Loans and receivables	5	8
Total	6	9

Investments: loans and receivables

In € millions	2014	2013
Private loans	--	8
Business loans	5	--
Total	5	8

Statement of changes in loans and receivables

In € millions	2014	2013
Balance investments as at 1 January	8	668
Changes in the composition of group companies	5	--
Purchases and advances	--	271
Disposals and redemptions	-8	-931
Total	5	8

5 Other assets

Breakdown other assets

In € millions	2014	2013
Receivables from associated companies	--	1
Other accrued assets	3	2
Total	3	3

6 Cash and cash equivalents

Breakdown cash and cash equivalents

In € millions	2014	2013
Short-term bank balances	1	1
Short-term bank balances from associated companies	14	42
Total	15	43

Short-term bank balances are at the company's free disposal.

7 Equity

Statement of changes in equity 2014

In € millions	Issued share capital	Share premium reserve	Statutory reserves associates	Other reserves	Retained earnings	Equity attributable to shareholders
Balance as at 1 January 2014	--	2,855	163	195	-625	2,588
Transfer of 2013 net result	--	--	--	-625	625	--
Transfers 2013	--	--	--	-625	625	--
Unrealised revaluations from cash flow hedges	--	--	116	--	--	116
Deferred interest income from cash flow hedges	--	--	1	--	--	1
Unrealised revaluations	--	--	2,668	--	--	2,668
Impairments	--	--	3	--	--	3
Realised revaluations through profit or loss	--	--	-211	--	--	-211
Change in profit-sharing reserve	--	--	-476	--	--	-476
Change in shadow accounting	--	--	-2,118	--	--	-2,118
Other movements	--	--	--	--	--	--
Amounts charged directly to equity	--	--	-17	--	--	-17
Net result 2014	--	--	--	--	-612	-612
Total result 2014	--	--	-17	--	-612	-629
Capital issue	--	56	--	--	--	56
Transactions with shareholders and securityholders	--	56	--	--	--	56
Total changes in equity 2014	--	56	-17	-625	13	-573
Balance as at 31 December 2014	--	2,911	146	-430	-612	2,015

Statement of changes in equity 2013

In € millions	Issued share capital	Share premium reserve	Statutory reserves associates	Other reserves	Retained earnings	Equity attributable to shareholders
Balance as at 1 January 2013	--	2,455	277	346	-149	2,929
Transfer of 2012 net result	--	--	--	-149	149	--
Transfers 2012	--	--	--	-149	149	--
Unrealised revaluations from cash flow hedges	--	--	-13	--	--	-13
Deferred interest income from cash flow hedges	--	--	--	--	--	--
Unrealised revaluations	--	--	-967	--	--	-967
Impairments	--	--	12	--	--	12
Realised revaluations through profit or loss	--	--	-183	--	--	-183
Change in profit-sharing reserve	--	--	--	--	--	--
Change in shadow accounting	--	--	1,034	--	--	1,034
Other movements	--	--	3	-2	--	1
Amounts charged directly to equity	--	--	-114	-2	--	-116
Net result 2013	--	--	--	--	-625	-625
Total result 2013	--	--	-114	-2	-625	-741
Capital issue	--	400	--	--	--	400
Transactions with shareholders and securityholders	--	400	--	--	--	400
Total changes in equity 2013	--	400	-114	-151	-476	-341
Balance as at 31 December 2013	--	2,855	163	195	-625	2,588

Issued share capital

The issued share capital is fully paid-up and consists of ordinary shares with a nominal value of € 500 each.

477 ordinary shares had been issued at 31 December 2014 (2013: 477).

Breakdown issued share capital

	Number of ordinary shares		Amount of ordinary shares (in € millions)	
	2014	2013	2014	2013
Authorised share capital	2,385	2,385	1	1
Share capital in portfolio	1,908	1,908	1	1
Issued share capital as at 31 December	477	477	--	--

Statement of changes in issued share capital

In numbers	Ordinary shares	
	2014	2013
Outstanding as at 1 January	477	477
Outstanding as at 31 December	477	477

8 Subordinated debts

Breakdown subordinated debts

In € millions	2014	2013
Private loans	207	207
Total	207	207

The subordinated private loan was granted by SNS REAAL at an average interest rate of 6.3 percent (2013: 6.3 percent). This is a perpetual loan with an early redemption option.

9 Other provisions

Breakdown other provisions

In € millions	2014	2013
Restructuring provision	9	13
Other provisions	--	1
Total	9	14

Statement of changes in other provisions

In € millions	Restructuring provision	
	2014	2013
Balance as at 1 January	14	21
Additions	1	1
Withdrawal	-9	-8
Other movements	3	--
Balance as at 31 December	9	14

10 Amounts due to banks

Time to maturity amounts due to banks

In € millions	2014	2013
< 1 year	250	--
1 - 5 year	--	250
Total	250	250

An amount of € 250 million is due to SNS Bank NV and bears interest at 2.52 percent. As part of the purchase and sale agreement with Anbang, REAAL will fully repay the intra-group loan from SNS Bank NV in the sum of € 250 million after the sale has been completed.

11 Other liabilities

Breakdown other liabilities

In € millions

	2014	2013
Debts to subsidiaries	110	81
Debts to associated companies	20	1
Accrued interest to associated companies	6	6
Other liabilities	21	56
Total	157	144

At year-end 2014, SRLEV NV had granted six loans to REAAL NV to fund its liquidity objectives. These loans, with a combined value of € 105 million and carrying an average interest rate of 2.37 percent, are part of the loan agreement between SRLEV NV and REAAL NV, which has been capped at € 200 million (falling due at year-end December 2015, with a one-year renewal option). The other loans from subsidiaries bear interest at one-month Euribor.

12 Off balance sheet commitments

REAAL NV has provided guarantees as referred to in Book 2, Section 403 of the Dutch Civil Code for some of its subsidiaries. With respect to ACTIAM NV, SNS Verzekeringen BV and Foresta Investerings Maatschappij NV, a 403-statement has been provided by SNS REAAL NV, which applied to the financial year 2014.

For more information about the other off balance sheet commitments please refer to Section 20 Off balance sheet commitments of the consolidated financial statements.

13 Related parties

Intra-group balances between REAAL NV and subsidiaries

In € millions

	2014	2013
Positions		
Receivables	16	281
Other amounts due to customers	105	--
Other liabilities	5	81
Transactions		
Movements receivables	-265	-15
Movements loans	105	-651
Movements accrued interest	--	-5
Movements other liabilities	-76	-151
Interest expense	--	3
Other expenses	350	350

For details on related parties, see Note 21 to the consolidated financial statements (Related parties).

14 Audit fees

KPMG Accountants NV and other KPMG lines of service charged the following fees pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code to VIVAT Group, its subsidiaries and other consolidated entities in 2014.

In € thousands	KPMG Accountants N.V.	Other KPMG Netherlands Subsidiaries	Total
Examination of the financial statements, including the audit of the statutory financial statements and other statutory audits of subsidiaries and other consolidated companies	1,641	--	1,641
Other audit services	1,177	--	1,177
Tax advisory services	--	--	--
Other non-audit services	--	--	--
Total	2,818	--	2,818

In accordance with Section 382a(3), Book 2 of the Dutch Civil Code, details on audit fees relating to 2013 can be found in the Section on audit fees in the notes to the consolidated financial statements for 2013 of SNS REAAL. This Section discloses the fees that have been charged to VIVAT Group.

Utrecht, the Netherlands, 15 April 2015

The Supervisory Board

J.J. Nooitgedagt (Chairman)

C.M. Insinger

M.R. Milz

J.A. Nijhuis

J.A. Nijssen

J.C.M. van Rutte

L.J. Wijngaarden

The Executive Board

W.H. Steenpoorte (Chairman)

S.N. van den Herik

W. Horstmann

A.P.G. Schouten

J. de Wit

10 Other information

10.1 Post balance sheet events

See Section 7.3 note 24 Post balance sheet events.

10.2 Provisions regarding appropriation of **profit** or loss

Loss for 2014: € 612 million.

10.2.1 Provisions in Articles of Association governing the appropriation of **profit** or loss

Article 33

1. The profits shall be at the free disposal of the general meeting.
2. The company may only make distributions to shareholders and other persons entitled to the distributable profits to the extent its equity exceeds the total amount of its issued share capital and the reserves which to be maintained pursuant to the law.
3. Distribution of profits shall take place following the adoption of the annual accounts from which it appears that such distribution is allowed.

Article 34

1. Dividends shall be due and payable fourteen days after having been declared, unless upon the proposal of the management board the general meeting determines another date thereof.
2. Dividends that have not been collected within five years after they became due and payable shall revert to the company.
3. If the general meeting so determines on the proposal of the management board, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in Section 2:105, paragraph 4, Civil Code.
4. A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by the law.

10.2.2 Loss appropriation

The loss for 2014 will be charged against the retained earnings reserves of REAAL NV.

10.3 Independent auditor's report

To: The General Meeting of Shareholders of REAAL NV.

Report on the audit of the financial statements 2014

Our opinion

We audited the 2014 financial statements of REAAL NV (the 'company' or 'REAAL') based in Utrecht. The financial statements include the consolidated financial statements and company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of REAAL as at 31 December 2014 and of its result and its cash flows for 2014 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 REAAL as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2014;
2. the following consolidated statements for 2014: the statement of profit or loss, the statements of total comprehensive income, changes in equity and cash flows; and
3. the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company statement of financial position as at 31 December 2014;
2. the company statement of profit or loss for 2014; and
3. 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 REAAL in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beoepsregels accountants (VGBA).

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at EUR 30 million. The materiality is based on a percentage of the equity of REAAL (1.5%). The company's equity is an important basis for its solvency position. Given the long-term nature of the liabilities and of the solvency required to meet them, we

consider equity to be the most suitable benchmark for determining the materiality. Moreover, compared to the frequently applied benchmark of profit before tax, equity is a benchmark less affected by individual non-recurring or volatile items. We also took into account misstatements and/or possible misstatements that in our opinion are material for users of the financial statements for qualitative reasons.

On our instruction, the materiality was set at EUR 25 million for the audit of SRLEV NV and at EUR 10 million for the audit of REAAL Schadeverzekeringen NV. We applied a lower materiality to mitigate the aggregation risk.

We reported to the Supervisory Board all the unadjusted misstatements in excess of EUR 1.5 million which we identified from the audit, as well as smaller misstatements that in our view must be reported for qualitative reasons.

Scope of the group audit

REAAL is at the head of a group of legal entities and operating units. Our audit primarily focused on group entities and operating units that are significant in the context of the financial statements and comprise: SRLEV NV and REAAL Schadeverzekeringen NV. In the context of the audit of the consolidated financial statements of REAAL, we determined the nature and extent of the procedures to be performed for the group entities. This included assessing which procedures to perform for entities that are, based on materiality, not included in our scope. These procedures comprise, for example, analytical reviews and substantive audit procedures regarding specific items in the financial statements that, in our opinion, contain an increased inherent risk of a material misstatement. All our audit procedures were performed by the audit team also responsible for the audit of REAAL.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance to our audit of the financial statements. We communicated the key audit matters to the Supervisory Board and the Statutory Board of REAAL. The key audit matters are not a comprehensive reflection of all the matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Vulnerable solvency position

Financial statements risk – As disclosed by the Statutory Board in section 5.9, as at 31 December 2014, the solvency ratio for Solvency I came to 136%, which is below the company's own minimum target of 175%. The Statutory Board indicated that the solvency ratio under the new Solvency II regime, which is applicable as from 1 January 2016, is around 100% as at 31 December 2014. Given the current market circumstances, REAAL and its parent company SNS REAAL NV, have limited resources available to autonomously strengthen their capital position. These circumstances are putting the continuation of the current business activities under pressure.

