

2014

Annual Report SRLEV 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 ¹	2011	2010
Result					
Net premium income	2,176	2,231	2,468	2,644	2,819
Investment income	1,383	1,304	1,507	1,355	1,421
Investment income for account of policyholders	2,159	628	1,512	-39	815
Other income	-14	123	87	250	198
Total income	5,704	4,286	5,574	4,210	5,253
Total expenses	6,394	4,844	5,575	3,981	4,916
Result before taxation	-690	-558	-1	229	337
Taxation	-172	-142	-8	50	72
Net result continued operations and minority interests	-518	-416	7	179	265
Statement of financial position					
Total assets	58,259	53,350	54,732	51,905	50,293
Investments	34,769	31,077	32,475	30,772	31,799
Investments for account of policyholders	14,559	13,491	13,265	12,443	12,641
Loans and advances to banks	321	362	452	490	343
Total equity	2,134	2,688	3,142	4,342	3,653
Insurance contracts	44,943	39,727	40,447	37,375	37,223
Amounts due to banks	1,504	2,753	2,994	2,522	3,440
Ratios					
New annual premium equivalent (in € millions)	260	172	310	376	317
Operating cost/premium ratio REAAL	15.2%	14.2%	11.9%	11.2%	12.2%
Operating cost/premium ratio Zwitterleven	15.1%	14.9%	14.5%	14.9%	15.4%
Regulatory solvency VIVAT Groep	136%	172%	176%	203%	195%
Regulatory solvency SRLEV NV	141%	187%	211%	234%	205%

¹ 2010 to 2012 are based on the company financial statements.

1 SRLEV at a glance

1.1 General

1.1.1 New start

SRLEV NV (SRLEV) is a financial services provider in the insurance business. SRLEV runs two brands: Reaal and Zwitterleven. Both focus on the Dutch market for Life insurance and Pensions. SRLEV is a subsidiary of the insurance holding company REAAL NV. VIVAT Verzekeringen is the trade name of REAAL NV, 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'.

VIVAT Group is a combination of the insurance business of SNS REAAL NV which has been separated from SNS REAAL NV in order to comply with a decision of the European Commission following the nationalisation of SNS REAAL NV.

The new trade name helps the insurance holding company REAAL NV as a whole to distinguish itself from the five insurance brands (Zwitterleven, Zelf, Route Mobiel, Reaal, Proteq Dier & Zorg) which mainly focus on consumers, and the asset management services which REAAL NV 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 REAAL NV has more brands than Reaal alone.

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 NV € 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

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



Figure 1: Legal structure of VIVAT Verzekeringen at 31 December 2014

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 disentanglement, 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 subscribed by third parties. However, until the sale transaction is finalised, SRLEV 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. SNS Bank NV will thus provide the 'engine' under a savings proposition offered to its individual customers under the Zwitserleven brand.

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. At 1 January 2015, nearly all employees of SRLEV transferred employer for legal purposes from SNS REAAL NV 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 SRLEV, including the accrual of all new pension entitlements of active employees, were transferred to the defined contribution plan administrated by Stichting Pensioenfonds SNS REAAL, an independent pension fund.

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 and

Pension insurance products are contracting. This puts pressure on prices, and SRLEV is feeling the effects. Furthermore, solvency requirements have become stricter, most notably with the transition to Solvency II. SRLEV 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 SRLEV.

The 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 results of SRLEV came under pressure in 2014. The net loss was fully caused by negative one-off items totalling € 646 million, which mainly concerned a € 628 million expense in connection with the IFRS LAT shortfall. As a result, we suffered a net loss of € 518 million. Excluding the one-off items, SRLEV's net result was € 128 million.

Underlying earnings were positive for REAAL Life (profit of € 65 million) and Zwitserleven (profit of € 3 million).

SRLEV's regulatory solvency ratio dropped from 187 percent at year-end 2013 to 141 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 two brands of SRLEV served their customers well in 2014, with the top priority being 'honesty in business'. As in 2013, Zwitserleven and Reaal scored first and second place in VBDO's ranking of most sustainable insurers. Reaal in particular managed to maintain its market share in the term Life insurance business. Zwitserleven 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 SRLEV have thoroughly reviewed their actively marketed product range. The range is limited and in line with contemporary demands.

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

1.2.4 Outlook

Although our individual brands are commercially doing reasonably to quite well, in part thanks to our loyal customers, SRLEV faces continued challenging circumstances in 2015 as well, amongst others because of the low interest rate and a shrinking market for 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

Reaal

On behalf of SRLEV, Reaal offers individual 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

2 Foreword

Message by the CEO of SRLEV

VIVAT Group and therefore SRLEV 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 SRLEV, 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 advise 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, SRLEV had an activation rate of 61 percent for these customers. On 1 March 2015, the activation rate 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 SRLEV 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 SRLEV, or decided to take up the challenge and transfer to SRLEV. 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 NV. 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 SRLEV,
Wim Henk Steenpoorte, CEO

3 Corporate governance

This Section covers the corporate governance of SRLEV. We will first look at the Statutory Board of SRLEV, before moving on to the Supervisory Board. The governance principles of the Dutch Association of Insurers (Insurers' Code) and compliance by SRLEV 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 SRLEV

3.1.1 Composition and functioning

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

- Wim Henk Steenpoorte, CEO
- Seada van den Herik, Managing Director of Zwitserleven NV
- 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 was also a member of the management team of SRLEV. He is not a statutory director.

For more information about the managing directors, see Additional Information, 2 Responsibilities, curricula vitae and other positions held.

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

The new Statutory Board of SRLEV was appointed on 1 July 2014. Almost all vacancies were filled internally. The Statutory Board is the day-to-day governing body of SRLEV and its business operations, and is responsible for achieving the commercial, operational and financial objectives of SRLEV 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 SNS REAAL NV will be scaled back and support from VIVAT Group will increase.

The formal rules for the functioning of the Statutory Board are set out in the articles of association of SRLEV 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 of 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 by 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 SRLEV NV. 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 SRLEV 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 the 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 SRLEV is composed of:

- Jan Nooitgedagt (Chairman)
- 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, 2 Responsibilities, curricula vitae and other positions held.

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 NV 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 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 NV 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 SRLEV NV'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 SRLEV NV. 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 of SNS REAAL NV and the management of SRLEV NV, 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 its 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 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 NV 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 NV. Despite the far-reaching changes that SNS REAAL NV 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 SRLEV NV 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	Meetings of the Supervisory Board of REAAL NV, 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	A meeting of the Supervisory Board of REAAL NV, 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 and SRLEV NV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV
TOTAL	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 from 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 SRLEV. 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 en 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 of VIVAT Verzekeringen and the Executive Board members of SNS REAAL NV. Following the opening, the Supervisory Board continues its meeting in the presence of the managing directors. 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 NV 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 SRLEV, 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 SRLEV 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 SRLEV 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 SRLEV 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 SRLEV 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. SRLEV 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 SRLEV:

- The currently low level of capitalisation of VIVAT Group and SRLEV 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, SRLEV 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, SRLEV 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.

SRLEV 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 SRLEV 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 SRLEV 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 SRLEV 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.

SRLEV 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 SRLEV.

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 SRLEV. 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 SRLEV 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, and this has consequences for the premium income of 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.

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 SRLEV 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 Zwitserleven, which is anticipating this trend with its pension proposition. This development offers good opportunities for both the insurer and the Institution for 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

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.

Insurers will have to recalibrate their business models and focus on efficiency and simplicity in order to remain relevant and viable in the future. In this context, Zwitserleven and Reaal also need to revise their activities and, by extension, adapt their organisation.

Zwitserleven

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.

Reaal

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 traditionally held a strong position in the term Life insurance market, which also offers opportunities in the area of online services.

4.2 Strategic themes

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

4.2.1 Mission, vision and core value

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

SRLEV 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.

SRLEV's range of products and services are divided among the two consumer brands Zwitserleven and REAAL. Both brands have 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 SRLEV 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 SRLEV 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 Reaal and Zwitserleven 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 SRLEV 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 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 Figure 2.

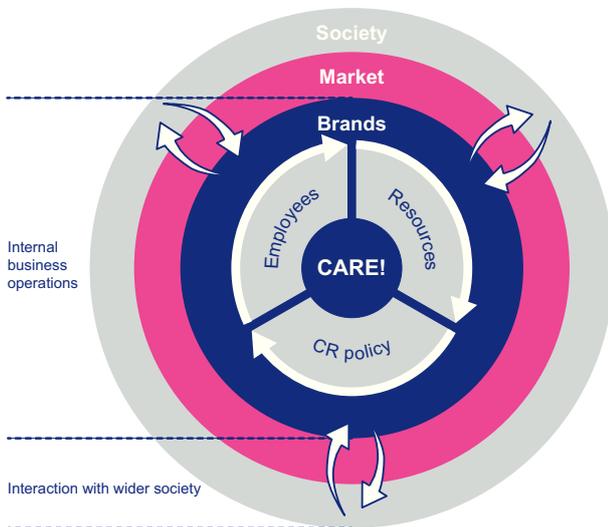


Figure 2: Conceptual framework for Corporate Responsibility

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. 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 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 (for Reaal) to giving shape to the financial future of consumers (for Zwitserleven).

CARE! about society

SRLEV 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 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 SRLEV.

4.2.3 Restoration of trust

Sustainable customer relations are essential for both SRLEV brands in order 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. SRLEV 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 SRLEV 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.

TCF scores

In anticipation of the introduction of a new, comprehensive monitor, the brands have decided to publish their TCF scores. On a scale of 1 (low) to 5 (high), the brands of VIVAT Group 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:

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, Reaal and Zwitserleven for instance measure the Net Promoter Score (NPS) every six months.

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. 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.

Net Promoter Score and customer satisfaction score

	Zwitserleven		Reaal	
	2014	2013	2014	2013
Net Promoter Score	-43.0%	-43.0%	-48.0%	-47.0%
Customer satisfaction score	6.9	6.9	6.8	6.8

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 slightly, 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 customer satisfaction scores and NPS.

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

Reaal and Zwitserleven work 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 brands of SRLEV. 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, as 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. 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

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

Compensation for excessive fees charged for unit-linked policies

SRLEV 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. SRLEV 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

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).

Encouraging customers to act

SRLEV set itself the goal for 2014 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 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. SRLEV 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.

SRLEV did its utmost to reach the activation target percentage as defined by us. Although SRLEV 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, SRLEV posted an activation rate of

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

67 percent. SRLEV 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, SRLEV seeks collaboration with the intermediary. Adequate advice is desirable to come to a conscious choice. We underestimated the extra time needed for 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 SRLEV keeps reaching out to the customers, in a joint effort with independent advisers.

4.3 Business developments

4.3.1 Financial results of SRLEV

SRLEV saw its gross premium income fall by 2 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.

SRLEV reported a profit for 2014 (adjusted for incidental items) of € 128 million, compared with € 312 million for 2013. 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.

SRLEV incurred a loss for 2014 of € 518 million (2013: loss of € 416 million). The loss for the year was entirely due to negative incidental items in the sum of € 646 million. These were primarily made up of an expense item of € 628 million that was recognised for the IFRS LAT shortfall.

SRLEV's solvency ratios continued to drop steadily below the internal target floor of 175 percent in 2014. The regulatory solvency ratio had fallen to 141 percent at year-end 2014 (year-end 2013: 187 percent). This decrease was attributable in particular to adjustments to models and cost assumptions, which were partially due

to expected dyssynergies, mortgage revaluations and other changes in value. Adverse developments in the yield curve and an increase in interest rate volatility also contributed to the drop in solvency, particularly in the fourth quarter of 2014.

In the context of the sales process of VIVAT Group, SRLEV focused on protecting its assets by taking further derisking measures in the investment portfolio, the principal goal being to reduce the sensitivity of its solvency to fluctuations in yield curves, equity markets and credit risk premiums under the Solvency II regime and less so under the Solvency I regime. As a result, developments in the Solvency ratio in 2014 do not fully reflect the effect of the additional derisking measures.

Although REAAL Life continued to post an underlying profit, its net earnings showed a sharp € 50 million drop from € 115 million to € 65 million, which was caused by a fall in direct investment income and lower margins. Zwitserleven reported a decline in underlying net earnings to € 3 million, down from € 19 million for 2013. The lack of a provision for the compensation scheme for unit-linked pension policyholders was more than cancelled out by lower insurance and underwriting results, margins and investment income.

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 it is 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. Zwitterleven aims to bring about an increase in this number.

Education & insight

Figures on awareness, changes from 01/01/2015

Figures on pension awareness and after-sales survey

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

Zwitterleven 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 Zwitterleven brand and image. A start was made by introducing the Zwitterleven Savings Account in cooperation with SNS Bank NV.

4.3.3 Reaal

Financial resilience

Under the Reaal brand, SRLEV offers individual Life insurance and term Life insurance. 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, 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 necessary to reduce costs in order to maintain its competitive position. The Life insurance market has all but evaporated.

Another important objective was to continue work on laying the matter of 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.

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.

4.4 Our people

SRLEV 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.

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.

The Executive Board of SRLEV consisted of one woman and four men on 31 December 2014. At business unit level, the Zwitserleven management team consists of two women and two men and the Reaal management team of three women and four men. 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.

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

SRLEV specifically paid much attention 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 SRLEV is focused on encouraging vitality and personal development, but also on supporting work mobility.

Vitality

SRLEV 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 SRLEV. For this reason, the planning interview with every employee addressed the need for self-development, and further arrangements were then agreed.

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 SRLEV 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 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 SRLEV, 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.

SRLEV 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 Insurer's Risk Committee in early 2015. Further

information about integrity and measures to ensure compliance can be found in Section 5.

5 Risk and capital management

5.1 Introduction

This chapter contains information on risk management at SRLEV. It starts with a discussion of the risk framework of SRLEV 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 SRLEV 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. SRLEV 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 SRLEV and how this must be accounted for. This framework forms the basis for controlling the business processes. The management 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 SRLEV.