As disclosed in section 1.1.1, on 14 February 2015, SNS REAAL NV concluded an agreement on the sale of REAAL and its subsidiaries. As part of the sales agreement, a capital contribution will be made to ensure that the solvency ratio under Solvency II of REAAL and its subsidiaries increases to at least 140%. This would sufficiently strengthen the capital position.

In sections 5.9.4 and 7.1.2, the Statutory Board points to the conditions and uncertainties relating to the sales agreement, including obtaining a declaration of no objection from the Dutch central bank ("DNB"). The Statutory Board also explained the potential uncertainties and consequences for the current business activities if the sale does not go ahead.

The significance of the vulnerable solvency position, the importance of the concluded sales agreement for the continuation of the current business activities, and the disclosure of this in the financial statements were a key matter in our audit.

Our audit approach – We analysed the sales agreement and the conditions it contains. We evaluated the analyses made by the Statutory Board of the solvency position under Solvency I and Solvency II, as well as the potential impact of the measures to be taken if the sale does not go ahead. To this end, we considered the reasonableness and substantiation of the assumptions and measures applied by the Statutory Board. In performing our procedures, we relied on the work of the certifying external actuary and of our in-house actuarial specialists. We reviewed the questions raised by DNB and the shareholder regarding the analyses made by the Statutory Board, and the resulting reports drawn up by the Statutory Board and by external parties. We frequently consulted with DNB, inquiring what requirements DNB would impose in terms of the licence and the solvency position if the sale does not go ahead. We evaluated how REAAL has incorporated these requirements in its own analyses.

Our observations – We found that sections 5.9.4 and 7.1.2 provide adequate disclosure of the vulnerable solvency position and of the concluded sales agreement and its significance for the current business activities.

Estimation uncertainty regarding valuation of technical provisions

Financial statements risk – The valuation of the technical provisions for insurance contracts and the associated liability adequacy test involve significant estimates for portfolio developments, life expectancies, cost levels, disability, the fair value of the mortgage loan portfolio and the retention of collective pension agreements discounted to their present value using the swap curve plus the ultimate forward rate (UFR). In 2014, as disclosed in section 7.1.2, REAAL switched from the ECB AAA curve with UFR to the swap curve with UFR.

This valuation is to a significant extent based on the estimation of future developments. Consequently, the calculations require a high degree of judgment on the part of the Statutory Board and involve the use of complex actuarial models. Given the significant influence of the outcomes of the liability adequacy test on the financial performance, equity and solvency of REAAL, the valuation of the technical provisions was a key matter in our audit.

Our audit approach – Our audit included testing the procedures and controls relevant to the significant estimates, including the use of observable market data and the actuarial analysis of the outcome compared to previous estimates. Our tests revealed deficiencies in the internal control on actuarial models, as a result of which additional procedures had to be performed by the certifying external actuary and by us.

We performed audit procedures on the contract data and actuarial and economic data used in the calculations. We analysed the company's calculations and actuarial analyses and discussed them in detail with the company's actuarial specialist and the certifying external actuary. To this end, we deployed our in-house actuaries. As part of this analysis, we specifically took into consideration the following aspects: the substantiation of the assumptions applied for cost projections, the fair value of the mortgage loan portfolio, the retention of collective pension agreements, and the switch to and feasibility of the use of the swap curve with UFR.

In section 7.1.4, the Statutory Board explains the accounting policies and assumptions applied. Section 5.4 discloses the sensitivity of the calculation of the technical provision to underlying risks, including the uncertainties in the actuarial modelling. Our procedures included establishing the correctness and adequacy of these disclosures.

Our observations – We believe that the valuation of the technical provisions is acceptable in perspective of the presentation of the financial statements as a whole. The disclosure of the assumptions, risks and sensitivity is in accordance with the requirements under IFRS.

Uncertainty regarding provision for compensation for investment policies

Financial statements risk – As disclosed in section 7.3.15, as at 31 December 2014 a provision totalling EUR 82 million was recognised for compensation to holders of investment policies for cost deductions. Recent case law, out-of-court settlements, third-party claims against Dutch market parties and the recent focus in politics and society on 'niet-

opbouwende polissen' have led to uncertainty about potential additional compensation for this portfolio. Given the size of the portfolio and the public focus on investment policies, the valuation of the provision was a key matter in our audit.

Our audit approach – We reviewed management's analysis of the potential risks in the portfolio. We reviewed the complaints received by the company, its analysis of the complaints, the claims against the company, the legal proceedings, and the out-of-court settlements reached. We made use of the available public information on the case law and out-of-court settlements in the Dutch market. We assessed the valuation of the provision based on the information obtained. In doing so, we considered the portfolio characteristics, the application of REAAL's 'flankerend beleid', and the arrangements made with third parties regarding compensation. In section 7.3.20, the Statutory Board points to potential risks for which no reliable estimate could be made as at 31 December 2014 in terms of the outcome and potential financial impact. Our procedures included establishing the correctness and adequacy of these disclosures.

Our observations – We believe that the valuation of the technical provisions for compensation to unit linked policy holders to be balanced. We believe that the disclosure of this matter is adequate and we point out that there is a risk, as disclosed section 7.3.20, that this matter may have material adverse financial and reputational consequences.

Disentanglement of REAAL from the SNS REAAL group

Financial statement risk – On 19 December 2013, the European Commission approved the restructuring plan submitted by SNS REAAL NV ("SNS REAAL") in response to the nationalisation. This plan states that the banking and insurance business of the SNS REAAL group will be disentanglement from the group and become an independent entity. For a more detailed description, see section 1.2.1.

This disentanglement led to changes in the internal control at REAAL in 2014. Due to changes in the processes and governance, there is an increased risk of deficiencies in the internal control that may lead to misstatements in the financial statements.

Our audit approach – We assessed the impact of the disentanglement of REAAL on the internal control where relevant to our audit of the financial statements. This concerns various matters, including the migration of the IT organisation and IT infrastructure and the transfer of Group Finance and Group Risk Management to a financial and risk management function at the level of REAAL. We determined and adjusted our audit procedures, where necessary, based on our findings on these matters.

We also performed specific audit procedures regarding the appropriate recognition and disclosure of the financial relationships relating to the disentanglement of SNS REAAL, particularly for transactions with other group companies of SNS REAAL.

Our observations – We established that the disclosure in section 7.3.21 of the transactions and positions with related parties is adequate. We also believe that the description in section 1.2.1 of the changes in governance and risk management is adequate.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Statutory Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the

company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility 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 was performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

A full description of our responsibilities can be obtained on: www.nba.nl/standaardteksten-controleverklaring.

Report on other legal and regulatory requirements

Reporting on the Statutory Board report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Statutory Board report and other information):

- We have no deficiencies to report as a result of our examination whether the Statutory Board report, 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 by Part 9 of Book 2 of the Netherlands Civil Code has been included;
- We report that the Statutory Board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged as auditor of REAAL before the start of 2008 and have operated as statutory auditor since then. We are annually reengaged as the external auditor of REAAL; for the 2014 financial statements, this took place on 12 May 2014.

Amstelveen, 15 April 2015

KPMG Accountants NV

F.M. van den Wildenberg RA

Additional Information

1 Insurers' Code

It is indicated below how VIVAT Group applies the Governance Principles of the Dutch Association of Insurers (hereinafter referred to as the Insurers' Code). The text of the Insurers' Code is shown in italics and is followed by the description of how it is applied by VIVAT Group.

1 Compliance with the Code and transparent accountability

Application of the Code

1.1 The insurer shall, in principle, apply the principles of the Code. The application of the principles depends in part on the activities and other specific characteristics of the insurer (and of any group of which it is part). The insurers subject to the Code differ from each other in many ways. For example, they may vary in nature or size, operate in different markets or submarkets, have a national or international focus and have different corporate governance structures. The principles of the Code may be applied proportionately where this is warranted by these differences. Departures from the Code, if substantiated, can therefore be justified.

The Insurers' Code was drafted by the Dutch Association of Insurers and most recently amended on 1 July 2013. The Code applies to all insurers. REAAL NV (hereinafter referred to by its trade name VIVAT Verzekeringen), together with its wholly-owned subsidiaries SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV, performs insurance activities. These subsidiaries have an authorisation issued by the Dutch Central Bank (DNB) to pursue insurance activities. Below, the terms **Insurer** and VIVAT Group refer to the holding company VIVAT Verzekeringen and its three above-mentioned subsidiaries.

Zwitserleven PPI NV (with an authorisation as defined contribution scheme institution) and asset manager ACTIAM NV (with an authorisation as an alternative investment fund manager (AIFM)) are also subsidiaries of VIVAT Verzekeringen. The Insurers' Code does not

apply to these entities as neither of them pursues insurance activities as such.

The Insurers' Code applies to the **'Insurer'**. If any of the entities of the Insurer has departed from the Insurers' Code, this will be stated separately in this overview.

Accountability for compliance with the Code

1.2 In its annual report or corporate annual report and on its website or corporate website, the insurer shall describe and explain how it applies each principle of the Code. If the insurer does not comply with the principle or does not do so in full, it shall explain why. The compliance text in the annual report and on the website must be easy to find.

It is explained how the Insurer applies each principle of the Insurers' Code. This accountability for compliance with the Code can be found in the annual report of VIVAT Group as well as on the website of VIVAT Verzekeringen via the following link: www.vivatverzekeringen.nl

No changes are expected to be made after the publication of this report on compliance with the Insurers' Code in the annual report and on the website of VIVAT Verzekeringen. The next occasion on which changes will be included is likely to be the publication of 2015 Annual Report of VIVAT Group.

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. The proper performance of the supervisory board's duties is conditional upon complementarity, a joint management approach, independence and diversity.

The Insurer applies this principle. The Supervisory Board has seven members. Supervisory Board diversity is reflected in such factors as gender, age and professional background, as mentioned in the Additional Information under 5 of the annual report of VIVAT Group. The regulations reference of the Supervisory Board of VIVAT Verzekeringen include a provision that complementarity, a joint management approach, independence and diversity are essential for the proper performance of the Supervisory Board's duties.

The membership of the Supervisory Boards of SNS REAAL NV, VIVAT Verzekeringen and SRLEV NV overlaps. Until recently, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV did not have a supervisory board. On 6 November 2014, these two companies established a Supervisory Board having the same composition as that of the companies referred to above.

Where reference is made below to the Supervisory Board of VIVAT Verzekeringen, this also therefore means the Supervisory Boards of SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV, unless explicitly stated otherwise or it is apparent from the context that this is not the case.

2.1.2 *The supervisory board shall have a sufficient number of members to properly perform its function, including in its committees. The appropriate number of members depends on the nature, size and complexity of the insurer.*

The Insurer applies this principle. The members of the VIVAT Verzekeringen Supervisory Board come from a diverse and wide range of backgrounds. The number of members is appropriate to enable the Supervisory Board to act decisively. Each year, the VIVAT Verzekeringen Supervisory Board discusses the desired profile, composition and competency of its members.

The regulations of the various committees of the Supervisory Board of VIVAT Verzekeringen provide that each committee should have at least three members. All the Insurer's committees meet this condition.

2.1.3 *The members of the supervisory board shall have thorough knowledge of the insurer's functions in society and of the interests of all stakeholders of the insurer. The supervisory board shall carefully consider the insurer's stakeholders, such as its customers, shareholders and employees.*

The Insurer applies this principle. See Section 3.2 of the annual report of VIVAT Group for more information about the backgrounds and knowledge of the Supervisory Board members.

All members have made the moral and ethical conduct declaration, which includes the need to make a balanced

assessment of the interests of customers, shareholders, bondholders, employees and the society in which the Insurer operates. The regulations of the Supervisory Board of VIVAT Verzekeringen explicitly provide that the members of the Supervisory Board must make a balanced assessment of the interests of customers, shareholders and employees.

In 2014 the Supervisory Board of VIVAT Verzekeringen established a system of technical consultation to ensure its close involvement in the sale of VIVAT Verzekeringen

2.1.4 *Each supervisory board member shall be capable of assessing the main aspects of the insurer's overall policy in order to form a considered and independent opinion about the basic risk exposures. Each member shall also have the specific expertise required to perform his role within the supervisory board. To this end, an individual profile – in line with the general profile for the supervisory board as a whole – shall be compiled whenever a vacancy arises.*

The Insurer applies this principle. Each member of VIVAT Verzekeringen's Supervisory Board has sufficient knowledge and experience to assess the main aspects of the Insurer's policy and to form an independent opinion of the basic risks. Decisions regarding risk management and risk control are prepared by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees are carefully composed on the basis of knowledge and experience.

Nominations of new members of the Supervisory Board of VIVAT Verzekeringen are made by reference to an individual profile for the relevant vacancy. This profile is based on the general profile of the Supervisory Board, which has been drafted in line with the principles of the Insurers' Code. The members of the Remuneration & Nomination Committee assist the Supervisory Board in drafting the profile.

2.1.5 *When a vacancy in the position of chair of the Supervisory Board has to be filled, an individual profile shall be drawn up setting out the insurer's requirements in regulations expertise and experience of the financial sector, and knowledge of the socio-economic and political culture as well as the social environment of the insurer's main markets.*

The Insurer applies this principle. For an explanation of the application of this principle, reference should be made to the relevant remarks in principle 2.1.4.

However, where the position of chair of the supervisory board falls vacant, an individual profile will be drawn up with special focus on the qualifications mentioned in this principle.

2.1.6 *Each member of the supervisory board, the chair in particular, shall be sufficiently available and accessible to allow the proper performance of his duties as a member of the board and its committees.*

The Insurer applies this principle. The Supervisory Board members are sufficiently available and accessible to allow them to properly perform their duties on the Board and its committees. A record is kept of the attendance of the members of the Supervisory Board of VIVAT Verzekeringen at meetings of the Board and its committees. In 2014, none of the Supervisory Board members was frequently absent from either regular or additional meetings. This principle has been explicitly adopted in the Supervisory Board regulations. It should be added that if a Supervisory Board member is regularly absent, he or she will be called to account by the chair of the Supervisory Board.

2.1.7 *Each member of the supervisory board shall receive suitable compensation for the amount of time that he spends on the work of the board. The compensation is not dependent on the insurer's results.*

The Insurer applies this principle. The remuneration report as included in the annual report of SNS REAAL NV sets out the fixed remuneration received annually by the Supervisory Board members. Supervisory Board members receive a remuneration that is determined by the General Meeting of Shareholders. The amount of the remuneration is not dependent on the Insurer's results.

2.1.8 *The chair of the supervisory board shall arrange for a programme of continuing education for the members of the Supervisory Board to maintain and, where necessary, enhance their expertise. This programme shall at least cover relevant developments in the insurer's business and in 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. Every member of the Supervisory Board shall take part in the*

programme and satisfy the continuing education requirements.

The Insurer applies this principle. Members of VIVAT Verzekeringen's Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. In this context, a programme is compiled for the Supervisory Board every year. Each year the Supervisory Board members take at least three training courses within the framework of continuing education; these are scheduled immediately after regular Supervisory Board meetings, as a result of which all members who are present participate in the courses. Besides taking part in continuing education, all Supervisory Board members must attend a 'customer experience' session annually from this year onwards. The underlying theme of these sessions is 'Treating Customers Fairly' (TCF). The subjects dealt with in the context of continuing education in 2014 are listed in Section 3.3 of VIVAT Group's annual report.

2.1.9 *Assessment of the effectiveness of the continuing education referred to in principle 2.1.8 shall be part of the annual evaluation performed by the supervisory board.*

The Insurer applies this principle. In December, the Supervisory Board carried out an evaluation at SNS REAAL level under independent external supervision. Since the board membership overlaps, this evaluation also covers the Insurer. Assessment of the effectiveness of the continuing education sessions formed part of this evaluation.

2.1.10 *In addition to the supervisory board's annual evaluation of its own performance, this performance is also evaluated once every three years under independent supervision. This shall include an evaluation of the involvement of individual members, the culture within the supervisory board as a whole and the relationship between the supervisory board and the executive board.*

The Insurer applies this principle. At the end of 2012, the yearly evaluation of the Supervisory Board was performed under independent external supervision. As noted previously in principle 2.1.9, an evaluation once again took place this year under independent supervision. The evaluation focuses on the functioning of the Supervisory Board, the functioning of the individual

committees and the individual supervisory directors, the relationship with the management and the effectiveness of the continuing education.

2.2 Duties and procedures

2.2.1 *In performing its supervisory duties, the Supervisory Board shall pay special 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.*

The Insurer applies this principle. In performing its supervisory duties, the Supervisory Board shall pay particular attention to the Insurer's risk management. All discussions about risk management are prepared by the Risk Committee. The Risk Committee prepares policy in five fields:

(i) the profile of VIVAT's financial and non-financial risks, in particular whether at a strategic level:

1. the capital allocation
2. the investment policy, and
3. the liquidity requirement

are consistent with the approved risk appetite;

(ii) the periodical assessment at strategic level of whether the overall business operations are in line with the risk appetite of the company concerned in relation to the return on investment;

(iii) the management of the financial and non-financial risks of the company concerned, including the evaluation of the whistleblowing scheme of the relevant entity of the Insurer;

(iv) the structure and operation of the risk management organisation, including supervision of compliance with the relevant laws and regulations, the functioning of codes of conduct, and the subject of integrity in the broad sense; and

(v) the applications of information and communications technology from the perspective of risk control. The Risk Committee consists of four members of the Supervisory Board and meets at least once a year to discuss VIVAT Verzekeringen's remuneration policy from the perspective of risk management.

2.2.2 *Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting, internal control systems and audits or VIVAT Verzekeringen's Risk Committee.*

The Insurer applies this principle. The regulations of VIVAT Verzekeringen's Risk Committee provide that at least two members must have a sound knowledge of the financial and technical aspects of risk management or have the experience needed to allow through assessment of risks. VIVAT Verzekeringen's Risk Committee complies with this provision.

The regulations of VIVAT Verzekeringen's Audit Committee provide that at least one member of the committee must have relevant knowledge and experience of the financial and accounting practices of listed companies and other large legal entities. In addition, some members must have a thorough knowledge and understanding of financial reporting, internal control systems and audits or the experience needed to make sound supervision of these aspects possible. VIVAT Verzekeringen's Audit Committee complies with this provision.

3 Executive Board

3.1 Composition and expertise

3.1.1 *The executive board³ shall be composed in such a way as to enable the proper performance of its duties. The proper performance of the executive board's duties is conditional upon complementarity, a joint management approach, independence and diversity.*

The Insurer applies this principle. The management of VIVAT Verzekeringen has the same members as the management of SRLEV NV and that of Reaal Schadeverzekeringen NV. VIVAT Verzekeringen has five managing directors. Proteq Levensverzekeringen NV has two managing directors. This means that the joint management principle is implemented at all

³ *The Insurer is currently in a period of transition. Instead of dealing with the Executive Board of SNS REAAL NV, this Section will therefore consider the role of the Statutory Board of VIVAT Verzekeringen or of one its subsidiaries.*

management levels. Complementarity and diversity are ensured by the variety of backgrounds, knowledge and experience of the managing directors. The policy of diversity of SNS REAAL NV has also been applied in deciding the composition of the management. The division of portfolios among the managing directors is subject to the prior approval of the Supervisory Board and the Executive Board of SNS REAAL NV. In this way the management implements its regulations, which explicitly provide that its composition should be such as to enable the proper performance of its duties.

More information on the background of the different managing directors can be found in the Additional Information under 4 of VIVAT Group's annual report.

3.1.2 *Each member of the executive board shall possess a thorough knowledge of the financial sector in general and the insurance sector in particular. Each member of the executive board shall have thorough knowledge of the insurer's functions in society and of the interests of all parties involved in the insurer. Each member shall also be highly knowledgeable and capable of analysing and deciding on the main aspects of the insurer's overall strategy and forming a considered and independent opinion of the risk exposures.*

The Insurer applies this principle. The management is composed in such a way that it is able to perform its tasks properly. The management endeavours to ensure that its members represent the areas of expertise that are important to the Insurer. This provision is included in the board regulations. The Executive Board of SNS REAAL NV, in consultation with the management and the Supervisory Board of VIVAT Verzekeringen, may draft a profile describing the integrity and the expertise and availability of the management which it considers necessary, inter alia for the purpose of directing and controlling the Insurer. This is recorded in the board regulations of VIVAT Verzekeringen.

3.1.3 *The chair of the executive board shall ensure that a programme of continuing education is in place for the members of the executive board aimed at maintaining and, where necessary, enhancing members' skills and expertise. This programme shall at least cover relevant developments in the insurer's business 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.

The Insurer applies this principle. The managing directors are obliged to maintain their expertise at the required standard and improve it where necessary. In this context, a programme is internally compiled every year, which includes lectures by internal and external speakers that cover the various topics mentioned in this principle. This is also explicitly stated in the board regulations of VIVAT Verzekeringen. The subjects of the continuing education sessions as laid down in this principle are taken into consideration by the management when choosing subjects for the sessions. The choice for the subjects is based on, for instance, topical issues such as new legislation.

Apart from the management, other managers within the Insurer's various business units can also, at their discretion, take training courses relevant to them.

3.1.4 *All executive board members shall take part in the programme referred to under 3.1.3 and satisfy the continuing education requirements. This is a prerequisite for being an executive board member. The supervisory board shall ascertain whether the members of the executive board possess the required expertise.*

The Insurer applies this principle. Every managing director is bound to take part in at least three continuing education sessions. The chair ensures that the managing directors participate in the continuing education. The chair of the Supervisory Board then checks to ensure that the chair of the management also participates in continuing education in accordance with the criteria applicable within the Insurer. This is explicitly recorded in the board regulations of VIVAT Verzekeringen.