SRLEV 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 statement forms key input for this procedure. The outcome of this procedure contributes to the management statements that are included in the SRLEV 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

SRLEV 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 SRLEV and its individual business units (lines of business and corporate staff).

In the course of 2014, SRLEV'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 SRLEV. As part of this, SRLEV has specifically opted for an integrated risk approach based on classified risks. The ICF applies at all levels within the organisation. In this context, SRLEV uses a system of clear roles and responsibilities. The ICF encompasses frameworks, management processes and infrastructure.

SRLEV 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 SRLEV. The continued development of the ICF is one of SRLEV's strategic objectives in the upcoming years, and is aimed at expanding and strengthening the profile of SRLEV.

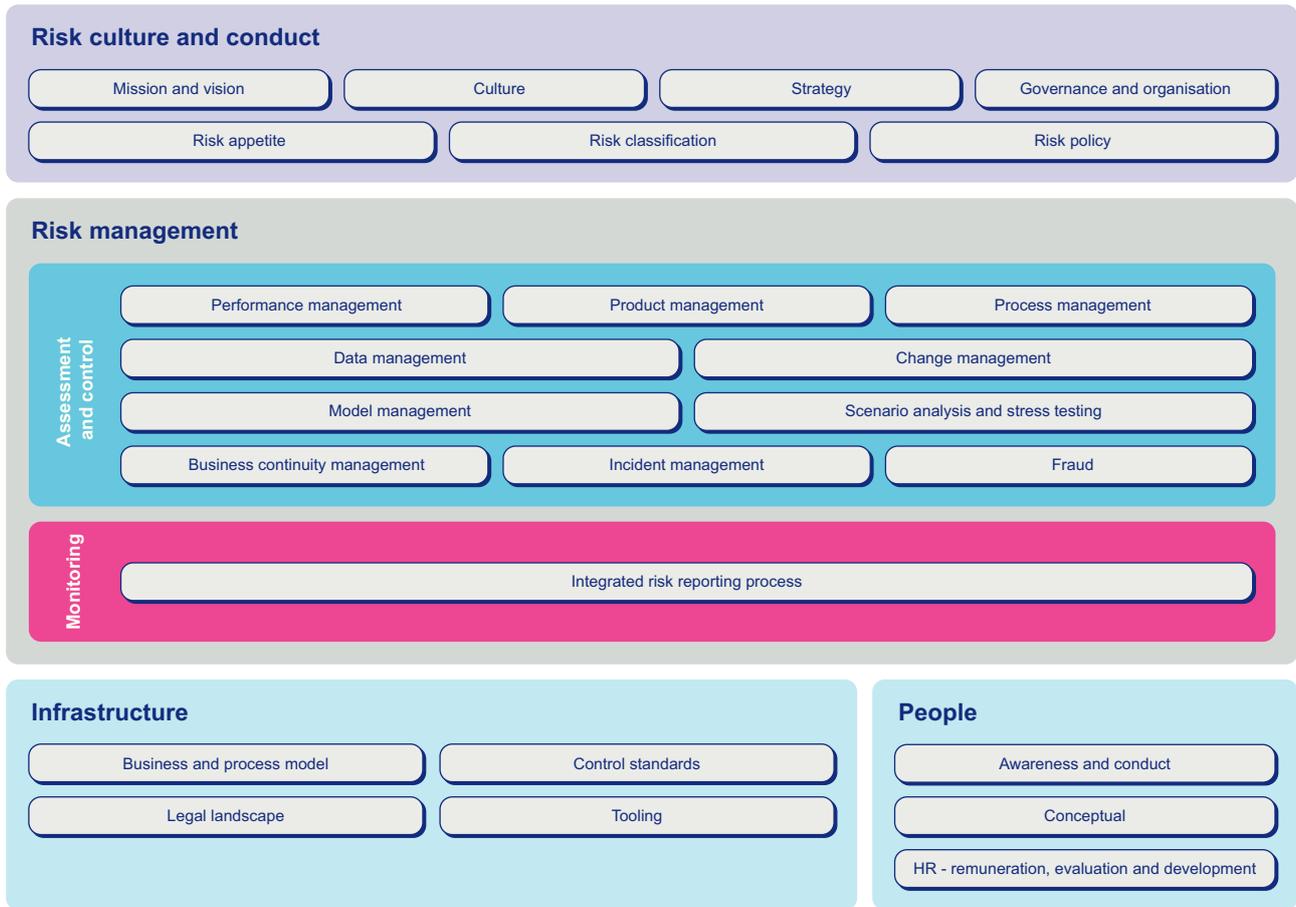


Figure 3: Integrated Control Framework SRLEV

The ICF is a dynamic method which we use to assess the controls and if necessary make further improvements to these controls. During 2014, SRLEV, together with 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.

5.3 Governance and organisation

5.3.1 Mission statement, culture and strategy

Culture and conduct form an integral part of the mission statement and strategy of SRLEV. 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 SRLEV 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 SRLEV 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.

SRLEV'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

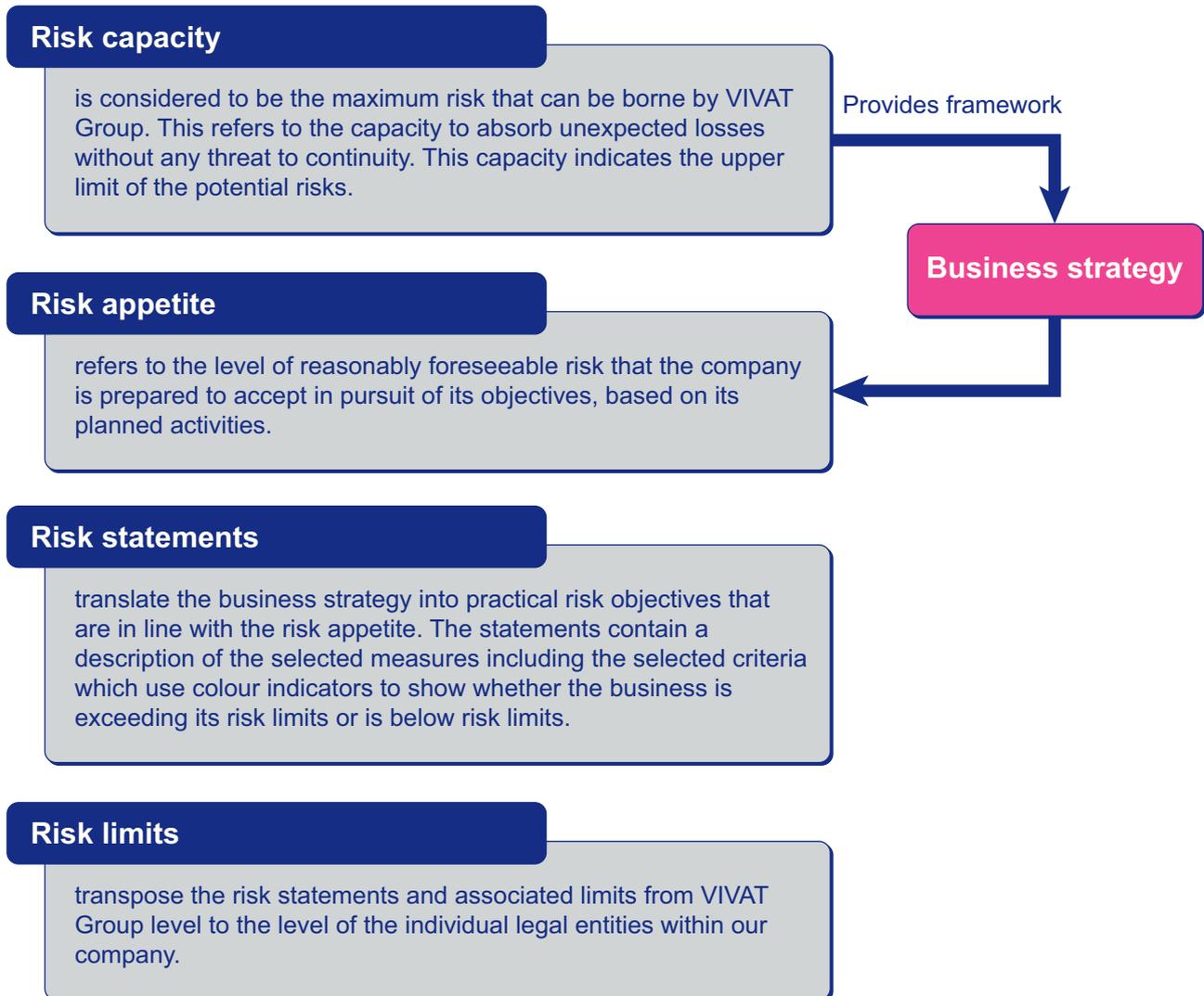


Figure 4: Risk appetite framework

Risk appetite is defined for VIVAT Group as a whole. Subsequently it is developed in more detail in the form of individual risk limits for each business unit or legal entity, including SRLEV. When implementing the strategy, SRLEV can 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 SRLEV 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, SRLEV's risk appetite and that of other VIVAT Group entities 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

SRLEV 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.

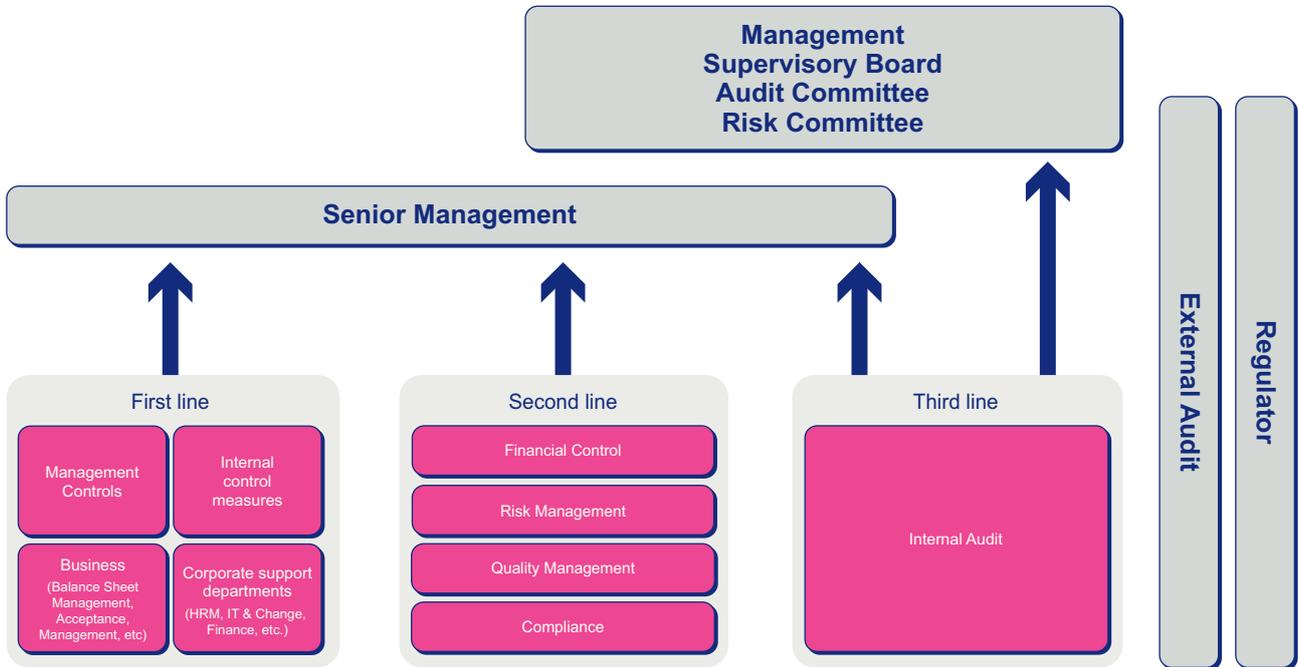


Figure 5: Three Lines of Defense

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 NV and also has a reporting line to the Audit Committee of the Supervisory Board of SNS REAAL NV, VIVAT Group and SRLEV.

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 NV and the management of SRLEV 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 SRLEV, and the Executive Board, Audit Committee and Supervisory Board of SNS REAAL NV.

5.3.3.2 Organisational structure

Risk management of SRLEV is organised at the level of VIVAT Group and 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 belonging to the group, including SRLEV.
- *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 SRLEV and other legal entities of VIVAT Group, 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)*
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 and Zwitterleven, where the products of SRLEV are treated). 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 (Zwitterleven, Reaal, 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.

5.3.4 Risk policy

The policy for SRLEV, which is based on the risk framework of VIVAT Group, 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 CRO 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 and/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.

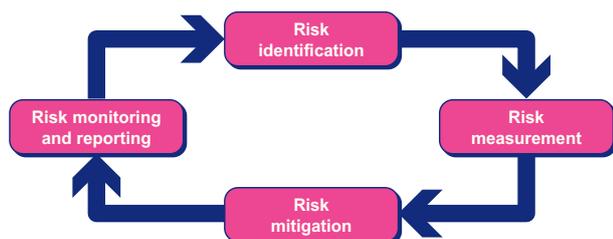


Figure 6: Risk mitigation

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 - minimise);
- 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 the management with complete, relevant and timely information, enabling them to monitor and adjust the objectives, strategy and policy. The risk owners notify the 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 of SRLEV and other legal entities, 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.