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 Insurer applies this principle. Section 3.1 of the annual report of VIVAT Group describes how principles 3.1.3 and 3.1.4 have been implemented.

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.*

The Insurer applies this principle. The Supervisory Board approves the risk appetite at least once a year, after it has been discussed in the Supervisory Board's RC, as this risk appetite is submitted by the management of VIVAT Verzekeringen. The management arranges for a balanced assessment of the institution's commercial interests and its desired risk profile. The discussion of the risks to be taken includes consideration of the importance of financial stability and the possible impact of systemic risks on the retention profile. The Supervisory Board is regularly informed of the actual risk profile in relation to the approved risk appetite. In addition, the Integrated Control Framework is being developed, as outlined in Section 5.2 of the annual report.

3.1.7 *The executive board shall charge one of its members with the duty of preparing its decisions on risk management. This member shall be involved, in a timely manner, in the preparation of decisions that are material to the insurer's risk profile, particularly if such decisions might entail a departure from the risk appetite approved by the supervisory board. The performance of the risk management function should involve consideration of the importance of financial stability and the possible impact of systemic risks on the institution's risk profile.*

The Insurer applies this principle. The Chief Risk Officer (CRO) is the managing director responsible for preparing decisions on risk management. For more information on risk management, see Section 5 of the annual report of VIVAT Group.

The management of Proteq Levensverzekeringen NV does not have a separate CRO position. These duties come within the remit of the CRO of VIVAT Verzekeringen, SRLEV NV, and Reaal Schadeverzekeringen NV.

3.1.8 *The member of the executive board responsible for preparing decisions on risk management may combine his or her function with other focus areas, provided that he does not bear any individual responsibility for commercial decisions and operates independently of the areas of commercial responsibility.*

The Insurer applies this principle. The CRO does not bear any individual responsibility for the commercial decisions and operates independently of the areas of commercial responsibility. Some employees within Risk

have pricing duties, but in the committees that formulate the framework the second line has a right of veto. This second line therefore operates completely autonomously. Nonetheless, a number of first-line duties have been assigned to the second line, as described in Section 5.3.3 of the annual report of VIVAT Group.

3.2 Duties and procedures

3.2.1 *In all of its actions, the insurer's executive board shall ensure that it carefully considers the interests of all the insurer's stakeholders such as its customers, shareholders and employees. These considerations shall take into account the continuity of the insurer, the social setting in which the insurer operates and laws and regulations and codes that apply to the insurer.*

The Insurer applies this principle. In all of its actions, the insurer shall ensure that it carefully considers the interests of all its stakeholders, such as its customers, shareholders and employees. These considerations shall take into account the continuity of the insurer, the social setting in which the insurer operates and laws and regulations and codes that apply to the insurer. The Insurer puts customers' interests first and treats customers fairly. This is also explicitly included in the preamble to the board regulations.

3.2.2 *Treating Customers Fairly 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 corporate culture.*

The Insurer applies this principle. The Insurer puts customers' interests first and treats customers fairly. The core value is CARE! This core value indicates how employees should conduct themselves and thus forms the basis for all their actions. The management must also ensure that the duty of care to the customer is embedded in the insurer's corporate culture. This provision is explicitly included in the board regulations.

In the context of the assessment by the Authority for the Financial Markets (AFM) of whether customers are treated fairly, VIVAT Verzekeringen scored 3.7 on a scale of 1 to 5 in 2014. This was above the market average. For more results, go to: www.vivatverzekeringen.nl and Section 4.2.3 of the annual report of VIVAT Group. Treating Customers Fairly (TFC) is an ongoing process

in which new initiatives are continuously being developed and in which steps that have already been taken are being further improved and optimised.

3.2.3 *The members of the executive board shall fulfil their duties carefully, expertly and with integrity, while complying with all applicable laws and regulations, codes of conduct and regulations. Each member of the executive board shall sign a moral and ethical conduct declaration. A model declaration has been included in the explanatory notes to this Code. Insurers are free to add to this model to suit their own needs.*

The Insurer applies this principle. All managing directors have signed an integrity statement, followed by a moral and ethical conduct statement. The text of this moral and ethical conduct statement can also be found at www.vivatverzekeringen.nl.

The moral and ethical conduct statement emphasises the importance of putting customer's interests first in the Insurer's day-to-day operations, the responsibility to act with integrity and responsibility, and the role of the Insurer in society.

3.2.4 *The executive board shall ensure that the declaration referred to in principle 3.2.3 is transposed into principles guiding the actions of all the insurer's employees. On appointment, each new employee shall be explicitly informed of the meaning of these principles by means of a reference in his or her employment contract with the insurer and is expected to abide by them.*

The Insurer applies this principle. Until 1 January 2015 all employees of the Insurer were in the service of SNS REAAL NV. The employment contract of each new employee therefore refers to the 'Common Sense, Clear Conscience' code of conduct of VIVAT Group and states that it must be observed. The text of the code of conduct is published on the corporate website www.vivatverzekeringen.nl. In addition, there are compulsory e-learning courses for all employees in which attention is drawn to the importance of compliance with the code of conduct of SRLEV NV.

4 Risk management

4.1 *The executive board, in particular its chair, shall be responsible for adopting, implementing, monitoring and,*

where necessary, adjusting the insurer's overall risk policy. The executive board shall submit a proposal for the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite proposed in the intervening period shall also require the supervisory board's approval.

The Insurer applies this principle. The Insurer has introduced a new committee structure as part of the disentanglement. The various risk committees and their accompanying duties and responsibilities are explained in Section 5 of the annual report of VIVAT Group.

In December 2014, the management submitted the Operational plan, as well as the risk appetite for the various classes of risk, to the Executive Board and thereafter the Supervisory Board. During the year under review, the Supervisory Board had already discussed the Operational Plan in a prior meeting. The Supervisory Board approved the risk appetite, after it had been submitted to the Risk Committee for discussion.

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 strategic level, whether the overall capital allocation and liquidity requirement are generally in agreement with the approved risk appetite. The supervisory board shall be assisted in the discharge of these supervisory duties by a risk committee formed from among its members.*

The Insurer applies this principle. The Supervisory Board must pay special attention to the Insurer's risk management. All discussions about risk management are prepared by the Risk Committee. The Supervisory Board supervises the risk policy pursued by the management. To that end, the Supervisory Board discusses the Insurer's risk profile and assesses, at strategic level, whether the capital allocation and liquidity requirement are consistent with the approved risk appetite. The Supervisory Board is advised in the discharge of these supervisory duties by the Risk Committee. This is in accordance with the regulations reference of the Supervisory Board.

VIVAT Group is working on further strengthening integrated risk management, also known as the Integrated Control Framework (ICF). More information

on the ICF can be found in Section 5.2.2 of the annual report of VIVAT Group.

4.3 *The supervisory board shall periodically assess, at strategic level, whether the overall business operations are consistent with the insurer's risk appetite. The executive board shall provide the supervisory board with whatever relevant information it needs to form a considered opinion.*

The Insurer applies this principle. The Supervisory Board periodically assesses, at strategic level, whether the overall business operations are in line with the Insurer's risk appetite in relation to the return on investment. The management provides the Supervisory Board with the information it needs to form a considered opinion. This is in accordance with the regulations of the Supervisory Board.

4.4 *The executive board arranges for the adequate organisation of risk management so that it is aware in good time of any material risks run by the insurer and can manage these risks properly. Decisions material to the risk profile, capital allocation or liquidity requirement are taken by the executive board.*

The Insurer applies this principle. For the purposes of risk management, the Insurer applies the 'three lines of defence' model. This model defines clear responsibilities and guarantees that risk management is performed by the entire organisation. This is explained in Section 5.3.3 of the annual report of VIVAT Group.

4.5 *Each insurer shall have a product approval process. The executive board shall organise the product approval process and be responsible for the process working properly. Products that go through the insurer's product approval process shall not be launched on the market or distributed without careful consideration of the risks by the insurer's risk manager and a careful assessment of any other relevant factors, including the duty of care towards the customer. Based on an annual risk analysis, the in-house auditor shall check whether the product approval process has been designed properly and is present and working effectively and shall then inform the executive board and the relevant supervisory board committee (risk committee or similar committee) about the results.*

The Insurer applies this principle. The product approval process is consistent with the principles of the Insurers' Code and an audit is carried out for every business unit (Reaal and Zwitserleven) each year.

The product approval process is performed by the Product Market Pricing Committees (PMPCs). The Insurer has two PMPCs for formal product approval, one for each business unit. The Proteq products are formally approved by Reaal's PMPC. The PMPC's objects include:

(i) determining the quality of risk control in product designs and product management in a broad sense prior to and during their provision to customers and, where necessary, prescribing changes to maintain this quality; (ii) striking a balance between volume, return and risk of existing and new products and, finally, (iii) approving product launches and/or changes.

Both PMPCs have decision-making powers within the frameworks established by the Insurer's Risk Committee (IRC).

5 Audit

5.1 *The executive board shall arrange for a systematic audit of the risks connected with the insurer's business operations.*

The Insurer applies this principle. The Insurer's internal audit function (Group Audit) is still organised at SNS REAAL NV (SNS REAAL) level and takes a systematic audit approach on the instructions of the SNS REAAL Executive Board in order to evaluate and improve the effectiveness of risk management, internal control and governance activities of SNS REAAL and its business units, including VIVAT Group.

In 2014 Group Audit made intensive preparations for the possible sale of VIVAT Verzekeringen in order to be able to guarantee that even after the sale it would be able to continue performing its duties within VIVAT Group.

5.2 *The insurer shall have its own internal audit function, which has 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 Insurer applies this principle. The internal audit function is organised at SNS REAAL level and is continuously evolving. The mandate, structure and governance of the internal audit function comply with the principles of the Insurers' Code and its remit extends to all of the Insurer's activities.

Group Audit reports to the chair of the SNS REAAL Executive Board and also has a reporting line to the Audit Committee of the Supervisory Board. Individual audit reports are addressed to the holder of the portfolio concerned within VIVAT Verzekeringen's management. Group Audit reports to the management of VIVAT Verzekeringen, its Executive Board and Audit Committee every quarter. Group Audit, together with external auditor KPMG, supplies a management letter to the management of VIVAT Verzekeringen, its Executive Board and Audit Committee annually. In this way, this department is able to perform its activities independently of the Insurer's business units and departments.

5.3 *The internal audit function has the task of assessing whether the internal control measures have been designed properly and whether they are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk management and the insurer's control procedures. The internal audit function shall report its findings to the executive board and the audit committee.*

The Insurer applies this principle. Group Audit takes a systematic audit approach based on a dynamic risk analysis in order to evaluate and improve the effectiveness of risk management, internal control and governance activities. Individual audit reports are addressed to the holder of the portfolio concerned within the management of VIVAT Verzekeringen. Group Audit reports to the management of VIVAT Verzekeringen, its Executive Board and Audit Committee every quarter on the results of the reviews and audits it has performed. Group Audit, together with external auditor KPMG, supplies a management letter to the management of VIVAT Verzekeringen, its Executive Board and Audit Committee annually.