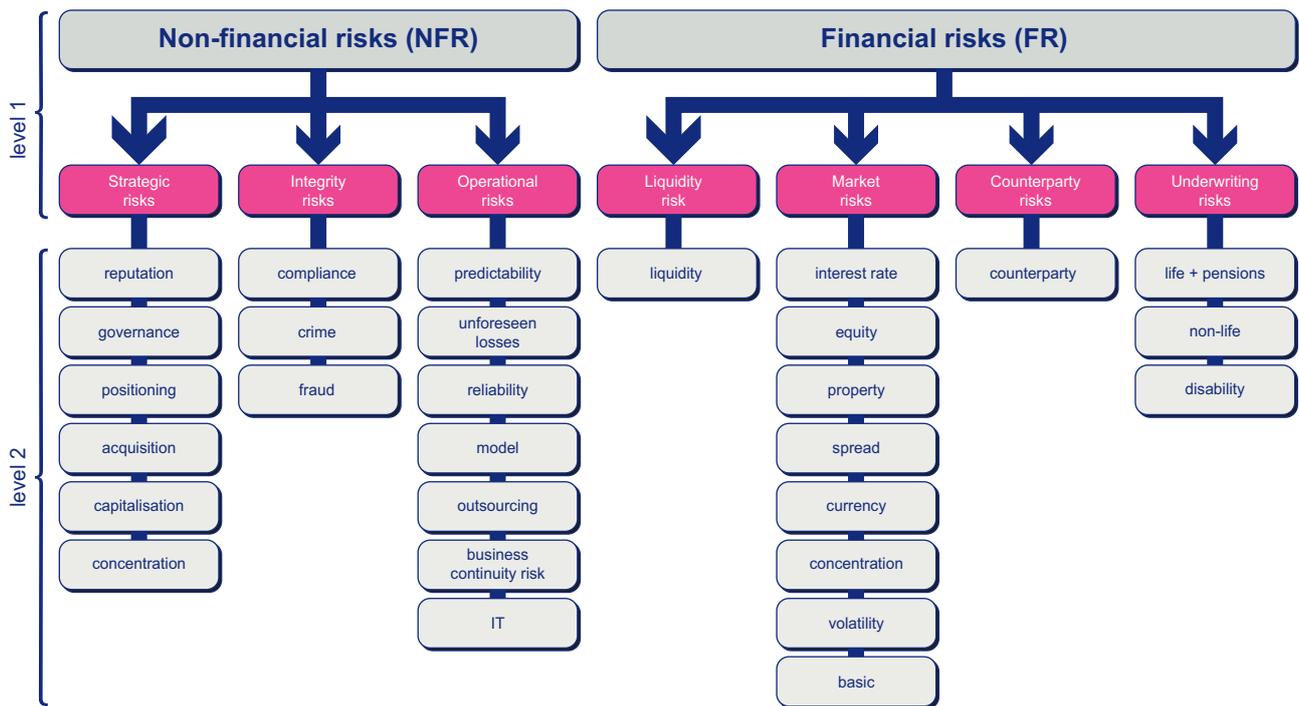


Figure 7: Risk classification

The risks classified for VIVAT Group also apply to SRLEV, with the exception of the sub risks Non-life and occupational disability. The way in which these 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, for SRLEV and other group entities, 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. 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

Annuities that have already started to pay out are treated as claims. These claims are paid immediately or in instalments, in which case a reservation is made. The

product conditions form the starting point for determining payments and reserves.

At the Occupational Disability Insurance business, the customer follows a reintegration process. Trends in the number of claims, payments and reserves are reported and assessed on a monthly basis.

We perform a liability adequacy test of the premium and claims reserves once a quarter, 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.

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 5.4.4; SCR: see Section 5.9.3 and VNB). Based on the risk appetite, SRLEV mitigates underwriting risks primarily by means of diversification and reinsurance.

Reinsurance

The reinsurance policy provides protection against underwriting risks arising in the various insurance portfolios.

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 SRLEV and 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. 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. SRLEV 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 SRLEV 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, SRLEV 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).

Expense risk

SRLEV 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, SRLEV 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. Zwitterleven 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, SRLEV 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 policyholder a predetermined nominal amount. In contrast, SRLEV 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). SRLEV 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 SRLEV.

Information on the way in which interest rate risk is managed is contained in Section 5.5.2.1. The following table indicates which risks are associated with specific products for the Life insurance portfolio of SRLEV.

Contents of the Life insurance portfolio

Product	Product Characteristics		Risks by 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. SRLEV 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. SRLEV's strategy for group insurance policies for the next few years is to share longevity risk and market risk more broadly with the customer. SRLEV's group Life insurance portfolio focuses on the entire corporate market in the Netherlands.

Co-insurance

SRLEV 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 SRLEV 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 risk 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	25	1,628	737	1,172
Individual insurance policies in cash	673	77,170	15,847	65,848
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	1,925	152,935	39,197	148,573
Reinsurance of term insurance	-1	-75	--	-44
Proportional reinsurance	-151	-5,639	-3,589	-71,728
Total	1,773	147,221	35,608	76,801

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	5,557	13,663
Life annuity	1	--	3,481	298
Term insurance	170	45,443	426	46,999
Traditional savings	126	9,082	6,012	2,631
Funeral insurance	27	1,653	724	1,225
Individual insurance policies in cash	697	75,863	16,200	64,816
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	2,025	150,835	38,294	152,376
Reinsurance of term insurance	-3	-75	--	-73
Proportional reinsurance	-159	-6,184	-3,863	-72,169
Total	1,863	144,576	34,431	80,134

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, SRLEV bears the investment risk related to insurance policies in cash. Special categories are

Breakdown of insurance policies in cash

In € millions	2014	2013
With profit-sharing (operational or surplus interest)	10,352	10,143
With interest rate rebate	3,763	3,554
Without profit-sharing	5,294	5,096
Savings-based mortgages	5,650	5,557
Reinsurance	-3,589	-3,863
Total	21,470	20,487

Insurance policies in investment units

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

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.

SRLEV 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 SRLEV. 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 of solvency to changes in technical parameters (Solvency I)

In percentages

	2014	2013
Solvency ratio	141%	187%
Impact of sensitivities:		
- 50% increase in surrender rates (including non-contributory continuation)	-3%	-2%
- 15% higher mortality rates (mortality risk)	-3%	-1%
- 20% lower mortality rates (longevity risk)	-54%	-43%
- 10% increase in expenses assumptions + 1% increase in inflation	-28%	-19%

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

5.4.4 Adequacy test

Discount curve for insurance liabilities

At the end of 2008, SRLEV 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, SRLEV adopted the ECB AAA curve with UFR yield curve for its Liability Adequacy Test (LAT). The idea was that SRLEV would revert to the risk-free swap curve dictated by DNB once the market had normalised. In accordance with what had been agreed, SRLEV 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

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.

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 is 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 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 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 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 bonds 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).

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

Reconciliation statement TRT and LAT Life and Pensions

In € millions	LAT		TRT	
	2014	2013	2014	2013
IFRS-based provision (including shadow accounting)	36,369	34,474	36,369	34,474
Market value of provision	41,653	35,878	41,653	35,878
Surrender floor restriction	--	--	798	1,117
Market value of provision calculated for LAT or TRT	41,653	35,878	42,451	36,995
Difference between Market Value and IFRS-based Provision	-5,284	-1,404	-6,082	-2,521
Shadow loss entry	3,717	925	--	--
Surplus value of investments	536	285	535	286
Cash flow hedge reserve	--	--	213	56
Addition to based-provision (IFRS-based P&L) due to LAT deficit	1,031	194	--	--
Addition to based-provision (P&L under Dutch Wft) due to TRT deficit	--	--	5,334	2,179
Adequacy test result of LAT or TRT¹	--	--	--	--

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 SRLEV's operations remain within the bounds of its risk appetite.

SRLEV 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. SRLEV 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 of VIVAT Group, including that of SRLEV, 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 SRLEV 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 SRLEV'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 39, 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. SRLEV 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	2,070	4,203	4,954	4,577	3,938	12,473	32,215
Total	2,070	4,203	4,954	4,577	3,938	12,473	32,215

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	2,050	4,294	4,872	4,486	3,799	11,481	30,982
Total	2,050	4,294	4,872	4,486	3,799	11,481	30,982

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 € 1,296 million at year-end 2014 (2013: € 924 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.

SRLEV 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%	--	--	65	61
Equities -10%	-47	-37	-65	-61
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 SRLEV is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, SRLEV'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 SRLEV. This exchange rate risk, after netting the exchange rate risk in other non-fixed-income investments and liabilities, is structurally hedged by VIVAT Group using forward exchange rate contracts if the group's net exposure exceeds € 10 million.

The table below provides an indication of SRLEV'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 SRLEV'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 39).

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 31 December 2014, VIVAT Group has used the swap curve with UFR, instead of the ECB-AAA curve with UFR, for valuing liabilities (see Section 5.4.4).

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. At the level of both VIVAT Group and SRLEV, this form of reporting is used by Balance Sheet Management (BSM) to monitor exposures to counterparties. This report is discussed by the Investment Committee, and measures are taken when limits are exceeded.

5.6 Counterparty risk

5.6.1 Risks

Counterparty risk

SRLEV 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 SRLEV 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 SRLEV 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 SRLEV 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 39 Hedging and hedge accounting, which describes how derivatives are used for hedging purposes.

Reinsurers

SRLEV 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 Life insurance 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

SRLEV 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, SRLEV 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 SRLEV 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	24,200	20,030
- Loans and receivables	6,991	6,862
Interest-bearing investment portfolio	31,415	27,307
Equities and similar investments	1,296	924
Total	32,711	28,231

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 SRLEV, and is the result of the adjusted risk appetite.

Breakdown of interest-bearing investment profile (sector)

In € millions	2014		2013	
Sovereign	20,391	65%	15,892	58%
Corporate bonds - financial sector	3,147	10%	3,377	12%
Investments related to savings-based mortgages	5,404	17%	5,311	19%
Corporate bonds - non-financial sector	1,200	4%	1,355	5%
Mortgage backed securities	1,023	3%	1,223	4%
Other	250	1%	149	1%
Total	31,415	100%	27,307	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	21,891	70%	16,240	59%
AA	1,369	4%	2,404	9%
A	1,555	5%	1,883	7%
BBB	908	3%	1,066	4%
< BBB	26	0%	74	0%
No rating	5,666	18%	5,640	21%
Total	31,415	100%	27,307	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	13,808	44%	13,244	49%
Germany	12,646	40%	8,518	31%
Austria	935	3%	845	3%
France	539	2%	977	4%
Italy	454	1%	399	1%
Spain	336	1%	364	1%
Other	2,697	9%	2,960	11%
Total	31,415	100%	27,307	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 NV.

Mortgages of insurance business by type of security provided

In € millions ¹	2014	2013
Mortgages < 75% of foreclosure value	482	1,014
Mortgages > 75% of foreclosure value	452	658
Mortgages with National Mortgage Guarantee	1,131	1,181
Residential property in the Netherlands	2,065	2,853
Specific provision for bad debts	-7	-7
Total	2,058	2,846

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	25,663	62	-4	--	25,721
Loans and receivables	9,020	36	--	-7	9,049
Other financial assets	409	40	--	-7	442
Total	35,092	138	-4	-14	35,211

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	21,358	27	-16	--	21,369
Loans and receivables	9,655	60	--	-7	9,708
Other financial assets	502	63	--	-5	560
Total	31,515	150	-16	-12	31,637

SRLEV recognises impairments on equities if the market value has fallen to 25 percent or more below cost price, or has been quoted below cost price for at least 5 percent for an uninterrupted period of at least nine months.

SRLEV 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	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	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	1,504	--	1,504	260	--	260	984
Total financial liabilities	1,674	--	1,674	312	117	260	984

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	--	--	37
Amounts due to banks	2,753	--	2,753	--	--	1,347	1,406
Total financial liabilities	2,876	--	2,876	86	--	1,347	1,443

5.7 Liquidity risk

5.7.1 Risks

Liquidity risk is the risk that SRLEV 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 SRLEV 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, SRLEV 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, SRLEV 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

Liquidity buffer

In € millions

	2014	2013
Available liquidity	28,534	19,870
Required liquidity	-17,357	-13,463
Available liquidity	11,177	6,407
Utilised liquidity	-597	-636
Remaining liquidity	10,580	5,771

Credit ratings

Long term	S&P	Moody's	Fitch
REAAL NV	BBB- (stable)	--	--
SRLEV 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. The rating of REAAL NV, the insurance holding

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, SRLEV 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.

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 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 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 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 rating of SRLEV. 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, SRLEV 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. SRLEV 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 SRLEV'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 SRLEV 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

SRLEV 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 SRLEV, 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 SRLEV acts in accordance with its risk appetite.
- The periodical in-control statements issued by the management of SRLEV. In this statement, they 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.

5.8.3 Developments

The public debate about the financial sector continued during 2014. VIVAT Group, including SRLEV, 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. SRLEV 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, including SRLEV:

- 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 and its legal entities, including SRLEV, currently find themselves 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 risk.

- 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 SRLEV 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 for SRLEV and other group entities. 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.

5.8.4 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.

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, which are also used by SRLEV.

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, including SRLEV, 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, including SRLEV, 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 SRLEV has 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 SRLEV is unable (either temporarily or otherwise) to raise new capital or is unable to reduce risks.

5.9.2 Capital policy

SRLEV 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 SRLEV'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 SRLEV, and which poses a direct threat to the continued existence of SRLEV in its current form and thus for its stakeholders. In its Risk Appetite Statements, SRLEV 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. SRLEV'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

SRLEV's solvency is 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 technical 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 senior management of) SRLEV 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. SRLEV will disclose its solvency position and financial condition on a Solvency II basis by means of public reports. Solvency II will apply to SRLEV as an independent authorisation holder. Other parts of SRLEV are not within the scope of Solvency II. The group regime does not apply to SRLEV.

5.9.4 Capital position

Solvency I

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

Capitalisation

In € millions

	2014	2013
Regulatory solvency - REAAL NV	136%	172%
Regulatory solvency - SRLEV NV	141%	187%
Available regulatory capital	2,058	2,413
Capital requirement	1,465	1,294
Double leverage	128.2%	121.9%

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 used by SRLEV 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. SRLEV 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, SRLEV makes use of the possibility of applying long-term guarantee measures. SRLEV applies the VA. It does not apply the Matching Adjustment (MA). SRLEV 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 SRLEV.

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

Summary of main assumptions for Solvency II

Item	Solvency II
Legal basis	Delegated Acts October 2014
Curve	Swap +/- CRA + VA
CRA	10 bps
VA	21 bps
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 Margein	SRLEV 6%
Reduction factors applied to Risk Margein	No
Reduction factors applied to SCR for underwriting risk	N0
(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 € 2.3 billion. As these calculations are new and improvements to processes were made during 2014, it was decided not to provide comparative figures at 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.