Since 1 July 2014 the Insurer's Internal Control Department has been responsible for carrying out special internal control activities for the insurer and line management. These reviews and audits focus on ensuring the permanent and proper operation of the

management measures included in the procedures and work instructions.

5.4 *An exchange of information takes place periodically between the internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee. This exchange of information includes consultation about the risk analysis and audit plan of the internal audit function and the external auditor.*

The Insurer applies this principle. The internal audit function and the external auditor periodically report the results of the reviews and audits to the Audit Committee of the Supervisory Board. The Group Audit Director is responsible for annually updating the risk analysis and developing a long-term audit plan and an annual audit plan based on this risk analysis. The risk analysis and the audit plan of the internal audit function and the external auditor's audit plan are discussed with the Audit Committee of SNS REAAL's Supervisory Board.

5.5 *As part of the general audit assignment for the financial statements, the 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 Insurer applies this principle. Group Audit and the external auditor jointly draft a management letter containing their findings concerning the quality and effectiveness of the system of governance, risk management and the control procedures within the Insurer's business. The external auditor also prepares an annual audit report. Both reports are discussed with the SNS REAAL Executive Board, the management and the Supervisory Board's Audit Committee.

5.6 *The internal auditor shall take the initiative in arranging talks with De Nederlandsche Bank (DNB) and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage.*

The Insurer applies this principle. The internal audit function regularly initiates general or IT-related tripartite talks with the Dutch Central Bank (DNB) and the external auditor to discuss the risk analysis, audit findings and audit plan (and the progress made with the audit plan).

6 Remuneration policy

6.1 Guiding principle

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 the level of public support. The supervisory and executive boards shall adhere to this principle in carrying out their duties in respect of the remuneration policy.*

The Insurer applies this principle. The remuneration policy is determined at SNS REAAL level. The policy should help to achieve the strategy and long-term interests of SNS REAAL. It was decided in the context of the demerger between Bank and Insurer that 2014 and 2015 would be transitional years, in which the remuneration policy would be maintained at SNS REAAL level.

This remuneration policy is based on, among other things, the following principles:

- the policy should comply with the applicable laws and regulations;
- the policy should take account of the interests of all stakeholders: customers, employees, the shareholder and society at large;
- the remuneration should be transparent and take account of public attitudes perceived by SNS REAAL;
- the remuneration should be consistent with the risk profile of SNS REAAL and the risk profile of the holder of the position concerned;
- the policy should be consistent with and contribute to sound and effective risk management and should not encourage employees to take more risks than is acceptable to the company.

SNS REAAL carries out a remuneration risk analysis every year and incorporates the results in its remuneration policy.

To determine, implement and monitor its remuneration policy, SNS REAAL has established a 'governance framework' dividing the duties and responsibilities among the Supervisory Board, the Remuneration and Nomination Committee, the Executive Board and various internal control departments (Risk, Finance, P&O and Group Audit).

6.2 Governance

6.2.1 *The supervisory board is responsible for implementing and evaluating the remuneration policy for the members of the executive board. The supervisory board shall also approve the senior management remuneration policy and monitor its implementation by the executive board. The supervisory board shall also approve the principles of the remuneration policy for the insurer's other employees. The insurer's remuneration policy should include the policy on the award of retention, exit and joining packages.*

The Insurer applies this principle. The Supervisory Board is responsible for implementing and evaluating the remuneration policy for the managing directors. The Supervisory Board also approves the senior management remuneration policy proposed by the management and monitors its implementation by the management. Moreover, the Supervisory Board approves the principles of the remuneration policy proposed by the management for the insurer's other employees. The Insurer's remuneration policy should include the policy on the award of retention, exit and joining packages. Once a year the Supervisory Board arranges for a central and independent internal assessment in order to check the correct implementation of the Insurer's remuneration policy, in particular compliance with the remuneration policy and procedures adopted by the Supervisory Board. This is recorded in the regulations of VIVAT Verzekeringen's Supervisory Board.

6.2.2 *The Supervisory Board discusses the highest variable incomes annually. The supervisory board shall ensure that the executive board assesses whether the variable pay is consistent with the remuneration policy adopted by the insurer, and in particular whether it complies with the principles set out in this Section. Furthermore, the supervisory board shall discuss material retention, exit and joining packages and ensure that they are consistent with the remuneration policy adopted by the insurer and are not excessive.*

The Insurer applies this principle. The Supervisory Board discusses the highest variable incomes annually. The Supervisory Board ensures that the management arranges for the variable pay to be consistent with the remuneration policy adopted by the Insurer, and in particular checks whether it complies with the Insurers' Code. The Supervisory Board also discusses the

material retention, exit and joining packages and ensures that they are consistent with the Insurer's remuneration policy and are not excessive.

6.3 Remuneration of Executive Board members

6.3.1 *The total income of a member of the executive board shall be in reasonable proportion to the remuneration policy adopted by the insurer. At the time when the member's total income is decided, it shall be slightly below the median level for comparable positions in both the financial and non-financial sectors. The relevant international context shall be taken into account.*

The Insurer applies this principle. The total income of a managing director is below the median level for the specified reference group, consisting of (listed) Dutch financial institutions and a group of medium-sized (listed) Dutch non-financial institutions. The Remuneration and Nomination Committee monitors whether the composition of the reference group is adequate or requires adjustment. It has been contractually recorded that no variable pay will be awarded and paid to the management. The provisions on executive remuneration (and hence all the principles of 6.3) do not apply to one of the members of the management of Proteq Levensverzekeringen NV. The member concerned is part of senior management and is thus eligible for variable remuneration. The conditions for senior management are explained in principle 6.4.

6.3.2 *The severance pay for a member of the executive board may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for an executive board member whose employment is terminated during his first appointment period, this member shall be eligible for severance pay not exceeding twice the annual salary.*

The Insurer applies this principle. The employment contracts with managing directors stipulate that in the event of termination of the employment contract, the director will be entitled to a severance payment calculated in accordance with the new (effective as of 1 January 2009) sub district court formula, with a maximum of one year's fixed salary, including holiday allowance and '13th month' bonus at the moment of termination of the contract.

6.3.3 *The long-term component shall be taken into account when variable pay is awarded to a member of the executive board. The award is also dependent on profitability and/or continuity. A material part of the variable pay shall be awarded conditionally and not paid until at least three years later.*

Managing directors are not eligible for variable pay.

6.3.4 *Shares awarded to an executive board member for no consideration shall always be retained for a period of five years or at least until termination of the employment if this period is shorter. Options shall not be exercised in any event within the first three years of having been awarded.*

Managing directors are not eligible to be awarded shares.

6.4 Variable pay

6.4.1 *The award of variable pay shall be linked to the insurer's long-term objectives.*

The Insurer applies this principle. The policy on variable pay has been laid down in SNS REAAL's Group Policy on Remuneration. As noted previously in principle 6.1, 2014 is a transitional year. This is why there is no new policy on variable pay for VIVAT Verzekeringen and SNS REAAL's existing Group Policy on Remuneration continues in force. The policy applies to all business units and employees of the Insurer. Managing directors are not eligible for variable pay.

6.4.2 *Each insurer shall cap the ratio of variable pay to fixed salary at a level suitable to its business. The annual variable pay of an executive board member shall not exceed 100 percent of the member's fixed income.*

The Insurer applies this principle. Managing directors are not eligible for variable pay. Employees who are covered by the collective agreement are, in principle, eligible for an appraisal allowance which can rise, depending on personal performance, to a maximum of 6.75 percent of the annual income. Field staff are eligible for variable pay which can rise, depending on personal performance, to a maximum of 35 percent of the annual income. This arrangement has been agreed with the trade unions. The arrangement will be reviewed on 1 January 2015 by reference to the bonus cap of 20 percent in the Dutch Financial

Undertakings (Remuneration Policy) Act, which is expected to come into force in 2015.

The members of the senior management team are eligible for variable pay not exceeding 20 percent of the fixed annual income.

This variable pay consists of a direct part and a deferred part. Both the direct and the deferred parts comprise a cash component and a shares component. The deferred part will be granted conditionally at the end of the performance period and unconditionally after three years, provided that the employee is still in the company's employ at that time, depending on the (ex post) assessment of the performance at that time and provided that it is consistent with the financial condition of the company at that time.

The award of variable pay is governed by 'guiding principles'. If these guiding principles are not complied with, it may be decided to reduce the variable pay or even cancel it altogether. In recent years no variable pay has been awarded or paid to senior management.

6.4.3 *Variable pay shall be based on the performance of the individual, his business unit and the insurer as a whole, and be measured using predetermined and assessable performance criteria. In addition to financial criteria, non-financial performance criteria 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.*

The Insurer applies this principle. The variable pay is determined on the basis of achievement of performance objectives adopted prior to the performance period.

The performance objectives of senior management (and of other employees who can have a material impact on the Insurer's risk profile) are assessed at the start of the performance period (e.g. for compliance with this principle) in a so-called ex ante risk control.

Employees in control functions (Risk and Audit) are independent of the business units they supervise. These employees are remunerated on the basis of realisation of the objectives of their position, irrespective of the results of the business activities. This is why employees in these positions have no financial performance objectives.

6.4.4 *When performance is assessed by reference to the adopted criteria, the financial performance shall be adjusted to allow for actual and estimated risks and costs of capital.*

The Insurer applies this principle. The variable pay is determined on the basis of achievement of performance objectives adopted prior to the performance period. When the performance of senior management is assessed (as a basis for the calculation of variable pay), a correction is made for all kinds of current and future risks, and account is taken of the costs of the used capital and the costs of the requisite liquidity.

6.4.5 *In exceptional circumstances, for example if application of the agreed performance 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 believes that the pay would have unfair or unintended consequences.*

The Insurer applies this principle. The following applies specifically to senior management:

Until such time as the relevant part of the variable pay becomes unconditional, the Executive Board of SNS REAAL is competent to adjust the relevant part of the variable pay downwards to a suitable level if the unchanged award or payment of the variable remuneration (i) would be unacceptable according to the criteria of reasonableness and fairness, (ii) is not compatible with the financial state of the company, or (iii) is not justified by the performance of the Insurer, the business unit or the participant, as referred to in the Dutch Civil Code.

6.4.6 *The supervisory board shall be authorised to reclaim variable remuneration allocated to a member of the executive board based on inaccurate data (whether or not the inaccurate data is financial in nature).*

The Insurer applies this principle. The following applies specifically to senior management: The Executive Board of SNS REAAL has the possibility of reducing or recovering variable remuneration in so far as it has been granted or paid on the basis of incorrect information about the achievement of the underlying objectives or about the circumstances on which payment of the variable remuneration was made dependent.

7 Compliance with laws and regulations

7.1.1 The insurer shall have a procedure in place for ensuring timely identification and implementation of new laws and regulations. The insurer shall evaluate this procedure annually. 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.

The Insurer applies this principle in the following way. The Insurer has a procedure in place for ensuring timely identification of new laws and regulations.