Market sensitivity regulatory solvency I-ratio per 31 december

In percentages

	2014	2013
Interest rates -1%	-1%	-3%
Interest rates +1%	-2%	-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 SRLEV has used the swap curve with UFR, rather than the ECB-AAA curve with UFR, for valuing liabilities (see Section 5.4.4). The impact of this transition on interest

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 aftermarket stress) is calculated every month, applying shocks in the areas of interest rates, credit spreads, equities and real estate. Post-stress solvency fell was 112 percent at year-end 2014.

The sensitivity of the regulatory solvency of SRLEV 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.

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

SRLEV 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 SRLEV on the extent to which SRLEV'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 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 SRLEV and hence provides frameworks for the strategy of the business units of SRLEV. The business strategy contains the short-term and long-term objectives from both a quantitative and a qualitative perspective. The also for the strategy of the business units of SRLEV. The business strategy comprises the short-term and long-term goals from both a qualitative and quantitative perspective. The management of SRLEV determines the degree to which SRLEV is prepared to take risks (the Risk Appetite Statement), which is subsequently submitted to the Executive Board and the Supervisory Board for approval .

After approval, this risk appetite is implemented using a top-down approach. The risk appetite (see Section 5.3.3) 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, SRLEV 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 solo entities, including SRLEV, performed an ORSA . 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	--	--
Property and equipment	2	52	59
Investment property	3	267	268
Investments	4	34,769	31,077
Investments for account of policyholders	5	14,559	13,491
Investments for account of third parties	6	1,427	1,361
Derivatives	7	846	590
Deferred tax assets	8	1,643	661
Reinsurance contracts	14	3,589	3,863
Loans and advances to banks	9	321	362
Corporate income tax		--	38
Other assets	10	442	560
Cash and cash equivalents	11	344	1,020
Total assets		58,259	53,350
Equity and liabilities			
Share capital ²		--	--
Other reserves		2,652	3,103
Retained earnings		-518	-416
Shareholders' equity		2,134	2,687
Minority interests		--	1
Total equity	12	2,134	2,688
Subordinated debts	13	680	652
Insurance contracts	14	44,943	39,727
Liabilities investments for account of third parties	6	1,427	1,361
Other provisions	15	20	14
Derivatives	7	169	123
Deferred tax liabilities	8	1,157	341
Amounts due to banks	16	1,504	2,753
Corporate income tax		69	--
Other liabilities	17	6,156	5,691
Total equity and liabilities		58,259	53,350

¹ The references next to the balance sheet items relate to the notes to the consolidated statement of financial position starting in 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		2,337	2,395
Reinsurance premiums		161	164
Net premium income	23	2,176	2,231
Fee and commission income		65	64
Fee and commission expense		1	2
Net fee and commission income	24	64	62
Share in result of associates	25	--	1
Investment income	26	1,383	1,304
Investment income for account of policyholders	27	2,159	628
Result on financial instruments	28	-78	60
Total income		5,704	4,286
Expenses			
Technical claims and benefits	29	3,473	2,559
Charges for account of policyholders	30	2,329	1,663
Acquisition costs for insurance activities	31	46	77
Staff costs	32	150	124
Depreciation and amortisation of non-current assets	2	6	11
Other operating expenses	33	136	151
Impairment losses	34	22	51
Other interest expenses	35	231	207
Other expenses		1	1
Total expenses		6,394	4,844
Result before taxation		-690	-558
Taxation	36	-172	-142
Net result continued operations for the period		-518	-416
Attribution:			
Net result continued operations attributable to shareholders		-518	-416
Net result continued operations attributable to minority interests		--	--
Net result continued operations for the period		-518	-416

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	-3
Total items never reclassified to profit or loss	-1	-3
Items that may be reclassified subsequently to profit or loss		
Change in revaluation reserve	--	-2
Change in cashflow hedgereserve	-8	8
Change in fair value reserve	-27	-44
Total items that may be reclassified to profit or loss subsequently	-35	-38
Other comprehensive income (after taxation)	-36	-41

Statement of total comprehensive income

In € millions

	2014	2013
Net result for the period	-518	-416
Other comprehensive income (after taxation)	-36	-41
Total comprehensive income	-554	-457
Attribution:		
Comprehensive income attributable to shareholder	-553	-455
Comprehensive income to minority interests	-1	-2
Total comprehensive income	-554	-457

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	--	1,619	84	984	2,687	1	2,688
Changes in principles deferred acquisition costs	--	--	--	--	--	--	--
Adjusted balance as at 1 January 2014	--	1,619	84	984	2,687	1	2,688
Unrealised revaluations from cashflow hedges	--	--	116	--	116	--	116
Deferred interest income from cashflow hedges	--	--	1	--	1	--	1
Unrealised revaluations	--	--	2,547	--	2,547	--	2,547
Impairments	--	--	3	--	3	--	3
Realised revaluations through profit or loss	--	--	-186	--	-186	--	-186
Change in profit-sharing reserve	--	--	-422	--	-422	--	-422
Change in shadow accounting	--	--	-2,094	--	-2,094	--	-2,094
Other movements	--	--	--	--	--	-1	-1
Amounts charged directly to total equity	--	--	-35	--	-35	-1	-36
Net result 2014	--	--	--	-518	-518	--	-518
Total result 2014	--	--	-35	-518	-553	-1	-554
Total changes in equity 2014	--	--	-35	-518	-553	-1	-554
Balance as at 31 December 2014	--	1,619	49	466	2,134	--	2,134

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.

SRLEV 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	4	8	72	84	1,400	-416	984
Changes in principles deferred acquisition cost	--	--	--	--	--	--	--
Adjusted balances at 1 January 2014	4	8	72	84	1,400	-416	984
Transfer of net result 2013	--	--	--	--	-416	416	--
Transfers 2013	--	--	--	--	-416	416	--
Unrealised revaluations from cashflow hedges	--	116	--	116	--	--	--
Deferred interest income from cashflow hedges	--	1	--	1	--	--	--
Unrealised revaluations	--	--	2,547	2,547	--	--	--
Impairments	--	--	3	3	--	--	--
Realised revaluations through profit or loss	--	--	-186	-186	--	--	--
Change in profit-sharing reserve	--	--	-422	-422	--	--	--
Change in shadow accounting	--	-125	-1,969	-2,094	--	--	--
Other movements	--	--	--	--	--	--	--
Amounts charged directly to total equity	--	-8	-27	-35	--	--	--
Net result 2014	--	--	--	--	--	-518	-518
Total result 2014	--	-8	-27	-35	--	-518	-518
Total changes in equity 2014	--	-8	-27	-35	-416	-102	-518
Balance as at 31 December 2014	4	--	45	49	984	-518	466

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	--	1,619	122	1,401	3,142	3	3,145
Changes in principles deferred acquisition costs	--	--	--	--	--	--	--
Adjusted balance as at 1 January 2013	--	1,619	122	1,401	3,142	3	3,145
Unrealised revaluations from cashflow hedges	--	--	-13	--	-13	--	-13
Deferred interest income from cash flow hedges	--	--	--	--	--	--	--
Unrealised revaluations	--	--	-901	--	-901	--	-901
Impairments	--	--	12	--	12	--	12
Realised revaluations through profit or loss	--	--	-140	--	-140	--	-140
Change in profit-sharing reserve	--	--	--	--	--	--	--
Change in shadow accounting	--	--	1,004	--	1,004	--	1,004
Other movements	--	--	--	-1	-1	-2	-3
Amounts charged directly to total equity	--	--	-38	-1	-39	-2	-41
Net result 2013	--	--	--	-416	-416	--	-416
Total result 2013	--	--	-38	-417	-455	-2	-457
Total changes in equity 2013	--	--	-38	-417	-455	-2	-457
Balance as at 31 December 2013	--	1,619	84	984	2,687	1	2,688

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	6	--	116	122	1,397	4	1,401
Changes in principles deferred acquisition cost	--	--	--	--	--	--	--
Adjusted balances at 1 January 2013	6	--	116	122	1,397	4	1,401
Transfer of net result 2012	--	--	--	--	4	-4	--
Transfers 2012	--	--	--	--	4	-4	--
Unrealised revaluations from cashflow hedges	--	-13	--	-13	--	--	--
Deferred interest income from cashflow hedges	--	--	--	--	--	--	--
Unrealised revaluations	-2	--	-899	-901	--	--	--
Impairments	--	--	12	12	--	--	--
Realised revaluations through profit or loss	--	-9	-131	-140	--	--	--
Change in profit-sharing reserve	--	--	--	--	--	--	--
Change in shadow accounting	--	30	974	1,004	--	--	--
Other movements	--	--	--	--	-1	--	-1
Amounts charged directly to total equity	-2	8	-44	-38	-1	--	-1
Net result 2013	--	--	--	--	--	-416	-416
Total result 2013	-2	8	-44	-38	-1	-416	-417
Total changes in equity 2013	-2	8	-44	-38	3	-420	-417
Balance as at 31 December 2013	4	8	72	84	1,400	-416	984

6.5 Consolidated cash flow statement

Consolidated cash flow statement

In € millions

	2014	2013 ¹
Cash flow from operating activities		
Operating profit before taxation	-690	-558
Adjustments for:		
Depreciation and amortisation of non-current assets	1	42
Changes in technical provisions for own risk	1,477	-717
Changes in other provisions	-160	-226
Impairment charges / (reversals)	22	51
Unrealised results on investments through profit or loss	1,022	-373
Taxes paid / received	3	--
Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-1,208	-962
Change in other operating activities	-1,964	1,576
Net cash flow from operating activities	-1,497	-1,167
Cash flow from investment activities		
Sale of subsidiaries	--	15
Sale of investment property	4	11
Sale and redemption of investments and derivatives	9,661	8,518
Purchase of investment property	-2	--
Purchase of investments and derivatives	-8,907	-7,896
Net cash flow from investment activities	756	648
Cash flow from finance activities		
Redemption of subordinated loans	-1	-2
Redemption of debt certificates	66	--
Net cash flow from financing activities	65	-2
Cash and cash equivalents 1 January	1,020	1,541
Change in cash and cash equivalents	-676	-521
Cash and cash equivalents as at 31 December	344	1,020
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,195	1,203
Dividends received	194	173
Interest paid	141	170

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

SRLEV NV (SRLEV), incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SRLEV's registered office is located at Wognumsebuurt 10, 1817 BH Alkmaar, the Netherlands.

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

SRLEV NV is a wholly owned subsidiary of REAAL NV and REAAL NV is a wholly owned subsidiary of SNS REAAL NV (SNS REAAL).

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 SRLEV 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.

7.1.2 Basis of preparation

Statement of IFRS compliance

SRLEV 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, SRLEV 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 SRLEV:

- 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.

SRLEV has assessed the impact of the amendments on the consolidated financial statements. Based on the control criteria, SRLEV consolidates several investment funds as of 1 January 2014. Comparative figures have been adjusted accordingly. In prior periods, only the direct investments of SRLEV 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. SRLEV 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 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 SRLEV.

The most important changes for SRLEV 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 SRLEV 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

SRLEV has assessed the impact of the amendments of the published standards and interpretations which came into effect in 2014. SRLEV 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 SRLEV and the investments for account of 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, SRLEV 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 SRLEV used since 2012, with permission of DNB, the ECB AAA curve with ultimate forward rate. At that time, SRLEV indicated that it would return to the use of the swap curve when market conditions were normalised. 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 € 104 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 € 26 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.

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, forms 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 included 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 SRLEV. 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 SRLEV 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. SRLEV 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 SRLEV 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 SRLEV are consolidated. Control over companies and entities is assumed if SRLEV 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 SRLEV. 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 SRLEV. 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 SRLEV has between 20 percent and 50 percent of the voting rights, or entities over which SRLEV can exercise significant influence on the operational and financial policies, but in which it has no control.

Joint ventures are entities over which SRLEV 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 SRLEV's share in the total results of associates and joint ventures, from the date that SRLEV 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 SRLEV'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, SRLEV'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'. SRLEV'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 SRLEV 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 SRLEV and its associates and joint ventures are eliminated to the extent of SRLEV'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 SRLEV 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 segment information is not presented in the financial statement of SRLEV. SRLEV is the part of business units, that are defined, managed and controlled by VIVAT Group. As a consequence, the presentation of the business units within SRLEV would result in less transparent information presented to the users of the financial statement. For information on the level of business units please refer to the financial statement of VIVAT Group 2014.

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 SRLEV'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 SRLEV, 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 SRLEV principles of the insurance portfolios acquired.

SRLEV 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 realisable amount from continued use (value in use) or sale of the asset. The realisable 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 realisable 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 realisable amount, it is written down to the realisable 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 realisable 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

SRLEV 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. SRLEV 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'. SRLEV uses the average cost method to determine the results.

Impairments on investments

At reporting date, SRLEV 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 SRLEV 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. SRLEV is not exposed to any investment risk since beneficial ownership remains with these third parties.

These investment funds are consolidated since SRLEV 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. SRLEV 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 of profit or loss 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 SRLEV 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. SRLEV 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 SRLEV, 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.

SRLEV 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 SRLEV 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 SRLEV 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 SRLEV 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 SRLEV 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 2 Appraisal of 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 39 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 SRLEV's retained earnings.

Subordinated debt and final bonus account

Subordinated debt

Subordinated debt includes the subordinated bonds and private loans issued by SRLEV. 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.

An obligation to make future contractual payments is recognised as soon as the insurance contract takes effect. SRLEV 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.

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 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 SRLEV 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

SRLEV 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 SRLEV 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. 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 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 SRLEV'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, SRLEV applies shadow accounting in order to reduce the asymmetry in the liability adequacy test. As a result, both SRLEV's statement of financial position and the financial results 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 SRLEV should invest the amount of any premiums paid after deduction of costs and risk premium. To this end, SRLEV 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, SRLEV 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 SRLEV 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 14 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 SRLEV, 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.