The Legal Department prepares an annual list of all laws and regulations relating to the Insurer's activities. Each quarter the Legal Department prepares an overview of developments relating to the identified laws and regulations. In addition, the management is periodically informed during meetings held for this purpose. The Legal and Tax Departments inform the Insurer's employees by means of newsletters about important developments involving laws and regulations that have happened in the intervening period.

The Compliance and Tax Departments monitor within their own fields whether a business unit complies with the amended laws and regulations or has taken measures if there is a failure of compliance. Where necessary, they hold the business units accountable. Supervision of compliance with laws and regulations is also a general function of the operational risk and compliance committees (ORCCs), the various business units, the management and the Supervisory Board. Group Audit periodically reviews the functions of the Legal Department and Compliance, while at the same time covering the identification and implementation of new laws and regulations.

2 GRI-table and Assurance report

2.1 GRI-table

Disclosure	Description	Cross-reference / explanatory notes	External verification ¹
General standard disclosures			
Strategy and analysis			
G4-1	Statement from the organisation's most senior decision-maker	2 Foreword	O
Organisatieprofiel			
G4-3	Name of the organisation	1 VIVAT Group at a glance	O
G4-4	Primary brands, products and/or services	1.3 Our brands	O
G4-5	Location of the organisation's headquarters	7.1.1 General information	O
G4-6	Number of countries where the organisation operates	7.1.1 General information	O
G4-7	Nature of ownership and legal form	7.1.1 General information	O
G4-8	Sales markets	1.3 Our brands; 4.3 Business developments	XO
G4-9	Scale of the reporting organisation	Key figures	O
G4-10	Composition of workforce	4.4 Our people	X
G4-11	Employees covered by collective bargaining agreements	100% of the employees	X
G4-12	Description of the organisation's supply chain	4.5.4 Sustainable purchasing	X
G4-13	Significant changes during the reporting period	1.1 General; 1.2.1 Nationalisation and disentanglement of SNS REAAL	XO
G4-14	Explanation of the application of the precautionary principle by the reporting organisation	5 Risk and capital management	O
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes	OECD guidelines - We undertake to encourage our suppliers and subcontractors to apply rules of conduct that are compatible with the guidelines which we endorse. We apply due diligence in the supply chain and combat corruption and anti-competitive practices in any form (including tax avoidance). International Labour Organisation (ILO). By complying with these guidelines, we support effective measures to abolish child labour and eliminate any form of forced labour, we support the elimination of discrimination in employment and occupation and, within our sphere of influence, we support the freedom to join a trade union and effective recognition of the right to collective bargaining.	X

Disclosure	Description	Cross-reference / explanatory notes	External verification ¹
G4-16	Memberships of associations (such as industry associations) and national and international advocacy organisations	<p>Here is a selection of the organisations of which we are members:</p> <p>Zwitserleven: PSI (UNEP Principles for Sustainable Insurance), VBDO (Association of Investors for Sustainable Investment), Verbond van Verzekeraars (Dutch Association of Insurers), CSR Netherlands, Dutch Dream Foundation, Swiss Life Network (International network of insurers who service multinational customers across borders)</p> <p>Reaal: Keurmerk Klantgericht Verzekeren, Verbond van Verzekeraars (Dutch Association of Insurers), Stichting Weet Wat je Besteedt (Money Management for Young People Foundation), Stichting Geldinzicht (Financial Literacy Foundation), CSR Netherlands</p> <p>ACTIAM: Dutch Fund and Asset Management Association (DUFAS), Extractive Industries Transparency Initiative (EITI), European Sustainable X Investment Forum (EuroSIF), Global Impact Investing Network, NPM, Platform for Inclusive Finance, VBDO (Association of Investors for Sustainable Investment), Eumedion, UN Principles for Responsible Investment</p> <p>Proteq Dier & Zorg: Partner of the Continuing Education Programme for Veterinary Surgeons</p> <p>Facility Management: Dutch Facility Management Trade Association (FMN), Accommodation and Real Estate Department, VGP (Association of Volume Users of Postal Services), Association of Corporate Real Estate Management Executives (CREME), Corporate Real Estate Federation (CREF), Sustainable Accommodation Platform</p>	X
Material aspects and boundaries			
G4-17	Overview of all entities which are included in the consolidated financial statements and which are not covered by this report	7.1.1 General information; Additional information 3.3 About this report	XO
G4-18	Process for determining the contents and specific boundaries of the report and the principles applied in this connection	Additional information 3 Principles of non-financial reporting	X
G4-19	Material aspects determined during the process to decide on the report's content	Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-20	Boundary of each material aspect within the organisation	Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-21	Boundary of the material aspects outside the organisation	Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-22	Consequences of a possible restatement of information provided in previous reports and the reasons for such restatement	Additional information 3.3 About this report	X
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Additional information 3.3. About this report	X
Consultation with stakeholders			
G4-24	List of stakeholder groups engaged by the organisation	1.1 General; Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-25	Basis for identification and selection of stakeholders	Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-26	Approach to stakeholder engagement	Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-27	Key aspects and concerns that have been raised through stakeholder engagement	Additional information 3.2 Determination of materiality and stakeholder engagement	X
Reporting profile			
G4-28	Reporting period for information provided	Additional information 3.3 About this report	X

Disclosure	Description	Cross-reference / explanatory notes	External verification ¹
G4-29	Date of most recent previous report	2013 calendar year. Report was published in April 2014	X
G4-30	Reporting cycle	Yearly	X
G4-31	Contact point for questions regarding the report or its contents	Additional information 3.3 About this report	X
G4-32	GRI application level and GRI table	Additional information 3.3 About this report	X
G4-33	Policy on assurance	Additional information 3.3 About this report	X
Governance structure			
G4-34	The governance structure of the organisation	1.1 General; Additional information 3.1 Organisation of Corporate Responsibility	XO
Ethics and integrity			
G4-56	Description of the organisation's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics	5.8.3 Developments	O
Material aspects			
Economic performance			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.1.4 SWOT analysis 4.2 Strategic themes 5.8 Non-financial risks 5.9 Capital management Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-EC1	Direct economic value generated and distributed	Key figures, 6 Consolidated financial statements	XO
Energy			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes 4.5 Our world Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-EN3	Energy consumption within the organisation	4.5.1 CO2-reduction	X
Emissions			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes 4.5 Our world Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-EN15	Direct emissions (Scope 1): GHG emissions, including quantity standard/methods of measurement and conversion factor	4.5.1 CO2-reduction	X
G4-EN16	Indirect emissions (Scope 2)	4.5.1 CO2-reduction	X
G4-EN17	Other indirect emissions (Scope 3)	4.5.1 CO2-reduction	X
Employment practices			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes 4.4 Our people Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-LA1	Total workforce and new employees and rate of employee turnover by age group and gender	4.4 Our people - Key figures	X
Training and education			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes 4.4 Our people Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assisting them in managing career endings	4.4.2 Sustainable employability	X
Compliance with laws and regulations			

Disclosure	Description	Cross-reference / explanatory notes	External verification ¹
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	3 Corporate Governance 4.2 Strategic themes Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-SO8	Significant fines and number of non-monetary sanctions for non-compliance with laws and regulations	3 Corporate Governance 4.2.3 Restoration of trust	X
G4-PR9	Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	3 Corporate Governance 4.2.3 Restoration of trust	X
Information about products and services			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-PR5	Results of surveys measuring customer satisfaction	4.2.3 Restoration of trust	X
Marketing communicatie			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-PR7	Number of incidents of non-compliance with regulations concerning marketing communications	4.2.3 Restoration of trust	X
Customer privacy			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-PR8	Number of substantiated complaints about breaches of customer privacy and losses of customer data	4.2.3 Restoration of trust 5.8.2 Risk management process	X
Product responsibility (Sector Supplement)			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes 4.3.7 ACTIAM Additional information 3.2 Determination of materiality and stakeholder engagement	X
G4-FS8	Monetary value of products and services designed to deliver an environmental benefit	4.3 Business developments	X
Socially responsible investment			
DMA	(a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach.	4.2 Strategic themes 4.3.7 ACTIAM Additional information 3.2 Determination of materiality and stakeholder engagement	X
	Policy and results of socially responsible investment	4.3 Business developments 4.3.7 ACTIAM	X

¹ Within scope of audit X - Partially with scope of audit XO - Outside scope of audit O

2.2 Independent auditor's assurance report

To the Readers of the Annual Report of REAAL NV

What is our conclusion?

We have reviewed the Corporate Responsibility information as defined in appendix 'Principles of non-financial reporting' on pages 210-213 and as included in chapter 4 of the Annual Report (hereafter: the CR information) REAAL NV (hereafter VIVAT Verzekeringen).

Based on our review, nothing has come to our attention to indicate that the CR information as reported in chapter 4 of the Annual Report is not presented, in all material respects, in accordance with the relevant aspects of the G4 reporting criteria as defined on page 213 of the Annual Report.

What was the basis for our conclusion?

We conducted our review engagement in accordance with the Dutch Standard 3810N: "Assurance engagements relating to sustainability reports".

We do not provide any assurance on the achievability of the objectives, targets and expectations of VIVAT Verzekeringen.

Our responsibilities under Standard 3810N and procedures performed have been further specified in the paragraph titled "Our responsibility for the review of the CR information".

We are independent of VIVAT Verzekeringen in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Which matters were of most significance in our review?

Key review matters are those matters that, in our professional judgment, were of most significance in our

review of the CR information. We have communicated the key review matters to the Audit Committee. The key review matters are not a comprehensive reflection of all matters discussed.

These review matters were addressed in the context of our review of the CR information as a whole and in forming our conclusion thereon, and we do not provide a separate conclusion on these matters.

Materiality assessment by the Statutory Board

The risk – Based on stakeholder expectations and the company's strategy, the Board of VIVAT Verzekeringen has analysed which topics in respect of CR information it assesses of material significance to the readers of the Annual Report. Such an assessment is subject to the Board's judgment and as such the risk occurs that material topics are not included in the Annual Report.

Our response – We have reviewed the internal process VIVAT Verzekeringen undertook to identify its material topics. We have also included in our review the results of our own media analysis and peer benchmarking with other financial institutions. We then appraised the findings of our analyses against the actual topics listed in the Annual Report regarding CR information.

Our observations – We have observed that VIVAT Verzekeringen has undertaken a sufficiently solid process to identify its material topics regarding CR information. In addition, we have observed that these material topics are included in the Annual Report.

Reporting on outcomes regarding CR

The risk – VIVAT Verzekeringen reports its progress on CR using a number of performance indicators, the selection of which depends on the Board's judgment and as such the selection is subjective in nature.

Our response – We have reviewed the selection and definition of performance indicators. We have subsequently requested underlying evidence to support the reported outcomes. In addition we have reviewed overall view from the CR information to assess if that view could be interpreted otherwise.

Our observations – We have observed that the reported outcomes are sufficiently substantiated with supporting evidence. We note that the reporting on outcomes can

be further improved if VIVAT Verzekeringen includes more quantitative indicators in its reporting. The reported outcomes in the current Report are more narrative and general in nature. In light of its recent strategy review VIVAT Verzekeringen commenced with implementing more detailed (quantitative) indicators.

What are the responsibilities of the Statutory Board

VIVAT Verzekeringen uses the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) to draft its Annual Report. The Statutory Board is responsible for the preparation of the CR information in scope as included above under 'Our conclusion' in accordance with the relevant aspects of the G4 reporting guidelines as defined on page 213 of the Annual Report. It is important to view the CR information in the Annual Report in the context of these criteria. We believe these criteria are suitable in view of the purpose of our assurance engagement.

As part of this, the Statutory Board is responsible for such internal control as it determines is necessary to enable the preparation of CR information that are free from material misstatement, whether due to fraud or error.

What is our responsibility for the review of the CR information?

Our objective is to plan and perform the review assignment in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

The following procedures were performed:

- A risk analysis, including a media search, to identify relevant sustainability /environmental, safety and social issues for VIVAT Verzekeringen in the reporting period.
- Evaluating the design and implementation of the systems and processes for the collection, processing and control of the CR information.
- Evaluating internal and external documentation, based on sampling, to determine whether the CR information is supported by sufficient evidence.

- Additionally we determined, as far as possible, whether the information concerning sustainability in the other sections of the Annual Report is consistent with the CR information.

Amstelveen, 15 April 2015

KPMG Accountants NV

F.M. van den Wildenberg RA

3 Principles of non-financial reporting

3.1 Organisation of Corporate Responsibility

The management of VIVAT Verzekeringen has delegated the task of implementing CR to the CR core team. The core team is responsible for developing and implementing an overarching CR policy for VIVAT Group and its brands. The members of the core team represent the main brands and have a variety of expertise. Where necessary, the core team is assisted by a 'knowledge circle', contributing specialist knowledge in cases where the nature of the projects calls for this (e.g. in relation to sustainable accommodation). Finally, the sounding board group includes representatives of business units that do not take part in the core team. The sounding board group assesses and fine-tunes the proposed policy and provides feedback which can then be used by the core team in when implementing it in the organisation. The sounding group is chaired by a managing director.

In 2014 the core team made significant progress in putting the CR policy on a formal footing (see also Section 4.2.2 Strategy). The business units responsible for each of the fields covered by CR have been identified. These are, first of all, our brands and, second, our corporate staff such as Risk, Finance, Facility Management and Personnel & Organisation.

Within the business units, VIVAT Group and the brands have established a network of experts. Together, they decide on how the key CR strategies are to be approached. These experts support and monitor the process and use their best endeavours to achieve the objectives.

The responsibilities of the core team, the sounding board group and the knowledge circle include the following:

- framing VIVAT Group's overarching CR policy and key strategies;
- developing objectives for the key strategies;
- supporting the brands in identifying and implementing their own key CR strategies;
- coordinating the annual reporting process within CR;

- maintaining contacts with stakeholders;
- answering substantive questions about CR.

3.2 Determination of materiality and stakeholder engagement

VIVAT Group has carried out a materiality survey to determine the content of its integrated annual report. The management has approved the results of the analysis, which consists of three steps.

Step 1: Identification of relevant aspects

The aim of the first step is to compile an overview of relevant aspects on which we will report. For this purpose, we have drawn up a list on the basis of the GRI guidelines and the sector supplement for financial institutions. Where relevant, we have expanded this list, for example to include aspects resulting from media and environment analyses and from consultation with internal stakeholders.

We have then determined the relevance of each of these aspects separately. Aspects are considered relevant if VIVAT Group has or can have an impact on them (both within the organisation and in the value chain). This is determined on the basis of our own experience and the results of the analyses and internal advice.

Step 2: Determination of report priority

In the second step we have aimed at determining the priority of all relevant aspects. In determining the priority we have considered, first, the importance to VIVAT Group and, second, the importance to our stakeholders. VIVAT Group distinguishes between two outcomes here:

- **Material aspects:** we attempt to assume a leading role in relation to these themes and have included them in our CR policy. They are therefore the most important aspects we cover in this annual report.
- **Non-material aspects:** we monitor these aspects, but do not report on them.

For an overview of the material aspects, please refer to the CR policy (see Section 4.2.2 Strategy). Below is a list of the main material aspects:

Material CR themes

Sustainable customer care

Customer care-focused themes

Sustainable world

Social debate

Sustainable employability

Sustainable employment relationships

Responsible risk-taking

Sustainable result

Step 3: Implementation

Our business units are aware of the outcomes of the materiality analysis and their incorporation in a CR policy. The challenge for the next few years is to embed this even more firmly in our business units. In this way we have the correct data to provide a cogent report on the selected aspects. We challenge our business units on the defined ambitions and objectives.

3.2.1 Boundaries of material aspects

All information about the policy, strategy and related indicators concerns our own organisation, unless indicated otherwise in the report. However, VIVAT Group and its brands and activities cannot be viewed separately from its environment and the impact on third parties. For example, VIVAT Group reports at length on the CR theme social debate. This centres on our role in society: we consider it important to employ our knowledge and expertise for Dutch society. This concerns aspects about which we are well-informed, such as pensions, socially responsible investment, animal welfare, etc.

Making our external impact measurable still poses a challenge. Our aim is to provide information in the near future about the impact of the service and strategy, for example on customers and society at large.

3.2.2 Stakeholder engagement

Stakeholders are essential for VIVAT Group, for the continued existence of the business and for the course we are following. We consider our stakeholders to include customers, suppliers, civil society organisations, financial authorities and government bodies.

Stakeholders are selected on the basis of an informal estimate of the reciprocal interest which the stakeholder and VIVAT Group have in each other.

VIVAT Group is in regular contact with its main stakeholders. This enables us to keep abreast of their expectations and relevant developments. In dialogue with our stakeholders, we are working to create a basis of trust and developing an understanding of the aspects of importance to the different parties. It helps us to set the right priorities and take decisions.

We keep in contact with our main stakeholders, albeit more intensively with some than with others. In the different Sections we indicate what aspects we have discussed with them and what the outcome was. The following table summarises the main aspects discussed.

Stakeholder	Main aspects discussed in 2014	Actions and reactions of VIVAT Group
Employees	<ul style="list-style-type: none"> - Disentanglement of SNS REAAL NV and consequences for our employees - Sustainable employability of our employees - Personal development 	<ul style="list-style-type: none"> - Measure customer satisfaction - Provide health checks and close cooperation with company medical officers and occupational health and safety services, including an appropriate range of interventions - Provide appropriate training and leadership programmes - Establish career planning unit - Join Women in Financial Services network
Suppliers	<ul style="list-style-type: none"> - Sustainability statement - Sustainable purchasing - General purchasing conditions and pricing 	<ul style="list-style-type: none"> - Submit sustainability statement to suppliers with an annual turnover of € 500,000 or more, which have not done business with VIVAT Group prior to 1 January 2014
Financial authorities, government bodies	<ul style="list-style-type: none"> - Nationalisation - Sale process - Financial results 	<ul style="list-style-type: none"> - Take active stance in sale and negotiating process - Ensure transparency and availability of (financial) data
Customers	<ul style="list-style-type: none"> - Omni-channel approach - Unit-linked insurance file - Customer satisfaction - Net Promoter Score - Pricing 	<ul style="list-style-type: none"> - Provide omni-channel possibilities - Adopt active approach to target groups and payment of compensation - Improve scores for TCF - Provide training for employees in the principles of 'TCF' and 'Cost Efficiency, Usefulness, Safety and Comprehensibility' - Manage by reference to 'First Contact Resolution' (Reaal)
Civil society organisations	<ul style="list-style-type: none"> - (Sustainable) investment policy - Unit-linked insurance file - Nationalisation 	<ul style="list-style-type: none"> - Almost all investments are socially sustainable and in line with our Fundamental Investment Principles - 29 dialogues with businesses and 47 businesses excluded - Accountability for matters such as unit-linked policies and nationalisation - Reaal and Zwitserleven are assessed as most sustainable insurers

3.3 About this report

The 2014 Annual Report of VIVAT Group provides a combined account of our performance in the financial and CR fields. We regard CR not as a secondary activity performed alongside our core task but as a subject that

forms an integral part of our entire business operations. This report reflects this approach.

Scope

The target group of this report are stakeholders of VIVAT Group and other interested parties. The scope of this

report concerns all entities for which VIVAT Verzekeringen has management responsibility. The report covers the entire 2014 calendar year.

Reporting guideline

The reporting criteria for reporting CR information of VIVAT Group are based on the guidelines of the Global Reporting Initiative (GRI) version 4 (G4). The GRI guidelines are worldwide the most accepted guidelines for drawing up annual (social) reports. The guidelines can be found at www.globalreporting.org. In its 2014 Annual Report, VIVAT Verzekeringen reports on the basis of G4 at 'core' application level. The full GRI table has been included in this report in the Additional Information under 2.1.

Determination of the content

We have selected the aspects by means of a materiality analysis. In doing so, we have compared the degree of importance attached to them by us and by the external stakeholders. Our analysis and its results are explained in the Additional Information under 3.2. The selection of disclosures is based on the outcomes of the materiality analysis and on the availability of quantitative data.

Definitions and measuring method

The CR core team and the CR sounding board group have primary responsibility for collecting and validating the reported data. The data are delivered by the various brands and staff departments concerned. All data have been measured, unless otherwise stated. No uncertainties and inherent limitations have been found in the data as a consequence of their measurement, estimation and calculation. Data have not been estimated, unless otherwise stated. Any changes to definitions measuring methods are explained with the data. Data are requested by the core team and the sounding board group once a year by means of a questionnaire.

External verification

For this report we have asked KPMG Accountants NV to provide a limited degree of assurance about the information presented in Section 4. A summary of the activities and conclusions of KPMG Accountants NV can be read in the assurance statement issued with this report in the Additional Information under 2.2.

Feedback

VIVAT Verzekeringen welcomes feedback from the readers and other interested stakeholders. We would be glad to receive any comments at info@vivatverzekeringen.nl.

4 Responsibilities, curricula vitae of and other positions held by Executive Board members

Wim Henk Steenpoorte

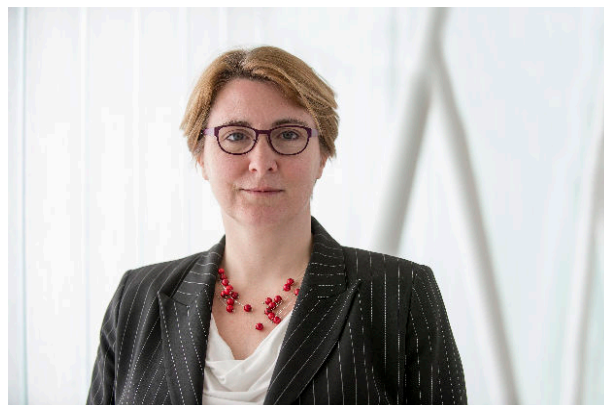


Wim Henk Steenpoorte (1964) has been a member of the Executive Board of SNS REAAL NV since 15 September 2011 and is also CEO of VIVAT Verzekeringen. In his role as CEO, Wim Henk is responsible for the strategy, communication and human resources of VIVAT Verzekeringen and its subsidiaries. Wim Henk Steenpoorte is also interim CEO of Reaal, a position held since 1 January 2015.