Employee benefits

All SRLEV's 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 SRLEV 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

SRLEV's 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.

SRLEV recognises severance payments if SRLEV 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

SRLEV 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 SRLEV. The costs of the corporate staff departments are charged to SRLEV on the basis of the services provided, or, if more appropriate, proportionally allocated to SRLEV'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 SRLEV. 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) and single-premium Life.

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.

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 SRLEV. 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 SRLEV 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 SRLEV 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 SRLEV.

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, SRLEV 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 SRLEV will conclude a particular loan agreement. If the commitment expires without SRLEV 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, 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 14 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.

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 SRLEV.

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 SRLEV. 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

In 2014 SRLEV did not undertake any acquisitions and disposals.

7.3 Notes to the consolidated financial statements

1 Intangible assets

Breakdown intangible assets

In € millions	2014	2013
Software	--	--
Value of Business Acquired (VOBA)	--	--
Total	--	--

There were no balances for VOBA and software at both year-end 2014 and 2013. Given that there were movements in these items in 2013, a statement of movements has in fact been included for 2013.

Statement of changes in intangible assets 2013

In € millions	Software	VOBA	Total
Accumulated acquisition costs	49	1,222	1,271
Accumulated amortisation and impairments	-49	-1,222	-1,271
Balance as at 31 December	--	--	--
Balance as at 1 January	23	556	579
Depreciation purchases	-3	-36	-39
Impairments	-20	-520	-540
Balance as at 31 December	--	--	--

Impairment losses on the value of business acquired (VOBA) of € 520 million were recognised within technical benefits and claims in 2013 rather than within impairments (and reversals).

2 Property and equipment

Breakdown property and equipment

In € millions	2014	2013
Land and buildings for own use	51	58
IT equipment	--	--
Other assets	1	1
Total	52	59

Statement of changes in property and equipment 2014

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	114	1	3	117
Accumulated revaluations	-6	--	--	-6
Accumulated depreciation and impairments	-57	-1	-2	-60
Balance as at 31 December	51	--	1	52
Balance as at 1 January	58	--	1	59
Depreciation	-1	--	--	-1
Impairments	-4	--	--	-4
Other	-2	--	--	-2
Balance as at 31 December	51	--	1	52

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 and 2013. As in 2013, no major contractual obligations for additions to property, plant and equipment were assumed in 2014.

Statement of changes in property and equipment 2013

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	127	1	2	130
Accumulated revaluations	-7	--	--	-7
Accumulated depreciation and impairments	-62	-1	-1	-64
Balance as at 31 December	58	--	1	59
Balance as at 1 January	122	--	2	124
Revaluations	-3	--	--	-3
Investments	3	--	--	3
Depreciation	-3	--	--	-3
Impairments	-5	--	--	-5
Reclassifications	-56	--	-1	-57
Balance as at 31 December	58	--	1	59

Rental income

No land or buildings for own use have been 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	58	66	88%
2012	110	127	87%

Fair value hierarchy for property and equipment

In 2014, VIVAT Verzekeringen classified land and buildings for own use 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 38 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 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 land and buildings for own use to investment property (2013: € 57 million).

Fair value hierarchy for investment property

In 2014, SRLEV 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 38 Financial instruments (Fair value of financial assets and liabilities).

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

4 Investments

Breakdown investments

In € millions	2014	2013
Fair value through profit or loss: Designated	225	415
Available for sale	25,496	20,954
Loans and receivables	9,049	9,708
Balance as at 31 December	34,769	31,077

SRLEV has lent a part of its investments. The carrying amount of investments ended at 31 December 2014 was € 1,712 million (2013: € 1,374 million). The periods of lending vary but expire in 2016. SRLEV 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	223	24,082	19,838	24,175	20,061
Unlisted	1,203	701	118	192	1,321	893
Total	1,296	924	24,200	20,030	25,496	20,954

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 changes

In € millions	Shares and similar investments		Fixed-income investments		Total	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	924	1,198	20,030	20,431	20,954	21,629
Purchases and advances	1,785	326	4,621	3,966	6,406	4,292
Disposals and redemptions	-1,435	-638	-3,775	-3,127	-5,210	-3,765
Revaluations	25	23	3,396	-1,200	3,421	-1,177
Impairments	-4	-10	--	-6	-4	-16
Amortisation	--	--	-78	-36	-78	-36
Other	--	25	7	2	7	27
Balance as at 31 December	1,296	924	24,200	20,030	25,496	20,954

The net amount of € 350 million in equities sold and purchased in 2014 (2013: € 312 million negative) was mainly attributable to investments of collateral received in a money-market fund (€ 426 million) and derisking (€ 76 million negative).

The net amount of € 846 million in interest-bearing securities sold and purchased in 2014 (2013: € 839 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	1,222	821	19,388	18,426	20,610	19,247
Revaluation	74	103	4,373	1,172	4,447	1,275
Accrued interest	--	--	439	432	439	432
Balance as at 31 December	1,296	924	24,200	20,030	25,496	20,954

Changes in the value of interest-bearing securities increased in 2014 as result of a sharp fall in interest rates.

Investments: loans and receivables

In € millions	2014	2013
Mortgages	2,064	2,853
Private loans linked to savings mortgages	5,405	5,312
Other private loans	1,585	1,550
Total	9,055	9,715
Provision for bad debts	-6	-7
Total	9,049	9,708

Statement of changes in loans and receivables

In € millions	2014	2013
Balance as at 1 January	9,715	9,820
Purchases and advances	485	942
Disposals and redemptions	-1,422	-1,339
Interest addition	282	284
Amortisation	-5	2
Other	--	6
Balance as at 31 December	9,055	9,715
Balance provisions as at 1 January	-7	-6
Addition	1	-13
Release	--	12
Balance provisions as at 31 December	-6	-7
Total	9,049	9,708

In 2014, SNS Bank NV repurchased a portfolio of mortgages from SRLEV for € 416 million. This has been presented within disposals.

5 Investments for account of policyholders

Investments for account of policyholders include separate deposits held for account 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.

Listing investments for account of policyholders

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).

6 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 composed to previous years, except for investment funds that are required to be consolidated by SRLEV. 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.

Overview interest in major investment funds

Name	Location	Activity	Shares held by VIVAT Groep	Shares held by others
SNS Beleggingsfondsen	Multiple	Investment Management	82%	18%
SNS Profiefondsen	Multiple	Investment Management	53%	47%
ACTIAM Responsible Indexfondsen	Multiple	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'.

7 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 39 Hedging and hedge accounting, 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.

8 Deferred tax assets and liabilities

Breakdown deferred tax assets and liabilities

In € millions	2014	2013
Deferred tax assets	1,643	661
Deferred tax liabilities	-1,157	-341
Total	486	320

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
Value of business acquired	3	-1	--	--	2
Capitalised acquisition costs insurance activities	84	-28	--	--	56
(Investment) property and equipment	-30	2	--	--	-28
Investments	-243	16	-792	-8	-1,028
Derivatives	-25	2	-39	8	-54
Insurance contracts	531	196	839	0	1,564
Other	--	-27	--	--	-27
Total	320	160	7	--	486

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	3	-3	--	--	--
Value of business acquired	-134	137	--	--	3
Capitalised acquisition costs insurance activities	105	-21	--	--	84
(Investment) property and equipment	-37	6	1	--	-30
Investments	-611	27	333	8	-243
Derivatives	-33	9	7	-8	-25
Insurance contracts	803	68	-340	--	531
Provision for employee benefits	--	--	--	--	--
Other	-1	1	--	--	--
Total	95	224	1	--	320

Breakdown tax-effect changes shareholders' equity

In € millions	2014	2013
Change in revaluation reserve	--	1
Change in cash flow hedge reserve	-31	7
Change in fair value reserve	38	-7
Total	7	1

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.

9 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).

10 Other assets

Breakdown other assets

In € millions	2014	2013
Policyholders	120	123
Intermediaries	83	97
Reinsurers	75	75
Amounts due from direct insurance	278	295
Accrued interest	20	19
Other advances	144	246
Total	442	560

11 Cash and cash equivalents

Breakdown cash and cash equivalents

In € millions	2014	2013
Short-term bank balances	344	1,020
Total	344	1,020

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 free disposal of the company.

The group companies of SRLEV have a joint credit facility totalling € 7.5 million with ABN AMRO.

12 Shareholders' equity

Breakdown equity

In € millions	2014	2013
Equity attributable to shareholders	2,134	2,687
Minority interests	--	1
Total	2,134	2,688

For further details on shareholders' equity, see Section 6.4 Consolidated statement of changes in equity.

13 Subordinated debts

Breakdown subordinated debts

In € millions	2014	2013
Bonds	572	542
Private loans	95	95
Final bonus account	13	15
Total	680	652

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	482	487	487
Change in fair value as a result of hedge accounting			88	60	--	--
Total			572	542	487	487

In April 2011, SRLEV 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 17).

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 Verzekeringen (REAAL NV). As a result of the purchase and sale agreement, the coupon ban was lifted that has been imposed by the European Commission on the outstanding subordinated bonds issued by SRLEV placed with third parties. Until the transaction has completed, however, SRLEV will avail itself of its optional right to defer payment of interest on these hybrid debt instruments.

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 a perpetual loan of € 95 million. This loan was issued by SNS REAAL. The private loan bears an average interest rate of 8.9 percent (2013: 8.9 percent). The earliest repayment date is 24 April 2018.

As part of the purchase and sale agreement with Anbang, SRLEV NV will repay to SNS REAAL € 95 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. This account concerns final bonus commitments relating to certain Life insurance policies and is predominantly of a long-term nature.

14 Insurance contracts

Breakdown insurance and reinsurance contracts by contract

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Provision for Life insurance obligations	31,346	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	31,120	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	--	--
Total	44,943	41,263	3,589	3,998

Insurance contracts are predominantly of a long-term nature.

As part of the simplification of systems and software within SRLEV, 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 NV 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 has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV, 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 should fall below 150 percent. SRLEV'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	26,216	26,803	3,863	3,021
Portfolio reclassification	601	655	--	--
Reinsurance contracts	--	--	--	1,260
Benefits paid	-1,664	-2,130	-533	-637
Premiums received	1,358	1,293	161	164
Interest added	862	905	142	139
Technical result	-174	-166	-112	-167
Release of expense loading	-153	-169	68	83
Change in shadow accounting	3,459	-1,162	--	--
Change in statement of profit or loss by IFRS LAT shortfall	838	194	--	--
Other movements	3	-7	--	--
Balance as at 31 December	31,346	26,216	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 for account 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 for account of SRLEV. 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 5.4.4 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	562	-296	161	92	723	-204
Shadow loss accounting	2,792	-1,040	--	--	2,792	-1,040
Total changes in shadow accounting in provision for Life insurance obligations	3,354	-1,336	105	174	3,459	-1,162
Taxation	839	-333	26	45	865	-288
Total changes, net	2,515	-1,003	79	129	2,594	-874

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	5	-16
Other movements	-26	--
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	13,929
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

15 Other provisions**Breakdown other provisions**

In € millions	2014	2013
Restructuring provision	2	3
Other provisions	18	11
Total	20	14

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		Total	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	3	4	11	11	14	15
Reclassifications	--	--	8	--	8	--
Additions / release	--	3	--	1	--	4
Released to results	-1	-4	-1	-3	-2	-7
Other movements	--	--	--	2	--	2
Balance as at 31 December	2	3	18	11	20	14

16 Amounts due to banks**Breakdown amounts due to banks**

In € millions	2014	2013
Due on demand	438	594
Deposits and certificates	260	1,348
Private loans	806	811
Total	1,504	2,753

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 item 'private loans' comprises a floating-rate loan from SNS Bank NV of € 806 million equivalent to the savings elements of securitised mortgages. For details, see note 19 Related parties.

17 Other liabilities

Breakdown other liabilities

In € millions	2014	2013
Debts in relation to direct insurance	1,494	546
Debts to reinsurers	3,654	3,929
Other taxes	35	40
Other liabilities	845	1,095
Accrued interest	128	81
Total	6,156	5,691

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 in 2011 (2013: € 44 million). For details, see note 13 Subordinated debt.

18 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'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's solvency margin.

At year-end 2014, SRLEV 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's solvency.

At year-end 2014, SRLEV had assumed commitments of € 0.6 million for the renovation of an investment property.

Related-party balances are presented in note 19 Related parties.

Guarantees schemes

For details on the insurance contract between NV Pensioen ESC, an associate of SRLEV, and a third party, see note 14 Insurance contracts.

DNB can impose a levy on SRLEV 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, Zwitterleven 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 Zwitterleven 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 (Dutch acronym: NHG) amounted to € 1,131 million at year-end 2014 (2013: € 1,181 million).

The market value of the collateral of the mortgages was € 3,227 million at year-end 2014. The amortised cost of the mortgages was € 2,058 million at year-end 2014.

Netherlands Reinsurance company for Losses from Terrorism

In 2015, SRLEV will take a 13.60 percent share in the Life cluster (2014: 14.45 percent) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2015, the guarantee will be € 54 million (2014: € 58 million) and premiums will amount to € 0.6 million (2014: € 0.7 million).

Legal proceedings

SRLEV 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 SRLEV'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, SRLEV (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, SRLEV 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 SRLEV 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.

SRLEV 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 SRLEV 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 SRLEV 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.

19 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. SRLEV has a range of normal business relationships with related companies and parties as part of its ordinary activities. SRLEV's related parties are its parent REAAL NV, 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 SNS REAAL, VIVAT Group and SRLEV are shared. The related expenses are allocated to the segments that use their services. For further details, see Section 7.4 Segmentation.

Intra-group balances between SRLEV, SNS REAAL, REAAL NV, and subsidiaries

Transactions and positions between SRLEV NV, SNS REAAL NV, REAAL NV, SNS Bank NV and affiliates

In € millions	SNS REAAL		REAAL NV		SNS Bank		Affiliates	
	2014	2013	2014	2013	2014	2013	2014	2013
Positions								
Receivables	--	28	110	69	2,624	3,050	12	16
Subordinated loans	95	95	--	--	--	--	--	--
Other debts	10	6	--	235	806	862	--	--
Transactions								
Movements receivables	-28	21	41	-587	-426	-319	-4	16
Movements subordinated loans	--	--	--	--	--	--	--	--
Movements other debts	4	--	-235	165	-56	392	--	-11
Income	7	14	12	3	129	112	11	--
Impairments	--	9	--	--	--	--	--	--
Other expenses	55	70	3	--	42	23	7	--

Tax group

SRLEV is a wholly owned subsidiary of REAAL NV and REAAL NV is a wholly owned subsidiary of SNS REAAL NV. 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 NV are jointly and severally liable for the group's income tax and VAT debts. For further details on income tax, see note 8 Deferred tax assets and liabilities.

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 involving SRLEV NV were:

- SRLEV NV has provided a credit facility to REAAL NV capped at € 200 million. Six sub-loans with a combined value of € 105 million had been granted at year-end 2014. The credit facility will fall due at year-end 2015 and comes with a one-year renewal option. It will be repaid in full if the insurer is sold. The interest on the loan is 2.49 percent.
- 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 BV 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 of € 200 million to REAAL Hypotheken BV to repay the current account balance between REAAL Hypotheken BV and REAAL NV. The mortgage portfolio not yet pledged to third parties was provided as collateral to SRLEV NV.
- SRLEV NV has waived a current account receivable of € 0.8 million from its subsidiary RM BV, a wholly owned subsidiary of Fnidsen Beheer BV.
- For details on the subordinated private loan of € 95 million, see note 13 Subordinated debt.

Mortgage-related intra-group balance

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 SRLEV NV for € 416 million.

Other significant intra-group balances between SRLEV and related parties

- At year-end 2014, SRLEV NV's investments in fixed-income securities issued by SNS Bank NV were € 23 million (2013: € 22 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.
- In addition to its own payment transactions, SRLEV also conducts payment transactions for Reaal Schadeverzekeringen NV. For this purpose, it uses a bank account in the name of Reaal Schadeverzekeringen NV that is registered in the financial accounts of SRLEV. At year-end, the balance in that bank account was € 32 million.

Intra-group balances with senior management of SRLEV

The senior management is comprised of the members of the Statutory Board of SRLEV NV and the members of the Executive Board of VIVAT Verzekeringen. In total, there were 15 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). Under IFRS, the members of the Statutory Board of SRLEV NV – together with the management of VIVAT Verzekeringen – qualify as senior management. This is reflected in the number of other executive directors and members of the Statutory Board. On average, 12.4 persons qualified as senior managers in 2014 (2013: 11.0).

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	1,728	1,575	1,894	2,224	3,622	3,799
Pension contributions	270	241	275	317	545	558
Long-term remuneration	--	--	--	--	--	--
Termination benefits	--	--	--	607	--	607
Total	1,998	1,816	2,169	3,148	4,167	4,964
Average number of FTEs	4.5	3.1	7.9	7.9	12.4	11.0
Average remuneration per FTE ¹	444	540	275	381	336	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. SRLEV NV has taken out two insurance policies for a number of senior managers: occupational disability insurance and term Life insurance. SRLEV NV 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 four 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	5,835	3,460	0	4.00%	264	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 of SNS REAAL NV are included in the Annual Report 2014 of SNS REAAL (Remuneration report).

20 Interests in non-consolidated structured entities

In some cases SRLEV 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 SRLEV 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	29	--	29	2,016	2,016
Total	29	--	29	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	30	--	30	2,107	2,107
Total	30	--	30	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 SRLEV might suffer on its involvement in non-consolidated structured entities, ignoring the impact of any mitigating action or compensating influence of other financial instruments.

SRLEV had not offered financial or non-financial support to any non-consolidated structured entities at 31 December 2014. SRLEV does not intend to offer further financial or other support to non-consolidated structured entities.

During the year SRLEV 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	--	--

21 Interests in associates and other enterprises

Zwitserleven RM Beleggingen BV, a structured entity over which SRLEV exercises control, is consolidated. SRLEV manages this entity as part of its Life insurance business. Zwitserleven RM Beleggingen BV held mortgages acquired from SNS Bank in 2010. At year-end 2014, SNS Bank NV repurchased remaining mortgages from this entity. The gain on this transaction for SRLEV 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 4 Investments).

22 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 NV 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 NV. 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 BV, 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.

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.

23 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	643	690	364	411	1,007	1,101
Regular premiums Zwitserleven	305	279	496	554	801	833
Total gross regular premiums Life	948	969	860	965	1,808	1,934
Single premiums REAAL Life	75	215	2	4	77	219
Single premiums Zwitserleven	334	109	118	133	452	242
Total gross single premiums	409	324	120	137	529	461
Total gross premium income	1,357	1,293	980	1,102	2,337	2,395
Total reinsurance premiums REAAL Life and Zwitserleven	161	164	--	--	161	164
Total net premium income Life	1,196	1,129	980	1,102	2,176	2,231

Breakdown regular premiums Life

In € millions	Own account		For account of policyholders		Total	
	2014	2013	2014	2013	2014	2013
Individual						
Without profit-sharing	540	536	364	411	904	947
With profit-sharing	125	154	--	--	125	154
Total individual	665	690	364	411	1,029	1,101
Group						
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	948	969	860	965	1,808	1,934

Breakdown single premiums Life

In € millions	Own account		For account of policyholders		Total	
	2014	2013	2014	2013	2014	2013
Individual						
Without profit-sharing	75	215	2	4	77	219
With profit-sharing	192	--	--	--	192	--
Total individual	267	215	2	4	269	219
Group						
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	409	324	120	137	529	461

24 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	-1	-1
- Management fees	52	50
- Other activities	12	13
Total fee and commission income:	65	64
Fee and commission expense	1	2
Total	64	62

25 Share in result of associates

This item represents the share in the profit or loss of associates. In 2014, this was nil (2013: € 1 million).

26 Investment income

Breakdown investment income

In € millions	2014	2013
Fair value through profit or loss: Designated	38	19
Available for sale	830	784
Loans and receivables	498	491
Investment property	17	10
Total	1,383	1,304

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	--	6	557	497	--	1,061
Dividend	--	--	24	--	--	24
Rental income	--	--	--	--	18	18
Total interest dividend and rental income	--	6	581	497	18	1,103
Realised revaluations	--	31	249	1	-1	280
Unrealised revaluations	--	1	--	--	-1	0
Total revaluations	--	32	249	1	-1	280
Total	--	38	830	498	17	1,383

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	582	489	--	1,082
Dividend	--	--	26	--	--	26
Rental income	--	--	--	--	21	21
Total interest dividend and rental income	--	11	608	489	21	1,129
Realised revaluations	--	14	176	2	--	192
Unrealised revaluations	--	-6	--	--	-11	-17
Total revaluations	--	8	176	2	-11	175
Total	--	19	784	491	10	1,304

SRLEV 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: € 3.6 million).

27 Investment 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.

28 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	-79	60

Ineffectiveness for SRLEV arising from cash flow hedges and recognised through profit or loss was nil for 2014 (2013: nil).

29 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	1,890	2,688	-533	-637	1,357	2,051
Change in technical provisions for own account	829	-284	274	371	1,103	87
Profit-sharing and discounts	72	--	--	53	72	53
Change in shadow accounting	105	174	--	--	105	174
Change in LAT shortfall	837	194	--	--	837	194
Life insurance	3,733	2,772	-259	-213	3,473	2,559

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 14.

30 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

31 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	46	77

32 Staff costs

Breakdown staff costs

In € millions	2014	2013
Salaries	32	36
Pension costs	9	9
Social security contributions	5	5
Other staff costs	104	74
Total	150	124

Breakdown pension costs

In € millions	2014	2013
Pension schemes based on defined contribution	9	9
Total	9	9

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 NV 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 NV. The value of the phantom shares is cash-settled on maturity.

Other staff costs

Other staff costs consist mainly of staff costs recharged by REAAL NV. This item also includes the cost of temporary staff, the car fleet, travelling expenses and training costs.

Number of FTE's

The headcount (in FTEs) in 2014 was 2,011 (2013: 1,790). The corporate departments at SNS REAAL holding company level were largely allocated to SNS Bank NV and VIVAT Group in 2014 (and hence to SRLEV).

33 Other operating expenses

Breakdown other operating expenses

In € millions	2014	2013
IT systems	33	32
Housing	2	4
Marketing and public relations	2	2
External advisors	2	2
Other costs	97	111
Total	136	151

34 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	--	20	--	--	--	20
Property and equipment	4	5	--	--	4	5
Investments	4	34	--	12	4	22
Other debts	14	4	--	--	14	4
Total through profit or loss	22	63	--	12	22	51
Through equity						
Investments	--	12	--	--	--	12
Total through equity	--	12	--	--	--	12

35 Other interest expenses

Breakdown other interest expenses

In € millions	2014	2013
Bonds	49	45
Private loans	55	39
Interest on reinsurance deposits	122	118
Other interest and investment expenses	5	5
Total	231	207

36 Taxation

Breakdown taxation

In € millions	2014	2013
In financial year	-12	85
Prior year adjustments	--	--
Corporate income tax due	-12	85
Due to temporary differences	-160	-227
Deferred tax	-160	-227
Total	-172	-142

Reconciliation between the statutory and effective tax rate

In € millions	2014	2013
Statutory income tax rate	25.0%	25.0%
Result before tax	-690	-558
Statutory corporate income tax amount	-172	-140
Effect of participation exemption	--	-2
Total	-172	-142
Effective tax rate	25.0%	25.4%

7.4 Segmentation

37 Segment information

The annual report of SRLEV does not include disclosures on business units (segments). SRLEV's segments are defined and managed at VIVAT Group level, as a result of which recognition in these financial statements would lead to less transparent information for the users of these financial statements. For segment information, see the consolidated financial statements of REAAL NV.

SNS REAAL NV, VIVAT Group and SRLEV 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.

7.5 Additional notes to the consolidated financial statements

38 Financial instruments

Fair value of financial assets and liabilities

The table below shows the fair value of SRLEV'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	25,496	25,496	20,954	20,954
- Loans and receivables	7,239	6,991	6,902	6,862
- Mortgages	2,338	2,058	3,085	2,846
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	442	442	560	560
Cash and cash equivalents	344	344	1,020	1,020
Total financial assets	51,817	51,281	47,385	47,100
Financial liabilities				
Subordinated debts	701	680	674	652
Derivatives	169	169	123	123
Amounts due to banks	1,504	1,504	2,753	2,753
Other liabilities	6,156	6,156	5,691	5,691
Total financial liabilities	8,530	8,509	9,241	9,219

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 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 SRLEV, 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, differentiated by maturity and type of instrument. The carrying amount of any amounts 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 for account 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	25,496	23,688	1,276	532	25,496
Investments for account of policyholders	14,559	14,069	120	378	14,567
Derivatives	846	--	843	3	846
	41,126	37,757	2,440	937	41,134
Financial assets not measured at fair value					
Mortgages	2,058	--	--	2,346	2,346
Investments loans and advances	6,991	--	7,153	78	7,231
Loans and advances to banks	321	--	--	--	--
Other assets	442	--	--	--	--
Cash and cash equivalents	344	--	--	--	--
Financial liabilities measured at fair value					
Derivatives	169	--	121	49	169
Financial liabilities not measured at fair value					
Subordinated debts	680	485	216	--	701
Amounts due to banks	1,504	--	--	--	--
Other liabilities	6,156	--	--	--	--

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	20,954	19,452	854	648	20,954
Investments for account of policyholders	13,491	12,971	109	411	13,491
Derivatives	590	--	590	--	590
	35,450	32,771	1,606	1,073	35,450
Financial assets not measured at fair value					
Mortgages	2,846	--	--	3,085	3,085
Investments loans and advances	6,862	10	6,757	135	6,902
Loans and advances to banks	362	--	--	--	--
Other assets	560	--	--	--	--
Cash and cash equivalents	1,020	--	--	--	--
Financial liabilities measured at fair value					
Derivatives	123	--	123	--	123
Financial liabilities not measured at fair value					
Subordinated debts	652	--	674	--	674
Amounts due to banks	1,942	--	--	--	--
Other liabilities	6,502	--	--	--	--

The table below shows the movements in financial instruments measured at fair value and classified in level 3.

Movements 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
Transfer to level 3	-46	--	11	8
Realised gains or losses recognised in profit or loss	--	9	-1	20
Realised gains or losses recognised in other comprehensive income	--	--	--	--
Unrealised gains or losses recognised in profit or loss	--	6	--	-4
Unrealised gains or losses recognised in other comprehensive income	--	--	--	6
Purchase/acquisition	--	--	--	--
Sale/settlements	--	-20	-1	-218
Other	--	--	--	3
Transfer from level 3	--	-36	--	-9
Balance as at 31 December	-46	378	23	533
Total gains and losses included in profit or loss	--	--	--	--

Movements 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	623	1,048
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	--	--	--	--	--
Purchase/acquisition	--	--	--	--	--
Sale/settlements	--	--	--	--	--
Other	--	--	--	--	--
Transfer from level 3	--	--	--	-48	-48
Balance as at 31 December	--	411	14	648	1,073
Total gains and losses included in profit or loss	--	--	--	--	--

Breakdown level 3 financial instruments

In € millions	2014	2013
Bonds issued by financial institutions	62	66
Collateralised debt obligation	146	215
Collateralised loan obligation	12	6
Equities	334	375
Derivatives	-46	--
Investments for account of policyholders	379	411
Total	888	1,073

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
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 in 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)	--	446	1	447
Based on observable market data (Level 2)	75	--	-28	47
Not based on observable market data (Level 3)	--	46	--	46

Reclassification between levels 1, 2 and 3

Shift between levels 3 and 2

At year-end 2014, € 46 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 in particular (inflation-linked swaps and cross-currency swaps).