He has been with SNS REAAL NV since 2000. He became a member of the Executive Board of Reaal in 2006 and from 2009 he has held the position of CEO at Reaal. Before joining SNS REAAL NV Wim Henk Steenpoorte worked as an ICT manager at Ogilvy Nederland and held various positions in the insurance sector with the legal predecessors of VIVAT Verzekeringen.

Other positions held: member of the supervisory board of Meetingpoint BV, chairman of the supervisory board of Verenigde Assurantiebedrijven Nederland NV and chairman of the supervisory board of Dutch Aviation Pool, member of the board of the Non-life insurance sector of the Dutch Association of Insurers, member of the board of Internationaal Instituut voor Sociale Geschiedenis and member of the board of Stichting SIVI (Standardisation Foundation of Dutch insurers and their agents).

Seada van den Herik



Seada van den Herik (1972) is the CEO of Zwitserleven, member of the Statutory Board of Proteq Levensverzekeringen NV and sits on the Statutory Board of VIVAT Verzekeringen. In her role as CEO, Seada is responsible for VIVAT Group's Zwitserleven business unit (SRLEV NV pension business).

Seada van den Herik has been at SNS REAAL NV since 2005. From 2010, she was managing director of RegioBank NV until her transfer to the insurance business in 2012, becoming a director of Reaal. Before joining SNS REAAL NV, Seada van den Herik held a variety of positions at consulting firms.

Other positions held: Member of the Committee for the Life Sector at the Dutch Association of Insurers.

Willem Horstmann



Willem Horstmann (1967) is Chief Risk Officer (CRO) and sits on the Statutory Board of VIVAT Verzekeringen. In his role as CRO, he is responsible for calculating and establishing the risk exposure of VIVAT Group, as well

as for setting the limits of the financial and non-financial risks, including solvency, ALM policy and actuarial risk.

Willem Horstmann has worked at SNS REAAL NV since August 2010. His career with SNS REAAL NV started at Zwitserleven, where he was Chief Financial Risk Officer. Before joining SNS REAAL NV, Willem held various positions at Aegon.

Arjen Schouten



Arjen Schouten (1967) is Chief Financial Officer (CFO) and sits on the Statutory Board of VIVAT Verzekeringen. In his role as CFO, he is responsible for financial planning and control (including information provision, monitoring and management reporting) of the insurance business. He is also responsible for financial shared services, procurement and product tax matters.

Arjen Schouten joined SNS REAAL NV in 2006 and has held a variety of positions, including Director of Finance and Control within the Reaal business unit. Before joining SNS REAAL NV, Arjen Schouten had worked at NIBC Bank and PwC, among others.

Other positions held: member of the Financial and Economic Affairs Committee at the Dutch Association of Insurers.

Jacob de Wit



Jacob de Wit (1972) has been CEO of ACTIAM NV, the asset management business of VIVAT Verzekeringen, since 2011. On 1 July 2014, he was appointed as a member of the Statutory Board and deputy chairman of VIVAT Verzekeringen. In his CEO role, Jacob is responsible for the asset management business of VIVAT Verzekeringen.

Before joining ACTIAM NV, Jacob de Wit was Head of Fixed Income at F&C Asset Management plc from 2005 to 2011, and also a member of the Executive Committee of F&C. He had previously held the position of Head of Fixed Income at SNS Asset Management and AXA Investment Managers.

Boaz Magid



Boaz Magid is the Director of Balance Sheet Management & Corporate Strategy at VIVAT Group. In this role, he sits on the management team of VIVAT Verzekeringen, although he is not a member of the Statutory Board of VIVAT Verzekeringen. In his role as Director of Balance Sheet Management & Corporate Strategy, Boaz is responsible for managing VIVAT

Group's statement of financial position within the relevant frameworks and the outcome of strategic asset allocation; he also heads the Corporate Strategy department.

Boaz Magid joined SNS REAAL NV in 2005, starting his career as Director of Risk Management and Compliance at Reaal Verzekeringen. From 2010, he was responsible for investments which the Insurer makes on its own account. Since 2014 this responsibility is covered by his current role as Director of Balance Sheet Management & Corporate Strategy. Previously, Boaz Magid worked at asset management firm Schretlen & Co.

Marcel van der Meulen

Marcel van der Meulen (1964) was CEO of Reaal until 1 January 2015, and was also a member of the Statutory Board of VIVAT Verzekeringen. In his role as CEO, Marcel was responsible for the Non-life business of Reaal Schadeverzekeringen NV, including the Non-life business of Proteq, the individual Life business of SRLEV NV and the Life business of Proteq Levensverzekeringen NV. Before joining VIVAT Verzekeringen, Marcel van der Meulen was a director at various businesses in the insurance sector, including ASR Nederland and Goudse Verzekeringen. Since 1 January 2015, his responsibilities are being performed on an interim basis by Wim Henk Steenpoorte.

5 Curricula vitae, appointment terms and other positions of Supervisory Board members

Jan Nooitgedagt



Jan Nooitgedagt (1953) has worked in the financial services industry for more than 35 years. From April 2009 to May 2013, he was CFO and member of the Executive Board of Aegon NV. Prior to this, Nooitgedagt had worked for 28 years at Ernst & Young, among others as Chairman and Managing Partner in the Netherlands and Belgium. He is a member of the Supervisory Board of NV Bank Nederlandse Gemeenten, Robeco Groep NV and Telegraaf Media Groep NV. He is a member of the Executive Committee of the Dutch association of securities-issuing businesses, Chairman of the Executive Board of Stichting Nyenrode ('Nyenrode Foundation').

Nooitgedagt was appointed as a member and as Chair of the Supervisory Board on 1 November 2013. He will retire at the first general meeting of shareholders after 1 November 2017.

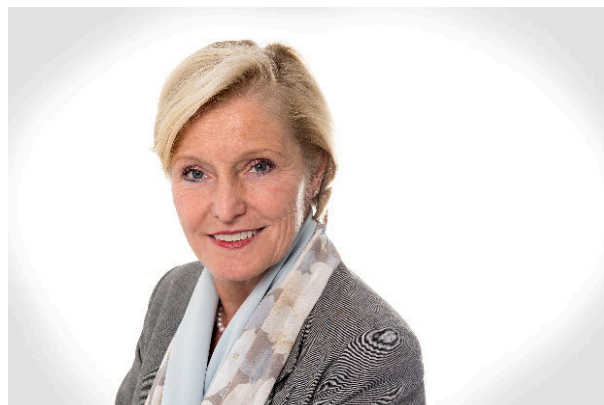
Charlotte Insinger



Charlotte Insinger (1965) is an independent management consultant and interim manager. Until October 2014, Insinger was a member of the Supervisory Board of Stichting Rijnland Zorggroep and is currently a member of the Supervisory Board of Luchtverkeersleiding Nederland (air traffic control), Chair of the Supervisory Board of Stichting World Expo 2025, member of the Supervisory Board of Ballast Nedam NV and member of the Strategic Audit Committee of the Ministry of Foreign Affairs, where she has an advisory role.

Insinger was first appointed as a member of the Supervisory Board on 15 April 2009 after being nominated by the Dutch state. She was reappointed on 6 June 2013. She will retire at the first general meeting of shareholders after 6 June 2017.

Monika Milz



Monika Milz (1957) has been a professional supervisor and management consultant since 2011. Throughout 30 years in the world of banking, she has spent 20 years at ABN AMRO, and the period from 2000 to 2011 at the

Rabobank Group. Her bank-specific knowledge and expertise encompasses services to corporate clients as well as human resource management. Milz has held supervisory roles for 20 years. She is currently a member of the Supervisory Board of Stichting Hogeschool van Amsterdam, a member of the Supervisory Board of ConQuaestor Holding BV and Chair of the Green Deal Board.

Milz was appointed as a member of the Supervisory Board on 1 November 2013. Monika Milz was appointed at SNS REAAL NV in accordance with the enhanced right of recommendation of the Central Works Council (CWC) of SNS REAAL. She will retire no later than at the first general meeting of shareholders after 1 November 2017

Jos Nijhuis



Jos Nijhuis (1957) is President and CEO of the Schiphol Group. Previously, he was Chairman of the Executive Board of PwC. Nijhuis is Non-Executive Board Member of Aeroports de Paris SA, Non-Executive Director of Brisbane Airport Corporation Pty. Ltd. and a member of the Supervisory Board of Aon Groep Nederland BV. He is also a member of the Supervisory Board of Stichting Kids Moving the World and a member of the Supervisory Board of Stichting Nationale Opera & Ballet.

Nijhuis was first appointed as a member of the Supervisory Board on 15 April 2009 and was reappointed on 6 June 2013. He will retire at the first general meeting of shareholders after 6 June 2017.

Jan Nijssen



Jan Nijssen (1953) is a partner and shareholder at Montae Group (independent pension consultancy firm). In the period from 1978 to 2005, Nijssen held a variety of positions in the Netherlands and abroad at Nationale Nederlanden and the ING Group. In 1997, he became a member of the Management Board of ING Nederland, in 2000 he took a seat on the Board of ING Europa, and in 2004 he became CEO Central Europe at ING Insurance & Pensions. He is also a member of the Supervisory Board of Garanti Emeklilik (Turkey), a member of the Internal Supervision Committee of Shell Pension Fund, Chairman of the Supervisory Board of Three Wheels United (Bangalore, India), Chairman of the Executive Board of Stichting 'Duurzame Micropensioenen Ontwikkelingslanden' (DMO) and a member of the Supervisory Board of Prodeba BV.

Nijssen was first appointed as a member of the Supervisory Board on 13 September 2011. He will retire at the first general meeting of shareholders after 13 September 2015.

Jan van Rutte



Throughout his lengthy career, Jan van Rutte (1950) has been CEO of Fortis Bank Nederland, CFO of ABN AMRO and a member of the Board of the Dutch Banking Association. He is currently a member of the Supervisory Board of ORMIT Holding BV, member of the Supervisory Board of Stichting de Koninklijke Schouwburg in The Hague, member of the Board of the ABN AMRO Foundation and a member of the Supervisory Board of Stichting Health Center Hoenderdaal.

Van Rutte was appointed as a member of the Supervisory Board on 1 November 2013. He will retire at the first general meeting of shareholders after 1 November 2017.

Ludo Wijngaarden



Ludo Wijngaarden (1947) was CEO of Nationale Nederlanden and a member of the Management Board of ING Nederland until 2008. Previously, he had been CEO at Postbank and the ING Retail division. Until October 2008, he was Chairman of the Dutch Association of Insurers. Wijngaarden is currently Chair of the Supervisory Board of Oasen NV, a member of the Supervisory Board of Rochdale housing association, a member of the Executive Board of DAK, a member of the Advisory Board of the Dutch Data Protection Authority and a member of the Supervisory Board of PubliQ BV. He was a member of the Advisory Board of Oracle Nederland BV until 30 June 2014.

Wijngaarden was first appointed as a member of the Supervisory Board on 15 April 2009 after being nominated by the Dutch state, and was reappointed on 6 June 2013. He will retire at the first general meeting of shareholders after 6 June 2017.