Shift between levels 1 and 2

At year-end 2014, € 446 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	1,504	--	1,504	260	--	260	984
Total financial liabilities	1,674	--	1,674	312	117	260	984

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	--	--	37
Amounts due to banks	2,753	--	2,753	--	--	1,347	1,406
Total financial liabilities	2,876	--	2,876	86	--	1,347	1,443

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	--	--	-51	-289	-1,463	-1,802
Other liabilities ¹	-1,502	-112	-932	-1,119	-1,537	-5,203
Amounts due to banks	-438	-285	-55	-324	-402	-1,504
Total	-1,940	-397	-1,038	-1,732	-3,403	-8,509

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 minority interests 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 minority 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	--	--	-50	-202	-1,595	-1,847
Other liabilities ¹	-1,441	-120	-1,003	-1,203	-1,646	-5,413
Amounts due to banks	-981	-989	-11	-295	-476	-2,753
Total	-2,422	-1,109	-1,064	-1,701	-3,717	-10,013

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.

39 Hedging and hedge accounting

SRLEV 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 SRLEV 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

SRLEV uses derivatives to protect the market value of shareholders' equity 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

SRLEV 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

SRLEV hedges the currency risk in the equity portfolio using foreign exchange futures contracts.

Hedging interest rate risk on subordinated debts

SRLEV hedges the interest rate risk in the subordinated debts using interest rate swaps.

Cash flow hedges

Hedging interest rate risk in future reinvestments

SRLEV 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 shareholders' equity 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.

SRLEV does not apply hedge accounting to the swaptions and related hedged positions.

40 List of principal group companies

Overview 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 (%)
Empresa BV	Zeist	Vastgoedbeheer	100	100	0
Foresta Investerings Maatschappij NV	's-Hertogenbosch	Participatiemaatschappij	100	100	0
GVR500 Building BV	Utrecht	Vastgoedbeheer	100	100	0
GVR 500 Parking BV	Utrecht	Vastgoedbeheer	100	100	0
NV Pensioen ESC	Curaçao	Pensioenbeheer	100	100	0
Princenhof Staete Driebergen BV	Zeist	Vastgoedbeheer	100	100	0
REAAL De Ruyterkade BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Hypotheken BV	Utrecht	Hypotheken	100	100	0
REAAL Kantoren I BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Landbouw I BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Landbouw II BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Landbouw III BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Winkels I BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Winkels II BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Wognumsebuurt BV	Utrecht	Vastgoedbeheer	100	100	0
REAAL Woningen I BV	Utrecht	Vastgoedbeheer	100	100	0
Zwitserveven RM Beleggingen BV	Alkmaar	Hypotheken	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	--	--
Property and equipment	2	38	45
Subsidiaries	3	137	98
Receivables from subsidiaries		262	731
Investment property	4	144	145
Investments	5	34,450	30,089
Investments for account of policyholders	6	14,227	13,198
Derivatives		846	590
Deferred tax assets		1,642	652
Reinsurance contracts	11	3,589	3,863
Loans and advances to banks		304	351
Corporate income tax		--	38
Other assets	7	444	524
Cash and cash equivalents	8	337	978
Total assets		56,420	51,302
Equity and liabilities			
Issued share capital ²		--	--
Share premium reserve		1,619	1,619
Fair value reserve		49	108
Statutory reserves associates		--	-24
Other statutory reserves		--	24
Other reserves		984	1,376
Retained earnings		-518	-416
Shareholders' equity	9	2,134	2,687
Equity attributable to security holders		--	--
Subordinated debts	10	680	652
Capital base		2,814	3,339
Insurance contracts	11	44,694	39,441
Other provisions	12	20	14
Derivatives		169	88
Deferred tax liabilities		1,142	328
Amounts due to banks	13	1,504	2,753
Corporate income tax		69	-1
Other liabilities	14	6,008	5,340
Total equity and liabilities		56,420	51,302

¹ The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.

² The issued and paid up share capital of SRLEV NV is € 45,000.

8.2 Company statement of **profit** or loss

In € millions	2014	2013
Result on subsidiaries after taxation	19	8
Other results after taxation	-537	-424
Net result for the period	-518	-416

9 Notes to the separate financial statements

9.1 Accounting policies for the company financial statements

SRLEV prepares its company financial statements in accordance with the provisions of Section 402 of Book 2 of the Dutch Civil Code. Accordingly, the share in result 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 SRLEV has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by SRLEV. Subsidiaries 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 shareholders' equity.

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 in result of subsidiaries recognised in accordance with the accounting policies of SRLEV are recognised through profit or loss. The distributable reserves of subsidiaries are recognised in other reserves.

Loans to and from group companies are intra-group balances, which are recognised at amortised cost.

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
Software	--	--
Value of Business Acquired (VOBA)	--	--
Total	--	--

There were no balances for VOBA and software at both year-end 2014 and 2013. Given that there were movements in these items in 2013, a statement of movements has in fact been included for 2013.

Statement of changes in intangible assets 2013

In € millions	Software	VOBA	Total
Accumulated acquisition costs	49	1,222	1,271
Accumulated amortisation and impairments	-49	-1,222	-1,271
Balance as at 31 December	--	--	--
Balance as at 1 January	23	556	579
Depreciation purchases	-3	-36	-39
Impairments	-20	-520	-540
Balance as at 31 December	--	--	--

2 Property and equipment

Breakdown property and equipment

In € millions	2014	2013
Land and buildings for own use	37	44
Other assets	1	1
Total	38	45

Statement of changes in property and equipment 2014

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	93	3	96
Accumulated revaluations	-6	--	-6
Accumulated depreciation and impairments	-50	-2	-52
Balance as at 31 December	37	1	38
Balance as at 1 January	44	1	45
Reclassification	-2	--	-2
Depreciation	-1	--	-1
Impairments	-4	--	-4
Balance as at 31 December	37	1	38

Statement of changes in property and equipment 2013

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	95	2	97
Accumulated revaluations	-6	--	-6
Accumulated depreciation and impairments	-45	-1	-46
Balance as at 31 December	44	1	45
Balance as at 1 January	43	2	45
Reclassification	1	-1	--
Revaluations	-1	--	-1
Investments	3	--	3
Depreciation	-1	--	-1
Impairments	-1	--	-1
Balance as at 31 December	44	1	45

3 Subsidiaries

Statement of changes in subsidiaries

In € millions	2014	2013
Balance as at 1 January	98	123
Reclassification	--	-25
Disposals and divestments	-2	-15
Revaluations	24	6
Result	19	8
Dividend received	-2	-1
Other movements	--	2
Balance as at 31 December	137	98

4 Investment property

Statement of changes in investment property

In € millions	2014	2013
Balance as at 1 January	145	155
Reclassifications	2	--
Investments	2	--
Divestments	-2	-7
Revaluations	-3	-3
Balance as at 31 December	144	145

Hierarchy investment property

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings used by third parties 2014	--	--	144	144
Land and buildings used by third parties 2013	--	145	--	145

5 Investments

Breakdown investments

In € millions	2014	2013
Fair value through profit or loss: Designated	225	415
Investments available for sale	25,496	20,953
Loans and receivables	8,729	8,721
Total	34,450	30,089

Fair value through profit or loss: listed

In € millions	2014	2013
Listed	219	331
Unlisted	6	84
Total	225	415

Fair value through profit or loss: statement of changes

In € millions	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

Statement of changes in investments available for sale

In € millions	2014	2013
Balance as at 1 January	20,953	21,627
Purchases and advances	6,406	4,292
Disposals and redemptions	-5,210	-3,765
Revaluations	3,421	-1,177
Impairments	-4	-15
Amortisation	-78	-36
Other	8	27
Balance as at 31 December	25,496	20,953

Investments: loans and receivables

In € millions	2014	2013
Mortgages	1,745	1,863
Private loans linked to savings mortgages	5,405	5,312
Other private loans	1,585	1,550
Total	8,735	8,725
Provision for bad debts	-6	-4
Total	8,729	8,721

Statement of changes in loans and receivables

In € millions	2014	2013
Balance as at 1 January	8,725	8,681
Purchases and advances	470	1,567
Disposals and redemptions	-724	-1,814
Interest addition	282	284
Amortisation	-5	-2
Other	-13	9
Balance as at 31 December	8,735	8,725
Balance provisions as at 1 January	-4	-4
Addition	-2	-12
Release	--	12
Balance provisions as at 31 December	-6	-4
Total	8,729	8,721

6 Investments for account of policyholders

Listing investments for account of policyholders

In € millions	2014	2013
Shares and similar investments:		
- Listed	5,431	5,062
- Not listed	7,348	6,875
Fixed income investments		
- Listed	1,091	908
- Not listed	357	353
Total	14,227	13,198

Statement of changes in investments for account of policyholders

In € millions	2014	2013
Balance as at 1 January	13,198	12,907
Purchases and advances	1,848	1,982
Disposals and redemptions	-2,832	-2,156
Revaluations	2,001	461
Other movements	12	4
Balance as at 31 December	14,227	13,198

7 Other assets

Breakdown other assets

In € millions	2014	2013
Receivables from associated companies	22	105
Accrued interest from associated companies	18	15
Amounts due from direct insurance	277	293
Other taxation	127	111
Total	444	524

8 Cash and cash equivalents

Breakdown cash and cash equivalents

In € millions	2014	2013
Short-term bank balances	244	843
Short-term bank balances from associated companies	93	135
Total	337	978

Short-term bank balances are at the company's free disposal.

9 Shareholders' equity

Statement of changes in equity 2014

In € millions	Issued share capital	Share premium reserve	Revaluation reserve	Statutory reserves associates	Other statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders
Adjusted balance as at 1 January 2014	--	1,619	108	-24	24	1,376	-416	2,687
Transfer of 2013 net result	--	--	--	--	--	-416	416	--
Transfers 2013	--	--	--	--	--	-416	416	--
Unrealised revaluations from cash flow hedges	--	--	92	24	--	--	--	116
Deferred interest income from cash flow hedges	--	--	1	--	--	--	--	1
Unrealised revaluations	--	--	2,547	--	--	--	--	2,547
Impairments	--	--	3	--	--	--	--	3
Realised revaluations through profit or loss	--	--	-186	--	--	--	--	-186
Change in profit-sharing reserve	--	--	-422	--	--	--	--	-422
Suppletion negative revaluation reserves associates	--	--	--	--	-24	24	--	--
Change in shadow accounting	--	--	-2,094	--	--	--	--	-2,094
Amounts charged directly to equity	--	--	-59	24	-24	24	--	-35
Net result 2014	--	--	--	--	--	--	-518	-518
Total result 2014	--	--	-59	24	-24	24	-518	-553
Total changes in equity 2014	--	--	-59	24	-24	-392	-102	-553
Balance as at 31 December 2014	--	1,619	49	--	--	984	-518	2,134

Statement of changes in equity 2013

In € millions	Issued share capital	Share premium reserve	Revaluation reserve	Statutory reserves associates	Other statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders
Adjusted balance as at 1 January 2013	--	1,619	122	3	--	1,394	4	3,142
Transfer of 2012 net result	--	--	--	--	--	4	-4	--
Transfers 2012	--	--	--	--	--	4	-4	--
Unrealised revaluations from cash flow hedges	--	--	11	-24	--	--	--	-13
Deferred interest income from cash flow hedges	--	--	--	--	--	--	--	--
Unrealised revaluations	--	--	-901	--	--	--	--	-901
Impairments	--	--	12	--	--	--	--	12
Realised revaluations through profit or loss	--	--	-140	--	--	--	--	-140
Change in profit-sharing reserve	--	--	--	--	--	--	--	--
Suppletion negative revaluation reserves associates	--	--	--	--	24	-24	--	--
Change in shadow accounting	--	--	1,004	--	--	--	--	1,004
Other movements	--	--	--	-3	--	2	--	-1
Amounts charged directly to equity	--	--	-14	-27	24	-22	--	-39
Net result 2013	--	--	--	--	--	--	-416	-416
Total result 2013	--	--	-14	-27	24	-22	-416	-455
Total changes in equity 2013	--	--	-14	-27	24	-18	-420	-455
Balance as at 31 December 2013	--	1,619	108	-24	24	1,376	-416	2,687

Issued share capital

The issued share capital is fully paid-up and consists of ordinary shares with a nominal value of € 500 each. 90 ordinary shares had been issued at 31 December 2014 (2013: 90).

Breakdown issued share capital

	Number of ordinary shares		Amount of ordinary shares (in € millions)	
	2014	2013	2014	2013
Authorised share capital	450	450	--	--
Share capital in portfolio	360	360	--	--
Issued share capital as at 31 December	90	90	--	--

Statement of changes in issued shares capital

In numbers	Ordinary shares	
	2014	2013
Outstanding as at 1 January	90	90
Issues in the financial year	--	--
Repurchased in the financial year	--	--
Outstanding as at 31 December	90	90

10 Subordinated debts

Breakdown subordinated debts

In € millions	2014	2013
Bonds	572	542
Private loans	95	95
Final bonus account	13	15
Total	680	652

Subordinated private loans are comprised of a perpetual loan of € 95 million. This loan was issued by SNS REAAL NV. The private loan bears an average interest rate of 8.9 percent (2013: 8.9 percent). The earliest repayment date is 24 April 2018.

As part of the purchase and sale agreement with Anbang, SRLEV NV will repay to SNS REAAL NV € 95 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.

11 Insurance contracts

Breakdown insurance and reinsurance contracts by contract

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Provision for life insurance obligations	31,346	26,216	3,589	3,863
Unamortised interest rate discounts	-295	-344	--	--
Provision for profit-sharing, bonuses and discounts	69	90	--	--
Life, for own risk	31,120	25,962	3,589	3,863
Technical provisions for insurance on behalf of policyholders	13,574	13,479	--	--
Life, for account of policyholders	13,574	13,479	--	--
Total	44,694	39,441	3,589	3,863

a. Statement of changes in provision for Life insurance obligations for own risk

In € millions	Gross		Reinsurance	
	2014	2013	2014	2013
Balance as at 1 January	26,216	26,802	3,863	3,021
Portfolio reclassification	554	655	--	--
Reinsurance contracts	--	--	--	1,260
Benefits paid	-1,728	-2,130	-533	-637
Premiums received	1,358	1,293	161	164
Interest added	943	905	142	139
Technical result	-144	-166	-112	-167
Release of expense loading	-153	-169	68	83
Change in shadow accounting	3,399	-1,162	--	--
Change in statement of profit or loss by IFRS LAT shortfall	898	194	--	--
Other movements	3	-6	0	--
Balance as at 31 December	31,346	26,216	3,589	3,863

b. 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	562	-296	161	92	723	-204
Shadow loss accounting	2,792	-1,040	--	--	2,792	-1,040
Total changes in shadow accounting in provision for life insurance obligations	3,354	-1,336	105	174	3,459	-1,162
Taxation	839	-333	26	45	865	-288
Total changes, net	2,515	-1,003	79	129	2,594	-874

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.

c. Statement of changes in unamortised interest rate discounts

In € millions	Life own risk	
	2014	2013
Balance as at 1 January	344	400
Discounts given in the financial year	-6	-11
Amortisation	-43	-45
Balance as at 31 December	295	344

d. 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	5	-16
Other movements	-26	--
Balance as at 31 December	69	90

e. Statement of changes in technical provisions for insurance on behalf of policyholders

In € millions	2014	2013
	Balance as at 1 January	13,479
Portfolio reclassification	-554	-646
Premiums received	975	1,096
Benefits paid	-1,212	-1,398
Interest added	607	420
Exchange rate / valuation differences	413	553
Technical result	-35	-25
Release of expense loading	-100	-116
Other movements	1	11
Balance as at 31 December	13,574	13,479

12 Other provisions

Breakdown other provisions

In € millions	2014	2013
Restructuring provision	2	3
Other provisions	18	11
Total	20	14

Statement of changes in other provisions

In € millions	Restructuring provision	
	2014	2013
Balance as at 1 January	14	15
Reclassifications	8	--
Additions	--	4
Withdrawal	-2	-7
Other movements	--	2
Balance as at 31 December	20	14

13 Amounts due to banks

Time to maturity amounts due to banks

In € millions	2014	2013
< 1 year	778	1,982
1 - 5 year	324	295
> 5 year	402	476
Total	1,504	2,753

14 Other liabilities

Breakdown other liabilities

In € millions	2014	2013
Debts to subsidiaries	26	6
Debts to associated companies	5	16
Debts in relation to direct insurance	1,411	546
Debts to reinsurers	3,654	3,930
Other liabilities	912	842
Total	6,008	5,340

Other liabilities include an amount of € 93 million (2013: € 44 million) in deferred coupon payments on subordinated bonds issued by SRLEV in 2011. For details on these deferred coupon payments, see note 13 to the consolidated financial statements.

15 Off balance sheet commitments

For details on off-balance sheet commitments, see note 18 to the consolidated financial statements (Off balance sheet commitments).

16 Related parties

Intra-group balances between SRLEV and subsidiaries

In € millions

	2014	2013
Positions		
Loans and advances	246	688
Receivables	15	41
Accrued interest	1	2
Other liabilities	26	6
Transactions		
Movements loans and advances	-442	-1,125
Movements receivables	-26	-59
Movements accrued interest	-1	-10
Movements other liabilities	20	1
Interest	13	14
Other expenses	1	1

For details on related parties, see note 19 to the consolidated financial statements (Related parties).

17 Audit fees

Pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code, the company has availed itself of the exemption from disclosing the audit fees in the financial statements. These disclosures have been included in the financial statements of VIVAT Group and SNS REAAL NV.

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 22 Post balance sheet events.

10.2 Provisions governing appropriation of **profit** or loss

Loss for 2014: € 518 million.

10.2.1 Provisions in Articles of Association governing the appropriation of **profit** or loss

Article 36

1. The profits shall be at the free disposal of the general meeting.
2. If the general meeting does not resolve to distribute profit or such financial year, that profit will be added to the general reserves.
3. The company may only make distributions to shareholders and other persons entitled to the distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law. The reserve created in accordance with article 35 by the management board are not subject to distribution to shareholders and other persons who are entitled to profit distribution.
4. Profits will only be distributed after adoption of the annual accounts showing that this is justified.

Article 37

1. Dividends shall be payable within fourteen days following their adoption, unless the general meeting determines another date on the proposal of the management board.
2. Dividends which have not been collected within five years after they became due and payable shall revert to the company.
3. The general meeting may resolve that dividends shall be distributed in whole or in part in a form other than cash.
4. Interim distributions shall be made if the general meeting so determines on the proposal of the management board, including an interim distribution of reserves, subject to due observance of the provisions of Section 2:105 Subsection 4 Civil Code.
5. A deficit may only be offset against the reserves prescribed by law, to the extent permitted by law or by these articles of association.

10.2.2 Result appropriation

The loss for 2014 will be charged against the retained earnings of SRLEV.

10.3 Independent auditor's report

To: The General Meeting of Shareholders of SRLEV NV.

Report on the audit of the financial statements 2014

Our opinion

We audited the 2014 financial statements of SRLEV NV (the 'company' or 'SRLEV') 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 SRLEV 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 SRLEV 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 SRLEV 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 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 25 million. The materiality is based on a percentage of the equity of SRLEV (1.2%). 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.

We reported to the Supervisory Board all the unadjusted misstatements in excess of EUR 1.25 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

SRLEV is at the head of a group of legal entities and operating units. In our audit, we focused primarily on the activities of SRLEV itself, given its significant size relative to the other entities in the group. In the context of the audit of the consolidated financial statements of SRLEV, 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 SRLEV.

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 SRLEV. 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 141%, 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, SRLEV and its parent company 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 SRLEV 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 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, SRLEV 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 SRLEV, 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 actuarial specialists. 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 accuracy and adequacy of these disclosures.

Our observations – We consider the valuation of the technical provisions to be 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 to unit-linked policyholders

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 unit-linked policyholders. 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 SRLEV'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 consider 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 SRLEV 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 SRLEV 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 SRLEV 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 SRLEV. 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 SRLEV before the start of 2008 and have operated as statutory auditor since then. We are annually reengaged as the external auditor of SRLEV; 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 SRLEV NV 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 SRLEV NV.

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.

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 SRLEV 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 of SRLEV 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 SRLEV NV.

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.

SRLEV NV 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 3 of the annual report of SRLEV NV. The regulations of the Supervisory Board of SRLEV NV include a provision that complementarity, a joint management approach, independence and diversity are essential for the proper performance of the duties of the Supervisory Board of SRLEV NV.

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 SRLEV NV, this also therefore means the Supervisory Boards of VIVAT Verzekeringen, 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.*

SRLEV NV applies this principle. The members of the SRLEV NV 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 SRLEV NV Supervisory Board discusses the desired profile, composition and competency of its members.

The regulations of the various committees of the Supervisory Board of SRLEV NV provide that each committee should have at least three members. All SRLEV NV'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.*

SRLEV NV applies this principle. See Section 3.2 of the annual report of SRLEV NV 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 SRLEV NV operates.

The regulations of the Supervisory Board of SRLEV NV explicitly provide that the members of the Supervisory Board must make a balanced assessment of the interests of customers, shareholders and employees.

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.*

SRLEV NV applies this principle. Each member of SRLEV'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 SRLEV NV 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 of SRLEV NV 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.*

SRLEV NV 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.*

SRLEV NV 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 SRLEV NV 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.*

SRLEV NV 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 SRLEV NV'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.*

SRLEV NV applies this principle. Members of SRLEV NV'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 SRLEV NV'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.*

SRLEV NV 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 SRLEV NV. 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.*

SRLEV NV 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.*

SRLEV NV applies this principle. In performing its supervisory duties, the Supervisory Board shall pay particular attention to SRLEV NV'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 VSRLEV NV'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 SRLEV NV;

(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.*

SRLEV NV applies this principle. The regulations of SRLEV NV'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. SRLEV NV's Risk Committee complies with this provision.

The regulations of SRLEV'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. SRLEV NV'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.*

SRLEV NV applies this principle. The management of SRLEV NV as the same members as the management of VIVAT Verzekeringen and that of Reaal Schadeverzekeringen NV. SRLEV has five managing directors. This means that the joint management principle is implemented at all 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.

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.*

More information on the background of the different managing directors can be found in the Additional Information under 2 of SRLEV'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.*

SRLEV NV 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 SRLEV NV. 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 SRLEVN, 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 SRLEV NV. This is recorded in the board regulations of SRLEV NV.

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.*

SRLEV NV 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 SRLEV NV. 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 SRLEV NV 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.*

SRLEV NV 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 SRLEV NV. This is explicitly recorded in the board regulations of SRLEV NV.

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.*

SRLEV NV applies this principle. Section 3.1 of the annual report of SRLEV NV 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.*

SRLEV NV 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.*

SRLEV NV 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 SRLEV 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.*

SRLEV NV 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 SRLEV NV.

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.*

SRLEV NV applies this principle. In all of its actions, SRLEV NV 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 SRLEV NV, the social setting in which SRLEV NV operates and laws and regulations and codes that apply to SRLEV NV. SRLEV NV 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.*

SRLEV NV applies this principle. SRLEV NV 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 SRLEV NV'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 SRLEV NV. 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.*

SRLEV NV 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 SRLEV NV's day-to-day operations, the responsibility to act with integrity and responsibility, and the role of SRLEV NV 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.

SRLEV NV applies this principle. Until 1 January 2015 all employees of SRLEV NV 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 SNS REAAL NV 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 Riskmanagement

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.

SRLEV NV applies this principle. SRLEV NV 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 SRLEV NV.

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.

SRLEV NV applies this principle. The Supervisory Board must pay special attention to SRLEV NV'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 SRLEV NV'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.

SRLEV NV 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 SRLEV NV.

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.

SRLEV NV applies this principle. The Supervisory Board periodically assesses, at strategic level, whether the overall business operations are in line with SRLEV NV'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.*

SRLEV NV applies this principle. For the purposes of risk management, VIVAT Group 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 SRLEV NV.

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.*

SRLEV NV 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). SRLEV NV 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 SRLEV NV'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.*

SRLEV NV 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.

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.*

SRLEV NV 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 VIVAT Group'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 SRLEV NV's management. Group Audit reports to the management of SRLEV NV, its Executive Board and Audit Committee every quarter. Group Audit, together with external auditor KPMG, supplies a management letter to the management of SRLEV NV, its Executive Board and Audit Committee annually. In this way, this department is able to perform its activities independently of SRLEV NV'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.

SRLEV NV 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 and SRLEV NV. Group Audit reports to the management of VIVAT Verzekeringen and SRLEV NV, the 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 and SRLEV NV, the Executive Board and Audit Committee annually.

Since 1 July 2014 SRLEV NV's Internal Control Department has been responsible for carrying out special internal control activities for SRLEV NV 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.*

SRLEV NV 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 of SNS REAAL. 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..

SRLEV NV 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 VIVAT Group and thus SRLEV NV. 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.*

SRLEV NV 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.*

SRLEV NV 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 2105 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.*

SRLEV NV 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 SRLEV NV's other employees. SRLEV NV'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 SRLEV NV's remuneration policy, in particular compliance with the remuneration policy and procedures adopted by the Supervisory Board. This is recorded in the regulations of SRLEV NV'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.*

SRLEV NV 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 SRLEV NV, 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 VIVAT Group'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.*

SRLEV NV 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.

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.*

SRLEV NV 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.*

SRLEV NV 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 Group and

SNS REAAL's existing Group Policy on Remuneration continues in force. The policy applies to all business units and employees of IVAT Group and thus SRLEV NV. 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.*

SRLEV NV 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.

SRLEV NV 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 SRLEV NV'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.*

SRLEV NV 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.*

SRLEV NV 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 SRLEV NV, 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).*

SRLEV NV 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.*

SRLEV NV applies this principle in the following way. SRLEV NV 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 SRLEV NV'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 SRLEV NV's employees by means of newsletters about important developments involving laws and regulations that have happened in the intervening period.

The Compliance and Tax Department monitors 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 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 SRLEV. In his role as CEO, Wim Henk is responsible for the strategy, communication and human resources of SRLEV 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, 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 the International Institute of Social History and board member of SIVI (Standardisation Foundation of Dutch insurers and their agents).

Seada van den Herik



Seada van den Herik (1972) is the CEO of Zwitserleven and sits on the Statutory Board of SRLEV. 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 board of the Life Sector of the Dutch Association of Insurers.

Willem Horstmann



Willem Horstmann (1967) is Chief Risk Officer (CRO) and sits on the Statutory Board of SRLEV. 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 Zwitterleven, where he was Chief Financial Risk Officer. Before joining SNS REAAL NV, Willem held various positions at Aegon.

Other positions held: member of the supervisory board of SNS Beleggingsfondsen NV, member of the supervisory committees of Zwitterleven Beleggingsfondsen, Zwitterleven Mix Beleggingsfondsen and Zwitterleven Institutionele Beleggingsfondsen (Fondsen voor Gemene Rekening) and member of the Risk Management Committee of the Dutch Association of Insurers.

Arjen Schouten



Arjen Schouten (1967) is Chief Financial Officer (CFO) and sits on the Statutory Board of SRLEV. 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 Group, since 2011. On 1 July 2014, he was appointed as a member of the Statutory Board and deputy chairman of SRLEV. In his CEO role, Jacob is responsible for the asset management business of VIVAT Group.

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 (1978) is the Director of Balance Sheet Management & Corporate Strategy at VIVAT Group. In this role, he sits on the management team of SRLEV, although he is not a member of the Statutory Board of SRLEV. 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 SRLEV. 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.

3 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 Chairman of the Executive Committee of the Dutch association of securities-issuing businesses and Chairman of the Nyenrode Foundation Board.

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. 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 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, member of the board of VNO-NCW (Confederation of Netherlands Industry and Employers) and member of the Bank Council of the Dutch Central Bank. 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 and a member of the Advisory Board of the Dutch Data Protection Authority and 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.

